

Doctors Hospital Health System Limited

Interim report

Quarter ended July 31, 2006

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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 six months ended July 31, 2006. Earnings per share were twenty cents for the period. This reflects a decline from twenty-six cents for the comparable period last year, but represents a 122% improvement in EPS compared to the six months ended July 31, 2004. Net income for the six months ended July 31, 2006, was \$1.9 million compared to \$2.6 million for the comparable period in 2005.

The financial results reflect continuing growth in patient service revenues to \$17.6 million from \$16.9 million in the prior year period. Following last year's performance wherein the company realized the best financial results ever, patient service revenues continue to reflect a positive growth trend in key statistics, including patient days, surgical procedures, Emergency Room visits, and outpatient diagnostic procedures. This strong revenue trend is expected to continue through the rest of the year.

Total expenses increased \$1.7 million, or 12%, over the same period year. Highlights include the following: Taxes—particularly business license and work permit fees—increased 20%; other operating—insurances, leases—increased 21%; and maintenance of medical technology increased 172%. Payroll costs grew slightly, as planned, and at 40% of patient service revenue are in line with best practices and consistent with last year's performance. Additionally, provision for bad debts increased 43%, reflecting a notable increase in self-pay receivables, and unsatisfactory payment performance of several third-party payors. Management has begun taking appropriate steps to reduce the Company's exposure.

The Western Medical Plaza continues to be the principal discontinuing operation. Losses from this facility were \$0.4 million for the first six months of this year, compared to \$0.6 million in the previous year, a 44% decrease. Compared to the previous year where the Company reported an impairment charge of \$0.2 million, the WMP assets appear to be gaining value. Additionally, we can again report that efforts to sell the facility are ongoing. With the recent spate of initiatives announced for the further development of Western New Providence, WMP has received a sustained flow of serious inquiries, and there is high optimism that the current discussions will produce tangible positive results in the near term. In this regard, I am pleased to announce that on September 7, 2006, the company entered into a sales agreement to sell the investment property located on Blake Road. This transaction is expected to be completed by the end of the third quarter.

Total assets increased \$1.3 million, or 4.6%, principally reflecting an increase in net accounts receivable (AR) and property, plant and equipment (PP&E). The billing delays experienced in the first quarter following implementation of the new IT system have been completely eliminated, and the new processes continue to be refined. Investments in new medical technology and ongoing development of the new IT system continue to drive additions to plant and equipment.

On behalf of the Board of Directors, I thank you for your continued loyalty to the Hospital.

Joseph Krukowski
Chairman
September 29, 2006

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DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Balance Sheet

July 31, 2006 with comparative figures at January 31, 2006

(Expressed in thousands of Bahamian dollars)

	July 31, 2006	January 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ -	1,257
Accounts receivable—patients, net (note 2)	1,380	1,069
Accounts receivable—third party payors, net (note 2)	7,892	6,566
Inventories	1,132	1,150
Other assets	627	509
Assets classified as held for sale (note 3)	5,556	5,597
	16,587	16,148
Non-current assets:		
Goodwill, net	431	431
Investments	30	30
Investment property	1,022	1,022
Property, plant and equipment	11,877	10,992
	13,360	12,475
Total assets	\$ 29,947	28,623
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 4)	\$ 1,056	-
Accounts payable and other liabilities	2,573	3,071
Long-term debt, current portion	1,713	1,653
Liabilities directly associated with assets classified as held for sale (note 3)	5,537	5,933
	10,879	10,657
Non-current liabilities		
Long-term debt	2,245	3,117
Total liabilities	13,124	13,774
Shareholders' equity:		
Share capital:		
Authorized 12,500,000 common shares at par value of B\$0.04 each (January 31, 2006 – 12,500,000 shares)		
Issued and fully paid 9,971,634 shares (January 31, 2006 – 9,971,634 shares)	399	399
Contributed surplus	12,358	12,358
Retained earnings	4,066	2,092
	16,823	14,849
Total liabilities and shareholders' equity	\$ 29,947	28,623

(Unaudited)

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DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Three months ended July 31, 2006 with comparative figures for the three months ended July 31, 2005
(Expressed in thousands of Bahamian dollars)

