

**Doctors Hospital Health System Limited**

*Interim report*

*Quarter ended October 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 October 31, 2007. This quarter was a fairly strong one compared to third quarter fiscal 2007. Earnings per share were \$0.08 compared to \$0.04 in the prior year period. This result was generally attributable to a \$1.1 million, or 12.4% increase in total revenues which outstripped a moderate increase in total expenses.

The Company's revenue performance reflects continued growth in inpatient services, an area where DHHS retains a major competitive advantage by offering high quality patient care. Adult Patient Days remains an important barometer of the Company's success, and after a slight decline in this statistic for the year ended January 31, 2007, the Company is continuing a positive trend of increases in four of the last five years. Additionally, surgical services, maternity, and a broad range of outpatient services—Imaging, Lab, Rehabilitation Services and the ER—continue to maintain dominant positions in the market.

For the nine months ended October 31, 2007 earnings were \$3.2 million, an increase of \$0.8 million, or 34.2%, over the comparable period last year. Total revenues for this period increased 7.8% compared to an increase in total expenses of 6.1%. The increases in expenses reflect the continuing upward pressure on the costs required to provide excellent service. Salaries and benefits, medical supplies and services, and other operating expenses all increased over the prior year due in part to increased volumes and inflation in supplier costs.

On another positive note for the company, the provision for doubtful accounts improved over last year and has assisted in offsetting the trend of rising costs; for the current period, bad debt charges were reduced by \$0.6 million, or 34%, relative to the prior year. This was possible due to especially strong collection efforts over the past nine months.

The financial position remained strong. Cash and cash equivalents increased to \$5.8 million. Capital expenditure through the first nine months of the fiscal year was \$0.9 million compared to \$2.8 million for the same period last year. The Company expects to invest approximately \$4.0 million over the coming six months for facility upgrades and addition of new medical technologies.

Finally, less than two months ago our shareholders received cash dividends for the first time in six years. We have returned to dividend-strength due to the hard work of our Associates, volunteers and the continued support of our medical staff. On behalf of the Board of Directors, I thank you for your continued loyalty to the Hospital.

Joseph Krukowski  
Chairman  
December 3, 2007

# DRAFT

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### Consolidated Balance Sheet

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

|  | October 31, 2007 | January 31, 2007 |
|--|------------------|------------------|
| <b>Assets</b>  |                  |                  |
| Current assets:  |                  |                  |
| Cash and cash equivalents  | \$ 5,789         | 1,988            |
| Accounts receivable—patients, net (note 2)   | 909              | 951              |
| Accounts receivable—third party payors, net (note 2)   | 5,696            | 5,521            |
| Inventories  | 1,308            | 1,252            |
| Other assets   | 569              | 322              |
| Assets classified as held for sale (note 3)  | 5,480            | 5,443            |
|  | <b>19,751</b>    | <b>15,477</b>    |
| Non-current assets:  |                  |                  |
| Investments  | 30               | 30               |
| Goodwill, net  | 431              | 431              |
| Other intangible assets  | 2,525            | 2,700            |
| Investment property (note 4)   | -                | 1,022            |
| Property, plant and equipment  | 8,920            | 9,359            |
|  | <b>11,906</b>    | <b>13,542</b>    |
| <b>Total assets</b>  | <b>\$ 31,657</b> | <b>29,019</b>    |
| <b>Liabilities and Shareholders' Equity</b>  |                  |                  |
| Current liabilities:   |                  |                  |
| Accounts payable and other liabilities   | 3,733            | 3,448            |
| Long-term debt, current portion  | 389              | 389              |
| Liabilities directly associated with assets classified as held for sale (note 3)                     | 4,898            | 5,279            |
|  | <b>9,020</b>     | <b>9,116</b>     |
| Non-current liabilities  |                  |                  |
| Long-term debt   | 3,010            | 3,302            |
| <b>Total liabilities</b>   | <b>12,030</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  | 6,870            | 3,844            |
|  | <b>19,627</b>    | <b>16,601</b>    |
| <b>Total liabilities and shareholders' equity</b>  | <b>\$ 31,657</b> | <b>29,019</b>    |

(Unaudited)

# DRAFT

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### Consolidated Statement of Income

Three months ended October 31, 2007 with comparative figures for the three months ended October 31, 2006

(Expressed in thousands of Bahamian dollars)

|  | October 31, 2007 | October 31, 2006 |
|--|------------------|------------------|
| <b>CONTINUING OPERATIONS</b>                               |                  |                  |
| <b>Revenues</b>  |                  |                  |
| Patient service revenue, net                               | \$ 9,989         | 8,910            |
| Other  | 168              | 130              |
| <b>Total revenues</b>                                      | <b>10,157</b>    | <b>9,040</b>     |
| <b>Expenses</b>  |                  |                  |
| Salaries and benefits                                      | 3,772            | 3,488            |
| Medical supplies and services                              | 2,463            | 2,325            |
| Other operating  | 1,242            | 1,003            |
| Provision for doubtful accounts                            | 476              | 380              |
| Depreciation and amortization                              | 536              | 573              |
| Utilities  | 366              | 326              |
| Government taxes and fees                                  | 205              | 182              |
| Repairs and maintenance                                    | 116              | 75               |
| <b>Total expenses</b>                                      | <b>9,176</b>     | <b>8,352</b>     |
| Income from continuing operations before interest          | 981              | 688              |
| Interest expense   | (61)             | (85)             |
| <b>Income from continuing operations</b>                   | <b>920</b>       | <b>603</b>       |
| <b>Discontinued operations</b>                             |                  |                  |
| Revenue  | 24               | 20               |
| Expenses   | (197)            | (194)            |
| <b>Loss from discontinued operations</b>                   | <b>(173)</b>     | <b>(174)</b>     |
| <b>Net income for the period</b>                           | <b>\$ 747</b>    | <b>429</b>       |
| Earnings per common share (expressed in Bahamian dollars): |                  |                  |
| Basic and fully diluted                                    | \$ 0.08          | 0.04             |

