

Doctors Hospital Health System Limited

Interim report

Quarter ended October 31, 2005

Chairman's Report
Doctors Hospital Health System Limited

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present our Company's results for the third quarter ending October 31, 2005.

For the three months ended October 31, 2005, net income increased by 10% to \$958,000 compared to \$871,000 for the comparable period last year. Basic earnings per share grew to ten cents compared to nine cent for the same period last year. Per share earnings from continuing operations were 12 cents, consistent with the results realized last year.

These results reflect a 13.3% increase in net patient service revenue for the three-month period. Upward pressures on operating expenses dampened the otherwise positive effects of the strong revenue performance. Operating costs for the third quarter were 15.1% higher than those incurred last year. This reflects increased payroll costs in connection with continuingly strong patient activity. The growth in payroll expenses continues to reflect the appropriate balance between the growths in patient service revenues. It is important to underscore the fact that the hospital continues to face the challenge of finding qualified nurses. As we continue to invest in the development of local talent, we continue to recruit resources from overseas. Work permit fees for nurses and other specialists increased 24% over the prior year period.

Third quarter results also reflect a rather steep upswing in overhead costs, particularly utilities. As a twenty-four hour operation the negative impact of spikes in electricity costs was especially acute. Electricity costs were 29% higher this year than last year. Also during the third quarter, provisions for doubtful accounts were 70% higher than those recorded for the same period last year. This reflects a more aggressive posture for handling receivables from self-pay accounts. Management is foreshadowing a new policy for managing such accounts in the coming months.

Despite these cost and other pressures, we continue to hold the line on prices, as we remain determined to grow the positive results through increased volumes underpinned by service excellence.

For the nine months ended October 31, 2005, total revenues were \$25.8 million compared to \$21.9 million last year. Net income totaled \$3.6 million, or \$0.36 per share for the nine months compared to \$1.8 million, or \$0.18 per share, last year.

At October 31, 2005, the company's balance sheet reflected total assets of \$28.4 million, reflecting an increase of 7.8% over the year-end position of \$26.3 million at January 31, 2005. Long-term debts had declined by just under \$2.0 million, and retained earnings stood at \$1.6 million and continued to gain strength.

As we continue to build for the future by investing in people and technology, and reinvesting in the core Doctors Hospital facility, we again thank our shareholders for their continuing support and confidence.

Joseph Krukowski
Chairman
December 12, 2005

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Balance Sheet

October 31, 2005 with comparative figures at January 31, 2005
(Expressed in thousands of Bahamian dollars)

	October 31, 2005	January 31, 2005
Assets		
Current assets:		
Cash	\$ 1,504	3,199
Accounts receivable—patients, net	934	939
Accounts receivable—third party payors, net	6,935	4,628
Inventories	1,074	1,034
Other assets	519	580
	10,966	10,380
Non-current assets:		
Goodwill, net	431	431
Investment	30	30
Property, plant and equipment	16,931	15,474
	17,392	15,935
Total assets	\$ 28,358	26,315
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other liabilities	\$ 2,258	2,262
Long-term debt, current portion	2,373	1,952
	4,631	4,214
Non-current liabilities		
Long-term debt	9,420	11,364
Total liabilities	14,051	15,578
Shareholders' equity:		
Share capital:		
Authorized 12,500,000 common shares at par value of B\$0.04 each (January 31, 2005 – 12,500, 000 shares)		
Issued and fully paid 9,971,634 shares (January 31, 2005 – 9,971,634 shares)	399	399
Contributed surplus	12,358	12,358
Retained earnings (deficit)	1,550	(2,020)
	14,307	10,737
Total liabilities and shareholders' equity	\$ 28,358	26,315

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Income

Three months ended October 31, 2005 with comparative figures for the three months ended October 31, 2004
(Expressed in thousands of Bahamian dollars)

	October 31, 2005	October 31, 2004
CONTINUING OPERATIONS		
Revenues		
Patient service revenue, net	\$ 8,653	7,640
Other	74	187
Total revenues	8,727	7,827
Expenses		
Operating	6,459	5,608
Depreciation	305	412
Provision for doubtful accounts	702	414
Total expenses	7,466	6,434
Income from continuing operations before interest	1,261	1,393
Interest expense	(98)	(191)
Income from continuing operations	1,163	1,202
Discontinuing operations		
Revenue	13	33
Expenses	(218)	(364)
Impairment of property, plant & equipment	-	-
Loss from discontinuing operations	(205)	(331)
Net income for the period	\$ 958	871
Earnings per common share (expressed in Bahamian dollars):		
From continuing operations	\$ 0.12	0.12
Basic	0.10	0.09

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Income

Nine months ended October 31, 2005 with comparative figures for the nine months ended October 31, 2004
(Expressed in thousands of Bahamian dollars)

	October 31, 2005	October 31, 2004
CONTINUING OPERATIONS		
Revenues		
Patient service revenue, net	\$ 25,548	21,340
Other	238	558
Total revenues	25,786	21,898
Expenses		
Operating	18,438	16,090
Depreciation	1,167	1,196
Provision for doubtful accounts	1,442	1,159
Total expenses	21,047	18,445
Income from continuing operations before interest	4,739	3,453
Interest expense	(326)	(466)
Income from continuing operations	4,413	2,987
Discontinuing operations		
Revenue	42	117
Expenses	(647)	(1,324)
Impairment of property, plant & equipment	(238)	-
Loss from discontinuing operations	(843)	(1,207)
Net income for the period	\$ 3,570	1,780
Earnings per common share (expressed in Bahamian dollars):		
From continuing operations	\$ 0.44	0.30
Basic	0.36	0.18

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Cash Flows

Nine months ended October 31, 2005 with comparative figures for the nine months ended October 31, 2004
(Expressed in thousands of Bahamian dollars)

	October 31, 2005	October 31, 2004
Cash flows from operating activities:		
Net income		
\$	3,570	
	1,780	
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,167	1,660
Provision for doubtful accounts	1,413	1,224
Impairment of property, plant & equipment	238	-
Amortization of goodwill	-	81
	6,388	4,745
Increase in accounts receivable	(3,594)	(2,023)
Decrease (increase) in inventories	(40)	30
Decrease (increase) in prepaid expenses and other assets	(61)	293
Decrease in accounts payable and other liabilities	(4)	(405)
Cash provided by operating activities	2,689	2,640
Cash flows from investing activities:		
Additions to property, plant and equipment	(2,861)	(1,176)
Proceeds from disposal of assets	-	21
Cash used for investing activities	(2,861)	(1,155)
Cash flows from financing activities:		
Repayment of long-term debt	(1,523)	(1,404)
Increase (decrease) in cash and cash equivalents	(1,695)	81
Cash and cash equivalents, beginning of period	3,199	425
Cash and cash equivalents, end of period	\$ 1,504	506

Cash and cash equivalents are comprised of cash and bank overdrafts.

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Changes in Equity

Nine months ended October 31, 2005

(Expressed in thousands of Bahamian dollars)

	Number of shares	Share capital	Contributed surplus	Retained Earnings
Balance at January 31, 2005	9,971,634	\$ 399	\$ 12,358	\$ (2,020)
Net income for the period	-	-	-	3,570
Balance at October 31, 2005	9,971,634	\$ 399	\$ 12,358	\$ 1,550

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Notes to Interim Consolidated Financial Statements

Nine months ended October 31, 2005

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, 2005 audited consolidated financial statements.

2. Discontinuing operations

For the period ended October 31, 2005, the operating results of companies designated for sale are reported as “Discontinuing operations.” These include Western Medical Plaza and Imaging Equipment Limited.