

Doctors Hospital Health System Limited

Interim report
Quarter ended July 31, 2008

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Chairman's Report Doctors Hospital Health System Limited

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Dear Shareholders:

Interim Report – six months ending July 31, 2008.

Doctors Hospital Health System Limited reports consolidated net income of \$ 1.6M, a decrease of \$ 0.9M over the same period in the prior year, or \$ 0.16 cents per share compared to \$ 0.25 cents per share.

Net revenue decreased by 2.3% or \$ 0.5M compared to the same period last year. The Hospital has noticed an increase in acute care admissions compared to elective admissions as the general economic conditions continue to affect individual health care choices; resulting in a decrease in patient days of 6.4%. Outpatient procedures remain flat compared to last year.

Total expenses increased by 2.3% or \$ 0.4M. Salaries and benefits increased 5% or \$ 0.4M compared to last year and utilities increased by 26% or \$ 0.2M. Bad debt expense saw a decrease of 19% or \$ 0.2M. The first six months of fiscal 2009 has evidenced the rising costs of healthcare and the increased cost of doing business in the Bahamas. Hospital management and the Board of Directors continue to monitor rising costs; and in light of increasing costs to recruit and retain healthcare and other specialized professionals, rising utility costs, and the outlay to continuously improve patient and employee safety, price increases may be necessary in the near future.

Cash collection remained strong during the six month period, resulting in a decrease in accounts receivable days to 43 from 56 at year end, and a decrease in net receivables of 13.2%.

The Company is proud to announce the new MRI is fully operational providing cutting-edge imaging to our patients as well as high quality diagnostic results to our physicians.

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

Joseph Krukowski
Chairman
September 1, 2008

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DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Balance Sheet

July 31, 2008 with comparative figures at January 31, 2008
(Expressed in thousands of Bahamian dollars)

	July 31, 2008	January 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,617	6,630
Accounts receivable—patients, net (note 2)	1,446	1,270
Accounts receivable—third party payors, net (note 2)	3,812	4,787
Inventories	1,318	1,166
Other assets	1,024	729
	12,217	14,582
Non-current assets:		
Investments	30	30
Goodwill, net	431	431
Other intangible assets	2,057	2,423
Investment property	4,778	4,868
Property, plant and equipment	10,925	8,921
	18,221	16,673
Total assets	\$ 30,438	31,255
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other liabilities	3,666	3,442
Long-term debt, current portion	942	942
	4,608	4,384
Non-current liabilities		
Long-term debt	4,594	7,066
Total liabilities	9,202	11,450
Shareholders' equity:		
Share capital:		
Authorized 12,500,000 common shares at par value of B\$0.04 each (January 31, 2008 – 12,500, 000 shares)		
Issued and fully paid 9,971,634 shares (January 31, 2008 – 9,971,634 shares)	399	399
Contributed surplus	12,358	12,358
Retained earnings	8,479	7,048
	21,236	19,805
Total liabilities and shareholders' equity	\$ 30,438	31,255

(Unaudited)

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DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Six months ended July 31, 2008 with comparative figures for the three months ended July 31, 2007
(Expressed in thousands of Bahamian dollars)

	July 31, 2008	July 31, 2007
Revenues		
Patient service revenue, net	\$ 9,661	10,483
Other	330	318
Total revenues	9,991	10,801
Expenses		
Salaries and benefits	4,091	4,018
Medical supplies and services	2,481	2,655
Bad debt expense, net of recoveries	45	504
Depreciation and amortization	651	473
Other operating	509	477
Utilities	426	314
Government taxes and fees	257	231
Outside services	235	230
Insurance	181	170
Repairs and maintenance	145	163
Rent	88	87
Dietary expenses	94	93
Legal expenses	40	71
Total expenses	9,243	9,486
Income before interest	748	1,315
Interest expense	(99)	(151)
Net income for the period	\$ 649	1,164
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.07	0.12

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DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Six months ended July 31, 2008 with comparative figures for the six months ended July 31, 2007
(Expressed in thousands of Bahamian dollars)

	July 31, 2008	July 31, 2007
Revenues		
Patient service revenue, net	\$ 20,194	20,732
Other	663	621
Total revenues	20,857	21,353
Expenses		
Salaries and benefits	8,106	7,722
Medical supplies and services	5,120	5,283
Bad debt expense, net of recoveries	685	846
Depreciation and amortization	1,261	1,052
Other operating	1,020	940
Utilities	771	611
Government taxes and fees	508	480
Outside services	446	449
Insurance	362	346
Repairs and maintenance	278	276
Rent	185	182
Dietary expenses	179	182
Legal expenses	74	202
Total expenses	18,995	18,571
Income before interest	1,862	2,782
Interest expense	(232)	(304)
Net income for the period	\$ 1,630	2,478
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.16	0.25

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(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Cash Flows

Six months ended July 31, 2008 with comparative figures for the six months ended July 31, 2007
(Expressed in thousands of Bahamian dollars)

	July 31, 2008	July 31, 2007
Cash and cash equivalents provided by (used in):		
OPERATING ACTIVITIES:		
Net income	\$ 1,630	2,478
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,261	1,052
Provision for doubtful accounts	685	846
Gain on disposal of property, plant and equipment	-	(16)
	3,576	4,360
Decrease (increase) in accounts receivable	76	(1,532)
Increase in inventories	(152)	(38)
Decrease (increase) in prepaid expenses and other assets	(256)	(380)
Increase (decrease) in accounts payable and other liabilities	224	173
Cash and cash equivalents provided by operating activities	3,468	2,583
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(2,799)	(393)
Purchase of intangible assets	(12)	(94)
Proceeds from disposal of property, plant and equipment	-	1,038
Cash and cash equivalents provided by (used in) investing activities	(2,811)	551
FINANCING ACTIVITIES:		
Repayment of long-term debt	(2,471)	(471)
Dividends paid to shareholders	(199)	-
Cash and cash equivalents used in financing activities	(2,670)	(471)
Increase (decrease) in cash and cash equivalents	(2,013)	2,663
Cash and cash equivalents at beginning of period	6,630	1,988
Cash and cash equivalents at end of period	\$ 4,617	4,651

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

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(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Changes in Equity

Six months ended July 31, 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	-	-	-	1,630
Dividends paid				(199)
Balance at July 31, 2008	9,971,634	\$ 399	\$ 12,358	\$ 8,479

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DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Notes to Interim Consolidated Financial Statements

Three months ended July 31, 2008

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.