

**Doctors Hospital Health System Limited**

*Interim report*

*Quarter ended April 30, 2005*

**Chairman's Report**  
**Doctors Hospital Health System Limited**

Dear Shareholder

On behalf of the Board of Directors of Doctors Hospital Health System, I present the financial results for the first quarter ending April 30, 2005. We are pleased to report that following two disappointing years of significant retained earnings deficits, the company eliminated its original deficit of \$5.2 million, and as of April 30, has returned to a positive retained earnings position. This achievement is due in large measure to the hard work and commitment of our Associates, a loyal clientele that continues to repose confidence in our Hospital, and the invaluable support and patronage of our credentialed physicians.

The first quarter of fiscal 2006 has evidenced the continuation of a positive trend in business volumes. Net income for the period was \$2.1 million compared to \$0.2 million last year. Income from continuing operations grew \$1.7 million due to an increase in patient service revenue of \$2.5 million.

The Company is pleased that it has been able to realize satisfactory financial results without any widespread increases in prices for the past three years. In fact, the package prices represented price reductions.

We remain confident that our continuing initiatives will produce increasing value over the longer-term. The Board joins me in thanking our valued shareholders, for your continued support and confidence. We extend an invitation for you to join us at our company's Annual General Meeting on May 19, 2005 at Doctors Hospital, Collins Avenue.

Joseph Krukowski  
Chairman  
May 10, 2005

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED**

## Consolidated Balance Sheet

April 30, 2005 with comparative figures at January 31, 2005

(Expressed in thousands of Bahamian dollars)

	April 30, 2005	January 31, 2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,667	3,199
Accounts receivable—patients, net	760	939
Accounts receivable—third party payors, net	6,404	4,628
Inventories	1,073	1,034
Other assets	476	580
	<b>11,380</b>	<b>10,380</b>
Non-current assets:		
Goodwill, net (note 2)	431	431
Investments	30	30
Property, plant and equipment (note 2)	15,577	15,474
	<b>16,038</b>	<b>15,935</b>
<b>Total assets</b>	<b>\$ 27,418</b>	<b>26,315</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and other liabilities	\$ 1,629	2,262
Long-term debt, current portion	2,288	1,952
	<b>3,917</b>	<b>4,214</b>
Non-current liabilities		
Long-term debt	10,634	11,364
<b>Total liabilities</b>	<b>14,551</b>	<b>15,578</b>
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)	110	(2,020)
	<b>12,867</b>	<b>10,737</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 27,418</b>	<b>26,315</b>

(Unaudited)

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED**

## Consolidated Statement of Operations

Three months ended April 30, 2005 with comparative figures for the three months ended April 30, 2004  
(Expressed in thousands of Bahamian dollars)

	April 30, 2005	April 30, 2004
<b>CONTINUING OPERATIONS</b>		
<b>Revenues</b>		
Patient service revenue, net	\$ 8,900	6,454
Other	101	34
<b>Total revenues</b>	<b>9,001</b>	<b>6,488</b>
<b>Expenses</b>		
Operating	5,869	5,130
Depreciation	423	368
Provision for doubtful accounts	272	212
<b>Total expenses</b>	<b>6,564</b>	<b>5,710</b>
Income from continuing operations before interest	2,437	778
Interest expense	(119)	(137)
<b>Income from continuing operations</b>	<b>2,318</b>	<b>641</b>
<b>Discontinuing operations</b>		
Revenue	15	78
Expenses	(203)	(528)
<b>Loss from discontinuing operations</b>	<b>(188)</b>	<b>(450)</b>
<b>Net income for the period</b>	<b>\$ 2,130</b>	<b>191</b>
Earnings per common share (expressed in Bahamian dollars):		
From continuing operations	\$ 0.23	0.06
Basic	0.21	0.02

(Unaudited)

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED**

## Consolidated Statement of Cash Flows

Three months ended April 30, 2005 with comparative figures for the three months ended April 30, 2004  
(Expressed in thousands of Bahamian dollars)

	April 30, 2005	April 30, 2004
Cash and cash equivalents provided by (used in):		
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 2,130	191
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	422	534
Provision for doubtful accounts	249	375
Amortization of goodwill	-	27
	<b>2,801</b>	1,127
Decrease (increase) in accounts receivable	(1,846)	702
Increase in inventories	(39)	(5)
Decrease in other assets	104	169
Decrease in accounts payable and other liabilities	(633)	(77)
Cash and cash equivalents provided by operating activities	<b>387</b>	1,916
<b>INVESTING ACTIVITIES:</b>		
Additions to property, plant and equipment	(525)	(988)
Proceeds from disposal of assets	-	12
Decrease in advances to associates	-	3
Cash and cash equivalents used in investing activities	<b>(525)</b>	(973)
<b>FINANCING ACTIVITIES:</b>		
Decrease in long-term debt	(394)	(280)
Repayment of short-term debt	-	(32)
Cash and cash equivalents used in financing activities	<b>(394)</b>	(312)
Increase in cash and cash equivalents	<b>(532)</b>	631
Cash and cash equivalents at beginning of period	<b>3,199</b>	425
Cash and cash equivalents at end of period	<b>\$ 2,667</b>	1,056

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

(Unaudited)

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED**

## Consolidated Statement of Changes in Equity

Three months ended April 30, 2004

(Expressed in thousands of Bahamian dollars)

	Number of shares	Share capital	Contributed surplus	Deficit
Balance at January 31, 2004	9,971,634	\$ 399	\$ 12,358	\$ (4,587)
Net income for the period	-	-	-	191
Balance at April 31, 2004	9,971,634	\$ 399	\$ 12,358	\$ (4,396)

Three months ended April 30, 2005

(Expressed in thousands of Bahamian dollars)

	Number of shares	Share capital	Contributed surplus	Deficit
Balance at January 31, 2005	9,971,634	\$ 399	\$ 12,358	\$ (2,020)
Net income for the period	-	-	-	2,130
Balance at April 31, 2005	9,971,634	\$ 399	\$ 12,358	\$ 110

(Unaudited)

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED**

Notes to Interim Consolidated Financial Statements

Three months ended April 30, 2005

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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, 2005 audited consolidated financial statements.

**2. Discontinuing operations**

For the period ended April 30, 2005, the operating results of companies in the process of being sold are reported as “Discontinuing operations.” These include Western Medical Plaza and Imaging Equipment Limited.