

Doctors Hospital Health System Limited

Interim report
Quarter ended April 30, 2007

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Chairman's Report Doctors Hospital Health System Limited

Dear Shareholders,

I am pleased to report on your company's financial results for the three months ended April 30, 2007. The Hospital has completed its fourth consecutive profitable year and your company continues to grow from strength to strength.

Doctors Hospital Health System ended Q1 on a confident note, with stellar results from its key centers of excellence. Earnings per share were thirteen cents for the period. This reflects an increase from ten cents for the comparable period last year. Net income for the three months was \$1.3 million compared to \$1.0 million for the comparable period in 2006.

All patient service revenue generating departments contributed positively to the growth of the Hospital. The financial results reflect growth in patient service revenues to \$10.2 million from \$9.6 million in the prior year period. Our patients increasingly want access to our services, and we are accommodating this greater demand while maintaining overall higher quality and safety.

The annual increases in the cost of health care are major concern for governments and employers. The Hospital continues to face challenges from increasing expenses arising in part from an increase in the cost of supplies, employee benefits and pharmaceuticals. Total expenses increased \$0.4 million, or 4.7%, over the same period last year. Highlights include the following: government taxes and fees increased 10.5%; other operating—insurances, leases—increased 22.6%; and medical supplies and services increased 12.4%. Payroll costs grew slightly at 8.1%.

The Western Medical Plaza continues to be a challenge as we seek a buyer but losses from this discontinued operation have trended downward as the rental income is generated pending a sale. Losses for this facility were \$0.1 million for the first three months of this year and reflected a slight improvement over the comparable period last year. Sale of the vacant land at Blake Road was finalized and a gain of \$16,000 was recorded.

The positive operating results that have been achieved have enabled the company to modernize its health care equipment and improvements have also been made to the nursing units.

We remain optimistic about the future. On behalf of the Board of Directors, I thank you for your continued loyalty and patronage.

Joseph Krukowski
Chairman
June 4, 2007

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DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Balance Sheet

April 30, 2007 with comparative figures at January 31, 2007

(Expressed in thousands of Bahamian dollars)

	April 30, 2007	January 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,885	1,988
Accounts receivable—patients, net (note 2)	1,324	951
Accounts receivable—third party payors, net (note 2)	6,417	5,521
Inventories	1,330	1,252
Other assets	241	322
Assets classified as held for sale (note 3)	5,469	5,443
	17,666	15,477
Non-current assets:		
Investments	30	30
Goodwill, net	431	431
Other intangible assets	2,684	2,700
Investment property	-	1,022
Property, plant and equipment	9,088	9,359
	12,233	13,542
Total assets	\$ 29,899	29,019
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other liabilities	3,249	3,448
Long-term debt, current portion	389	389
Liabilities directly associated with assets classified as held for sale (note 3)	5,142	5,279
	8,780	9,116
Non-current liabilities		
Long-term debt	3,204	3,302
Total liabilities	11,984	12,418
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	5,158	3,844
	17,915	16,601
Total liabilities and shareholders' equity	\$ 29,899	29,019

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(Unaudited)

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DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Three months ended April 30, 2007 with comparative figures for the three months ended April 30, 2006
(Expressed in thousands of Bahamian dollars)

	April 30, 2007	April 30, 2006
CONTINUING OPERATIONS		
Revenues		
Patient service revenue, net	\$ 10,249	9,604
Other	153	129
Total revenues	10,402	9,733
Expenses		
Salaries and benefits	3,697	3,420
Medical supplies and services	2,628	2,338
Other operating	1,144	933
Provision for doubtful accounts	230	600
Depreciation and amortization	579	507
Utilities	270	262
Government taxes and fees	221	200
Repairs and maintenance	110	219
Total expenses	8,879	8,479
Income from continuing operations		
Before interest	1,523	1,254
Interest expense	(64)	(88)
Income from continuing operations	1,459	1,166
Discontinued operations		
Revenue	38	24
Expenses	(183)	(212)
Loss from discontinued operations	(145)	(188)
Net income for the period	\$ 1,314	978
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.13	0.10

(Unaudited)

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DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Cash Flows

Six months ended April 30, 2007 with comparative figures for the three months ended April 30, 2006
(Expressed in thousands of Bahamian dollars)

	April 30, 2007	April 30, 2006
Cash and cash equivalents provided by (used in):		
OPERATING ACTIVITIES:		
Net income	\$ 1,314	979
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	579	507
Provision for doubtful accounts	230	599
Gain on disposal of property, plant and equipment	(16)	-
	2,107	2,085
Increase in accounts receivable	(1,479)	(1,959)
Decrease (increase) in inventories	(78)	(67)
Decrease (increase) in prepaid expenses and other assets	62	183
Decrease in accounts payable and other liabilities	(198)	(400)
Cash and cash equivalents provided by operating activities	414	(158)
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(208)	(664)
Purchase of intangible assets	(84)	(568)
Proceeds from disposal of property, plant and equipment	1,038	-
Cash and cash equivalents provided by (used in) investing activities	746	(1,232)
FINANCING ACTIVITIES:		
Repayment of long-term debt	(236)	(602)
Cash and cash equivalents used in financing activities	(236)	(602)
Decrease in cash and cash equivalents	924	(1,992)
Cash and cash equivalents at beginning of period	1,988	1,284
Cash and cash equivalents at end of period (note 4)	\$ 2,912	(708)

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

(Unaudited)

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DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Changes in Equity

Three months ended April 30, 2007

(Expressed in thousands of Bahamian dollars)

	Number of shares	Share capital	Contributed surplus	Retained earnings
Balance at January 31, 2007	9,971,634	\$ 399	\$ 12,358	\$ 3,844
Net income for the period	-	-	-	1,314
Balance at April 30, 2007	9,971,634	\$ 399	\$ 12,358	\$ 5,158

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DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Notes to Interim Consolidated Financial Statements

Three months ended April 30, 2007

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, 2006 audited consolidated financial statements.

2. Accounts receivable

Accounts receivable are stated net of provisions for doubtful accounts of \$6.2 million.

3. Assets classified as held for sale

For the period ended April 30, 2007, total assets and liabilities of companies which have been discontinued and for which there is a commitment for disposition are reported in the balance sheet as "held for sale." Operating results for these segments are reported in the statement of income "Discontinued operations." These include Western Medical Plaza and Imaging Equipment Limited.

4. Cash and cash equivalents

The cash position of \$2.912 million reported in the statement of cash flows reflects \$27,000 in cash for WMP that is recorded as assets held for sale.