

**Doctors Hospital Health System Limited**

*Interim report*  
*Quarter ended July 31, 2007*

# DRAFT

## **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 July 31, 2007. Earnings per share were twenty-five cents for the period which reflects an increase from twenty cents for the comparable period last year. Net income for the six months was \$2.5 million compared to \$2.0 million for the comparable period in 2006.

The financial results reflect growth in patient service revenues to \$20.7 million from \$19.7 million in the prior year period, an increase of 5.08%.

Total expenses increased \$0.8 million, or 4.35%, over the same period year. Highlights include the following: other operating—insurances, leases—increased 19.0%; and medical supplies and services increased 9.22%. Payroll costs grew by 9.16%.

The Western Medical Plaza is the remaining principal discontinuing operation. Losses from this facility are \$0.29 million compared to \$0.36 last year for the first six months of this year, a slight improvement over last year. Sale of the vacant land at Blake Road was finalized and a gain of \$16,000 was recorded.

Strategic Plan Objectives to increase cash reserves, reduce accounts receivables and minimize debt are falling into place as anticipated. We have stabilized our financial status, employee morale and medical staff loyalty. We have regained viability and a positive bottom line as we continue to record profits, moving the hospital in the right direction to make other needed changes.

Doctors Hospital is also realizing the return on investments made on its Healthcare Information System, Meditech, with timely reporting and improved efficiency. Meditech has provided useful tools to help our department leaders enhance efficiency, service and quality. Meditech also positively affects physicians and clinicians by providing accurate information and real time data which translates into better patient care as physicians are able to diagnose and treat more effectively and efficiently.

The Hospital's noteworthy success is the continued focus on our goals to provide high quality care, and patient – and physician – friendly service, so there is no need to go elsewhere for healthcare. Another important goal for the hospital is strong community support. Taking best practices from the hospitality industry, the hospital has established a culture of service, to improve the entire patient experience and improve satisfaction rates and, continue profitability.

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

Joseph Krukowski  
Chairman  
August 28, 2007

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## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### Consolidated Balance Sheet

July 31, 2007 with comparative figures at January 31, 2007  
(Expressed in thousands of Bahamian dollars)

	July 31, 2007	January 31, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,599	1,988
Accounts receivable—patients, net (note 2)	1,147	951
Accounts receivable—third party payors, net (note 2)	6,007	5,521
Inventories	1,290	1,252
Other assets	687	322
Assets classified as held for sale (note 3)	5,513	5,443
	<b>19,243</b>	<b>15,477</b>
Non-current assets:		
Investments	30	30
Goodwill, net	431	431
Other intangible assets	2,594	2,700
Investment property (note 4)	-	1,022
Property, plant and equipment	8,900	9,359
	<b>11,955</b>	<b>13,542</b>
<b>Total assets</b>	<b>\$ 31,198</b>	<b>29,019</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and other liabilities	3,621	3,448
Long-term debt, current portion	389	389
Liabilities directly associated with assets classified as held for sale (note 3)	5,001	5,279
	<b>9,011</b>	<b>9,116</b>
Non-current liabilities		
Long-term debt	3,108	3,302
<b>Total liabilities</b>	<b>12,119</b>	<b>12,418</b>
Shareholders' equity:		
Share capital:		
Authorized 12,500,000 common shares at par value of B\$0.04 each (July 31, 2007 – 12,500, 000 shares)		
Issued and fully paid 9,971,634 shares (July 31, 2007 – 9,971,634 shares)	399	399
Contributed surplus	12,358	12,358
Retained earnings	6,322	3,844
	<b>19,079</b>	<b>16,601</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 31,198</b>	<b>29,019</b>

(Unaudited)

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## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### Consolidated Statement of Income

Three months ended July 31, 2007 with comparative figures for the three months ended July 31, 2006  
(Expressed in thousands of Bahamian dollars)

	July 31, 2007	July 31, 2006
<b>CONTINUING OPERATIONS</b>		
<b>Revenues</b>		
Patient service revenue, net	\$ 10,483	10,065
Other	182	130
<b>Total revenues</b>	<b>10,665</b>	10,195
<b>Expenses</b>		
Salaries and benefits	4,010	3,641
Medical supplies and services	2,655	2,499
Other operating	1,108	959
Provision for doubtful accounts	394	688
Depreciation and amortization	473	554
Utilities	294	277
Government taxes and fees	202	219
Repairs and maintenance	159	103
<b>Total expenses</b>	<b>9,295</b>	8,940
Income from continuing operations before interest	1,370	1,255
Interest expense	(61)	(93)
<b>Income from continuing operations</b>	<b>1,309</b>	1,162
<b>Discontinued operations</b>		
Revenue	25	21
Expenses	(170)	(188)
<b>Loss from discontinued operations</b>	<b>(145)</b>	(167)
<b>Net income for the period</b>	<b>\$ 1,164</b>	995
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.12	0.10