(Unaudited)

# DRAFT

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### Consolidated Statement of Income

Nine months ended October 31, 2007 with comparative figures for the nine months ended October 31, 2006

(Expressed in thousands of Bahamian dollars)

|  | October 31, 2007 | October 31, 2006 |
|--|------------------|------------------|
| <b>CONTINUING OPERATIONS</b>                               |                  |                  |
| <b>Revenues</b>  |                  |                  |
| Patient service revenue, net                               | \$ 30,721        | 28,580           |
| Other  | 503              | 388              |
| Total revenues   | 31,224           | 28,968           |
| <b>Expenses</b>  |                  |                  |
| Salaries and benefits                                      | 11,479           | 10,548           |
| Medical supplies and services                              | 7,746            | 7,162            |
| Other operating  | 3,494            | 2,895            |
| Provision for doubtful accounts                            | 1,100            | 1,667            |
| Depreciation and amortization (note 5)                     | 1,588            | 1,633            |
| Utilities  | 930              | 865              |
| Government taxes and fees                                  | 628              | 601              |
| Repairs and maintenance                                    | 385              | 399              |
| Total expenses   | 27,350           | 25,770           |
| Income from continuing operations before interest          | 3,874            | 3,198            |
| Interest expense   | (186)            | (266)            |
| <b>Income from continuing operations</b>                   | <b>3,688</b>     | <b>2,932</b>     |
| <b>Discontinued operations</b>                             |                  |                  |
| Revenue  | 87               | 65               |
| Expenses   | (550)            | (594)            |
| Loss from discontinued operations                          | (463)            | (529)            |
| <b>Net income for the period</b>                           | <b>\$ 3,225</b>  | <b>2,403</b>     |
| Earnings per common share (expressed in Bahamian dollars): |                  |                  |
| Basic and fully diluted                                    | \$ 0.32          | 0.24             |

(Unaudited)

# DRAFT

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### Consolidated Statement of Cash Flows

Nine months ended October 31, 2007 with comparative figures for the nine months ended October 31, 2006

(Expressed in thousands of Bahamian dollars)

|   | October 31, 2007 | October 31, 2006 |
|---|------------------|------------------|
| Cash and cash equivalents provided by (used in):                                  |                  |                  |
| <b>OPERATING ACTIVITIES:</b>  |                  |                  |
| Net income  | \$ 3,225         | 2,403            |
| Adjustments to reconcile net income to net cash provided by operating activities: |                  |                  |
| Depreciation and amortization   | 1,588            | 1,633            |
| Provision for doubtful accounts   | 1,100            | 1,667            |
| Gain on disposal of property, plant and equipment                                 | (16)             | -                |
|   | 5,897            | 5,703            |
| Increase in accounts receivable   | (1,248)          | (987)            |
| (Increase) decrease in inventories  | (56)             | 74               |
| Increase in prepaid expenses and other assets                                     | (251)            | 59               |
| Increase (decrease) in accounts payable and other liabilities                     | 320              | (710)            |
| Cash and cash equivalents provided by operating activities                        | 4,662            | 4,139            |
| <b>INVESTING ACTIVITIES:</b>  |                  |                  |
| Purchase of property, plant and equipment   | (848)            | (1,547)          |
| Purchase of intangible assets   | (126)            | (1,299)          |
| Proceeds from sale of property, plant and equipment                               | 1,038            | -                |
| Cash and cash equivalents provided by (used in) investing activities              | 64               | (2,846)          |
| <b>FINANCING ACTIVITIES:</b>  |                  |                  |
| Repayment of long-term debt   | (707)            | (1,501)          |
| Payment of dividends  | (199)            | -                |
| Cash and cash equivalents used in financing activities                            | (906)            | (1,501)          |
| Increase (decrease) in cash and cash equivalents                                  | 3,820            | (208)            |
| Cash and cash equivalents at beginning of period                                  | 1,988            | 1,284            |
| Cash and cash equivalents at end of period (note 6)                               | \$ 5,808         | 1,076            |

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)

# DRAFT

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### Consolidated Statement of Changes in Equity

Nine months ended October 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   | -                | -             | -                   | 3,225             |
| Dividends paid              | -                | -             | -                   | (199)             |
| Balance at October 31, 2007 | 9,971,634        | \$ 399        | \$ 12,358           | \$ 6,870          |

# DRAFT

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Notes to Interim Consolidated Financial Statements

Nine months ended October 31, 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, 2007 audited consolidated financial statements.

### 2. Accounts receivable

Accounts receivable are stated net of provisions for doubtful accounts of \$7.8 million.

### 3. Assets classified as held for sale

For the period ended October 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 as "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 approximately \$ 161,000

### 6. Cash and cash equivalents

The cash position of \$5.808million reported in the statement of cash flows reflects \$19,000 in cash for WMP that is recorded as assets held for sale.