	July 31, 2006	July 31, 2005
CONTINUING OPERATIONS		
Revenues		
Patient service revenue, net	\$ 9,038	7,995
Other	130	226
Total revenues (note 5)	9,168	8,221
Expenses		
Salaries and benefits	3,515	3,502
Medical supplies and services	1,451	1,309
Other operating	969	817
Provision for doubtful accounts	688	629
Depreciation and amortization	553	439
Utilities	273	240
Government taxes and fees	222	187
Repairs and maintenance	104	56
Total expenses	7,775	7,179
Income from continuing operations before interest	1,393	1,042
Interest expense	(93)	(109)
Income from continuing operations	1,300	933
Discontinued operations		
Revenue	21	14
Expenses	(188)	(226)
Impairment of property, plant & equipment	-	(238)
Loss from discontinued operations	(167)	(450)
Net income for the period	\$ 1,133	483
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.11	0.05

(Unaudited)

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DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Income

Six months ended July 31, 2006 with comparative figures for the six months ended July 31, 2005
(Expressed in thousands of Bahamian dollars)

	July 31, 2006	July 31, 2005
CONTINUING OPERATIONS		
Revenues		
Patient service revenue, net	\$ 17,647	16,895
Other	258	327
Total revenues (note 5)	17,905	17,222
Expenses		
Salaries and benefits	7,060	6,717
Medical supplies and services	2,815	2,766
Other operating	1,894	1,563
Provision for doubtful accounts	1,287	902
Depreciation and amortization	1,060	862
Utilities	530	461
Government taxes and fees	425	353
Repairs and maintenance	324	119
Total expenses	15,395	13,743
Income from continuing operations before interest	2,510	3,479
Interest expense	(181)	(228)
Income from continuing operations	2,329	3,251
Discontinued operations		
Revenue	45	29
Expenses	(400)	(429)
Impairment of property, plant & equipment	-	(238)
Loss from discontinued operations	(355)	(638)
Net income for the period	\$ 1,974	2,613
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.20	0.26

(Unaudited)

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DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Cash Flows

Six months ended July 31, 2006 with comparative figures for the six months ended July 31, 2005
(Expressed in thousands of Bahamian dollars)

	July 31, 2006	July 31, 2005
Cash and cash equivalents provided by (used in):		
OPERATING ACTIVITIES:		
Net income	\$ 1,974	2,613
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,060	862
Provision for doubtful accounts	1,287	739
Impairment of property, plant & equipment	-	238
	4,321	4,452
Increase in accounts receivable	(2,885)	(2,496)
Decrease (increase) in inventories	18	(82)
(Increase) decrease in other assets	(137)	(29)
(Decrease) increase in accounts payable and other liabilities	(491)	17
Cash and cash equivalents provided by operating activities	826	1,862
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(1,945)	(1,995)
Cash and cash equivalents used in investing activities	(1,945)	(1,995)
FINANCING ACTIVITIES:		
Repayment of long-term debt	(1,215)	(951)
Cash and cash equivalents used in financing activities	(1,215)	(951)
Decrease in cash and cash equivalents	(2,334)	(1,084)
Cash and cash equivalents at beginning of period	1,284	3,199
Cash and cash equivalents at end of period (note 4)	\$ (1,050)	2,115

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

Six months ended July 31, 2006

(Expressed in thousands of Bahamian dollars)

	Number of shares	Share capital	Contributed surplus	Retained earnings
Balance at January 31, 2006	9,971,634	\$ 399	\$ 12,358	\$ 2,092
Net income for the period	-	-	-	1,974
Balance at July 31, 2006	9,971,634	\$ 399	\$ 12,358	\$ 4,066

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DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Notes to Interim Consolidated Financial Statements

Six months ended July 31, 2006

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 \$6.5 million. Outstanding balances for National Insurance Board and Bahamas Public Services Union at July 31, 2006 were \$1.7 million and \$0.7 million, respectively.

3. Assets classified as held for sale

For the period ended July 31, 2006, 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. Bank indebtedness (cash and cash equivalents)

The cash position of -\$1.050 million reported in the statement of cash flows reflects \$6,000 in cash for WMP that is recorded as assets held for sale.

5. Net patient service revenue/medical supplies and services

Net patient service revenue and medical supplies and services are recorded on a net basis. Physician fees earned in the emergency and imaging departments and sessional clinics aggregate to \$2.0 million (2005 - \$1.8 million) and have been deducted from patient service revenue and medical supplies and services in the statement of income to reflect only the portion earned by the Hospital.