(Unaudited)

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## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### Consolidated Statement of Income

Six months ended July 31, 2007 with comparative figures for the six months ended July 31, 2006  
(Expressed in thousands of Bahamian dollars)

	July 31, 2007	July 31, 2006
<b>CONTINUING OPERATIONS</b>		
<b>Revenues</b>		
Patient service revenue, net	\$ 20,732	19,669
Other	335	258
<b>Total revenues</b>	<b>21,067</b>	<b>19,927</b>
<b>Expenses</b>		
Salaries and benefits	7,707	7,061
Medical supplies and services	5,283	4,837
Other operating	2,252	1,892
Provision for doubtful accounts	624	1,287
Depreciation and amortization (note 5)	1,052	1,060
Utilities	564	539
Government taxes and fees	423	419
Repairs and maintenance	269	323
<b>Total expenses</b>	<b>18,174</b>	<b>17,418</b>
Income from continuing operations before interest	2,893	2,509
Interest expense	(125)	(180)
<b>Income from continuing operations</b>	<b>2,768</b>	<b>2,329</b>
<b>Discontinued operations</b>		
Revenue	63	45
Expenses	(353)	(400)
<b>Loss from discontinued operations</b>	<b>(290)</b>	<b>(355)</b>
<b>Net income for the period</b>	<b>\$ 2,478</b>	<b>1,974</b>
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.25	0.20

(Unaudited)

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## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### Consolidated Statement of Cash Flows

Six months ended July 31, 2007 with comparative figures for the six months ended July 31, 2006  
(Expressed in thousands of Bahamian dollars)

	July 31, 2007	July 31, 2006
Cash and cash equivalents provided by (used in):		
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 2,478	1,974
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,052	1,060
Provision for doubtful accounts	624	1,287
Gain on disposal of property, plant and equipment	(16)	-
	4,138	4,321
Increase in accounts receivable	(1,310)	(2,885)
(Increase) decrease in inventories	(38)	18
Increase in prepaid expenses and other assets	(380)	(137)
Increase (decrease) in accounts payable and other liabilities	173	(491)
Cash and cash equivalents provided by operating activities	2,583	826
<b>INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(393)	(1,107)
Purchase of intangible assets	(94)	(838)
Proceeds from sale of property, plant and equipment	1,038	-
Cash and cash equivalents provided by (used in) investing activities	551	(1,945)
<b>FINANCING ACTIVITIES:</b>		
Repayment of long-term debt	(471)	(1,215)
Cash and cash equivalents used in financing activities	(471)	(1,215)
Increase (decrease) in cash and cash equivalents	2,663	(2,334)
Cash and cash equivalents at beginning of period	1,988	1,284
Cash and cash equivalents at end of period (note 6)	\$ 4,651	(1,050)

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits with an original maturity of six 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, 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	-	-	-	2,478
Balance at July 31, 2007	9,971,634	\$ 399	\$ 12,358	\$ 6,322

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## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Notes to Interim Consolidated Financial Statements

Six months ended July 31, 2007

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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, 2007 audited consolidated financial statements.

### 2. Accounts receivable

Accounts receivable are stated net of provisions for doubtful accounts of \$7.1 million.

### 3. Assets classified as held for sale

For the period ended July 31, 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 Limited and Doctors Hospital (West) Limited.

### 4. Investment Property

During the period The Company sold 5 acres of undeveloped land in western New Providence. A gain of \$16,000 was recorded.

### 5. Change in accounting estimate

During the period The Company changed the period of amortization for its buildings. The original amortization period for the principal buildings located at Doctors Hospital East were twenty and twenty-five years. In accordance with the provisions of IAS 16, the amortization periods were extended to forty years. The effect of the change for this period was a decrease in amortization charges of \$ 107,000.

### 6. Cash and cash equivalents

The cash position of \$4.651 million reported in the statement of cash flows reflects \$52,000 in cash for WMP that is recorded as assets held for sale.