

Doctors Hospital Health System Limited

Interim report

Quarter ended July 31, 2010

Chairman's Report Doctors Hospital Health System Limited

Dear Shareholder,

For the six months ended July 31, 2010, the Hospital reports consolidated net income of \$1.1 million or \$0.11 cents per share compared to \$0.41 cents per share for the same period last year.

Net revenue over the six month period decreased by \$3.6 million or 14.6% compared to the same period last year. The second quarter compared with the same three months last year saw a decrease of \$1.6 million or 13.6%. The economic downturn continues to affect the hospital and we remain vigilant in managing our resources.

Total expenses decreased by \$0.6 million, or 2.8%, over the same six month period. Depreciation and amortization and repairs and maintenance both increased for a total of \$0.3 million due to additions to fixed assets and intangible assets of \$3.0 million and various repairs around the facility. Bad debt expense is down \$0.4 million and is primarily due to collection of accounts previously written off.

The Board of Directors and Executive Management of Doctors Hospital are proud to announce that Doctors Hospital is the first hospital in the Caribbean Region to achieve international accreditation from Joint Commission International (JCI), USA, the worldwide leader in improving the quality of healthcare and certifying hospital organizations. With this accreditation, Doctors Hospital joins an elite group of few hospitals worldwide which have passed JCI's stringent clinical quality standards. Our commitment to quality and safety for our patients has now earned the distinction and certification that Doctors Hospital meets international standards and follows the latest US clinical guidelines and best practices. JCI accreditation positions the hospital well for additional medical tourism.

As a pioneer in minimally and non-invasive surgeries in the Bahamas, high intensity focused ultrasound (HIFU) has been part of our portfolio for treatment of prostate cancer. Doctors Hospital thus joins a select group of hospitals that is offering this innovative treatment for prostate cancer.

In the pursuit of quality, one of the most recent upgrades/advances in our Diagnostic Imaging Department is the purchase of a new digital mammogram machine. Digital mammography allows for faster and more accurate biopsy which results in shorter examination times and significantly improved patient comfort and convenience since the time the patient must remain still is much shorter. With the combination of our Breast Ultrasound, Digital Mammography, and Breast MRI, we are proud to announce Doctors Hospital has the only Comprehensive Breast Diagnostic Center in the Region.

Despite our financial leveling during the year, we remain committed to the community with ongoing health fairs, blood drives, public lectures, and support of our health related non-for profit organizations who are also struggling to make ends meet through public service. Most significantly, our commitment to advancing education was demonstrated with over \$100,000 awarded in scholarships and financial assistance by the Doctors Hospital Dr. Meyer Rassin Foundation to assist fifty-two Bahamian students pursuing a career in healthcare.

I would like to thank our shareholders, Associates, physicians and volunteers for their loyalty and dedication to Doctors Hospital.

Joseph Krukowski
Chairman
August 31, 2010

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Balance Sheet

July 31, 2010 with comparative figures at January 31, 2010
(Expressed in thousands of Bahamian dollars)

	July 31, 2010	January 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,253	6,352
Accounts receivable—patients, net (note 2)	656	515
Accounts receivable—third party payors, net (note 2)	3,720	4,010
Inventories	1,371	1,287
Other assets	1,070	863
	12,070	13,027
Non-current assets:		
Investments	30	30
Goodwill, net	431	431
Other intangible assets	1,943	1,671
Investment property	4,456	4,538
Property, plant and equipment	11,657	10,293
	18,517	16,963
Total assets	\$ 30,587	29,990
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other liabilities	\$ 2,837	2,981
Total liabilities	\$ 2,837	2,981
Shareholders' equity:		
Share capital:		
Authorized 12,500,000 common shares at par value of B\$0.04 each (July 31, 2010 – 12,500, 000 shares)		
Issued and fully paid 9,971,634 shares (July 31, 2010 – 9,971,634 shares)	399	399
Contributed surplus	12,358	12,358
Retained earnings	14,993	14,252
	27,750	27,009
Total liabilities and shareholders' equity	\$ 30,587	29,990

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Six months ended July 31, 2010 with comparative figures for the three months ended July 31, 2009
(Expressed in thousands of Bahamian dollars)

	July 31, 2010	July 31, 2009
Revenues		
Patient service revenue, net	\$ 9,920	11,579
Other	357	322
Total revenues	10,277	11,901
Expenses		
Salaries and benefits	4,319	4,383
Medical supplies and services	2,814	2,957
Depreciation and amortization	744	631
Other operating	495	548
Utilities	325	333
Bad debt expense, net of recoveries	256	300
Government taxes and fees	287	287
Insurance	180	183
Outside services	206	139
Repairs and maintenance	266	126
Rent	101	97
Dietary expenses	94	94
Legal expenses	26	37
Total expenses	10,113	10,115
Income before interest	164	1,786
Interest expense	-	(49)
Net income for the period	\$ 164	1,737
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.02	0.17

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Six months ended July 31, 2010 with comparative figures for the six months ended July 31, 2009

(Expressed in thousands of Bahamian dollars)

	July 31, 2010	July 31, 2009
Revenues		
Patient service revenue, net	\$ 20,300	23,985
Other	747	673
Total revenues	21,047	24,658
Expenses		
Salaries and benefits	8,509	8,634
Medical supplies and services	5,738	6,026
Depreciation and amortization	1,420	1,307
Other operating	1,037	1,163
Bad debt expense, net of recoveries	370	779
Utilities	643	621
Government taxes and fees	586	563
Insurance	361	365
Outside services	394	294
Repairs and maintenance	406	219
Dietary expenses	177	195
Rent	199	191
Legal expenses	67	122
Total expenses	19,907	20,479
Income before interest	1,140	4,179
Interest expense	-	(134)
Net income for the period	\$ 1,140	4,045
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.11	0.41

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Cash Flows

Six months ended July 31, 2010 with comparative figures for the six months ended July 31, 2009
(Expressed in thousands of Bahamian dollars)

	July 31, 2010	July 31, 2009
Cash flows from operating activities		
Net income	\$ 1,140	4,045
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,420	1,307
Provision for doubtful accounts	370	779
Loss on disposal of property, plant and equipment	(17)	3
	2,913	6,134
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(220)	(286)
Increase in inventories	(85)	(107)
Increase in prepaid expenses and other assets	(206)	(444)
(Decrease) increase in accounts payable and other liabilities	(144)	(365)
Cash provided by operating activities	2,258	4,932
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,445)	(598)
Purchase of intangible assets	(513)	(71)
Proceeds from disposal of property, plant and equipment	-	3
Cash used in investing activities	(2,958)	(666)
Cash flows from financing activities		
Repayment of long-term debt	-	(2,346)
Dividends paid to shareholders	(399)	(598)
Cash used in financing activities	(399)	(2,944)
Increase (decrease) in cash and cash equivalents	(1,099)	1,322
Cash and cash equivalents at beginning of period	6,352	5,328
Cash and cash equivalents at end of period	\$ 5,253	6,650

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

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Changes in Equity

Six months ended July 31, 2010

(Expressed in thousands of Bahamian dollars)

	Number of shares	Share capital	Contributed surplus	Retained earnings
Balance at January 31, 2010	9,971,634	\$ 399	\$ 12,358	\$ 14,252
Net income for the period	-	-	-	1,140
Dividends paid				(399)
Balance at July 31, 2010	9,971,634	\$ 399	\$ 12,358	\$ 14,993

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Notes to Interim Consolidated Financial Statements

Six months ended July 31, 2010

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, 2010 audited consolidated financial statements.

2. Accounts receivable

Accounts receivable are stated net of provisions for doubtful accounts of \$4.0 million.