

Doctors Hospital Health System Limited

Interim report

Quarter ended October 31, 2008

Chairman's Report

Doctors Hospital Health System Limited

Dear Shareholders,

Doctors Hospital Health System Limited is pleased to report that our financial position remains strong in spite of the general economy and downturn in tourism. The increase in percentage of local patients has partially compensated for the slowing of the tourist patient volume. Our net income of \$2.2 M is only a decrease of \$1.0M as compared to the same period in the prior year, or \$0.22 cents per share compared to \$0.32 cents per share. This level of net income is still stronger than most prior years.

The year to date net income is a result of a slight decrease of net revenue of \$0.5M or 1.6% as compared to the same period in the prior year in conjunction with an increase of 2.2% or \$0.6M in total expenses.

The increase in expenses was due to the increase in salaries and benefits by the same amount. This increase is due to our success in recruiting Associates to fill our clinical area vacancies, such as nursing. Their benefit to our cost structure will be seen in future months as they complete their orientation and training to our systems and quality programs. As would be expected our utilities have increased by 27% or \$0.3M due to the increase in BEC surcharges. However, this expense also is expected to go down in upcoming months as the price of fuel has dropped so dramatically.

Due to our continuing stronger efforts to improve front-end collection on self-pay accounts as well as co-pays and deductibles we have seen a very positive decline in the bad debt expense of 32% or \$0.4M. This improvement along with our strong cash collection and a stable statistic of days in accounts receivable, on par with year-end at 56 days shows the success we have had with our new billing system, greater vigilance by our Associates working the accounts and continuing dialogue with the insurance companies.

Our purchase of the new MRI that is showing an increase in utilization of 13% so far this year, along with new, modern equipment for the Operating Rooms and some general facility upgrades contributed to an increase in the non-cash expense of depreciation and amortization of 23.8% or \$0.4M .

On behalf of the Board of Directors, Management, Physicians, Volunteers and Associates I thank you for your continued loyalty to Doctors Hospital.

Joseph Krukowski
Chairman
December 16, 2008

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Balance Sheet

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

	October 31, 2008	January 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,391	6,630
Accounts receivable—patients, net (note 2)	1,233	1,270
Accounts receivable—third party payors, net (note 2)	4,904	4,787
Inventories	1,333	1,166
Other assets	813	729
	12,674	14,582
Non-current assets:		
Investments	30	30
Goodwill, net	431	431
Other intangible assets	1,952	2,423
Investment property	4,733	4,868
Property, plant and equipment	11,123	8,921
	18,269	16,673
Total assets	\$ 30,943	31,255
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other liabilities	4,023	3,442
Long-term debt, current portion	942	942
	4,965	4,384
Non-current liabilities		
Long-term debt	4,359	7,066
Total liabilities	9,324	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	8,862	7,048
	21,619	19,805
Total liabilities and shareholders' equity	\$ 30,943	31,255

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Three months ended October 31, 2008 with comparative figures for the three months ended October 31, 2007

(Expressed in thousands of Bahamian dollars)

	October 31, 2008	October 31, 2007
Revenues		
Patient service revenue, net	\$ 9,973	9,989
Other	273	284
Total revenues	10,246	10,273
Expenses		
Salaries and benefits	3,950	3,780
Medical supplies and services	2,637	2,463
Bad debt expense, net of recoveries	282	568
Depreciation and amortization	706	536
Other operating	509	505
Utilities	508	400
Government taxes and fees	272	234
Outside services	203	273
Insurance	181	171
Repairs and maintenance	129	135
Rent	93	96
Dietary expenses	80	93
Legal expenses	17	124
Total expenses	9,567	9,378
Income before interest	679	895
Interest expense	(96)	(148)
Net income for the period	\$ 583	747
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.06	0.07

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Nine months ended October 31, 2008 with comparative figures for the nine months ended October 31, 2007

(Expressed in thousands of Bahamian dollars)

	October 31, 2008	October 31, 2007
Revenues		
Patient service revenue, net	\$ 30,168	30,721
Other	935	905
Total revenues	31,103	31,626
Expenses		
Salaries and benefits	12,056	11,502
Medical supplies and services	7,757	7,746
Bad debt expense, net of recoveries	966	1,415
Depreciation and amortization	1,967	1,588
Other operating	1,529	1,445
Utilities	1,279	1,011
Government taxes and fees	781	714
Outside services	649	722
Insurance	543	517
Repairs and maintenance	407	411
Rent	278	278
Dietary expenses	258	275
Legal expenses	91	325
Total expenses	28,561	27,949
Income before interest	2,542	3,677
Interest expense	(329)	(452)
Net income for the period	\$ 2,213	3,225
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.22	0.32

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Cash Flows

Nine months ended October 31, 2008 with comparative figures for the nine months ended October 31, 2007

(Expressed in thousands of Bahamian dollars)

	October 31, 2008	October 31, 2007
Cash and cash equivalents provided by (used in):		
OPERATING ACTIVITIES:		
Net income	\$ 2,213	3,225
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,967	1,587
Provision for doubtful accounts	966	1,415
Gain on disposal of property, plant and equipment	-	(16)
	5,146	6,211
Decrease (increase) in accounts receivable	(1,060)	(1,562)
Increase in inventories	(167)	(56)
Decrease (increase) in prepaid expenses and other assets	(70)	(251)
Increase (decrease) in accounts payable and other liabilities	581	320
Cash and cash equivalents provided by operating activities	4,430	4,662
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(3,552)	(848)
Purchase of intangible assets	(12)	(126)
Proceeds from disposal of property, plant and equipment	-	1,038
Cash and cash equivalents provided by (used in) investing activities	(3,564)	64
FINANCING ACTIVITIES:		
Repayment of long-term debt	(2,707)	(707)
Dividends paid to shareholders	(398)	(199)
Cash and cash equivalents used in financing activities	(3,105)	(906)
Increase (decrease) in cash and cash equivalents	(2,239)	3,820
Cash and cash equivalents at beginning of period	6,630	1,988
Cash and cash equivalents at end of period	\$ 4,391	5,808

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

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Changes in Equity

Nine months ended October 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	-	-	-	2,213
Dividends paid				(399)
Balance at October 31, 2008	9,971,634	\$ 399	\$ 12,358	\$ 8,862

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Notes to Interim Consolidated Financial Statements

Nine months ended October 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 \$6.8 million.