

Doctors Hospital Health System Limited

Interim report

Quarter ended October 31, 2010

Chairman's Report

Doctors Hospital Health System Limited

Dear Shareholder,

For the nine months ended October 31, 2010, the Hospital reports consolidated net income of \$0.8 million or \$0.08 cents per share compared to \$0.46 cents per share for the same period last year.

Net revenue over the nine month period decreased by \$5.0 million or 14.2% compared to the same period last year.

Total expenses decreased by \$1.0 million, or 3.3%, over the same nine month period. Depreciation and amortization and repairs and maintenance both increased for a total of \$0.4 million due to additions to fixed assets and intangible assets of \$3.3 million and ongoing maintenance of the facility. Bad debt expense is down \$0.9 million and is primarily due to collection of accounts previously written off and improved collections. Receivables continue to be well managed in spite of the slow economy.

Having achieved our Joint Commission International (JCI) Accreditation, we are currently in active discussions with Medical Tourism agencies to attract foreign patients to the Bahamas. Our successful medical tourism program - HIFU (high intensity focused ultrasound) - has been part of our portfolio for the treatment of prostate cancer since 2008. Available to medical tourists and Bahamians alike, Doctors Hospital joins a select group of hospitals globally that is offering this innovative treatment for prostate cancer. Despite the slowdown in the US and Bahamian economies, the volume from the HIFU prostate cancer treatment medical tourism program has increased steadily.

In the ongoing pursuit of quality, one of the most recent upgrades/advances in the Emergency Services Department is the state-of-the-art patient tracking and integrated data system. Doctors Hospital Emergency Room is now live with the Health Information Management software MediTech's Emergency Department Modular (EDM) application. The EDM allows the Emergency Room to minimize wait times and expedite a patient's treatment resulting in a streamlined process between physicians, the Lab, Imaging, Pharmacy and Rehabilitation departments, while managing the patient's experience with efficiency, accuracy, quality and safety.

Notwithstanding the negative impact of the economy on our financial performance, we remain optimistic for the longer term. We continue to support the community with ongoing health fairs, blood drives, public lectures, as well as public service to our health related non-for profit organizations.

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

Joseph Krukowski
Chairman
November 30, 2010

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Balance Sheet

October 31, 2010 with comparative figures at January 31, 2010

(Expressed in thousands of Bahamian dollars)

	October 31, 2010	January 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,002	6,352
Accounts receivable—patients, net (note 2)	536	515
Accounts receivable—third party payors, net (note 2)	3,353	4,010
Inventories	1,385	1,287
Other assets	925	863
	12,201	13,027
Non-current assets:		
Investments	30	30
Goodwill, net	431	431
Other intangible assets	1,866	1,671
Investment property	4,415	4,538
Property, plant and equipment	11,318	10,293
	18,060	16,963
Total assets	\$ 30,261	29,990
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other liabilities	\$ 3,017	2,981
Total liabilities	\$ 3,017	2,981
Shareholders' equity:		
Share capital:		
Authorized 12,500,000 common shares at par value of B\$0.04 each (October 31, 2010 – 12,500, 000 shares)		
Issued and fully paid 9,971,634 shares (October 31, 2010 – 9,971,634 shares)	399	399
Contributed surplus	12,358	12,358
Retained earnings	14,487	14,252
	27,244	27,009
Total liabilities and shareholders' equity	\$ 30,261	29,990

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Nine months ended October 31, 2010 with comparative figures for the three months ended October 31, 2009

(Expressed in thousands of Bahamian dollars)

	October 31, 2010	October 31, 2009
Revenues		
Patient service revenue, net	\$ 8,901	10,260
Other	319	351
Total revenues	9,220	10,611
Expenses		
Salaries and benefits	4,107	4,112
Medical supplies and services	2,661	2,717
Depreciation and amortization	783	649
Other operating	471	569
Utilities	423	359
Bad debt expense, net of recoveries	150	607
Government taxes and fees	280	288
Insurance	187	184
Outside services	132	184
Repairs and maintenance	114	145
Rent	100	95
Dietary expenses	84	85
Legal expenses	35	(36)
Total expenses	9,527	9,958
Income before interest	(307)	653
Interest expense	-	(46)
Net income for the period	\$ (307)	607
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ (0.03)	0.06

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Nine months ended October 31, 2010 with comparative figures for the nine months ended October 31, 2009
(Expressed in thousands of Bahamian dollars)

	October 31, 2010	October 31, 2009
Revenues		
Patient service revenue, net	\$ 29,202	34,245
Other	1,066	1,024
Total revenues	30,268	35,269
Expenses		
Salaries and benefits	12,616	12,746
Medical supplies and services	8,399	8,743
Depreciation and amortization	2,204	1,956
Other operating	1,508	1,732
Bad debt expense, net of recoveries	519	1,386
Utilities	1,066	980
Government taxes and fees	865	851
Insurance	549	550
Outside services	526	477
Repairs and maintenance	521	363
Dietary expenses	261	280
Rent	299	287
Legal expenses	102	86
Total expenses	29,435	30,437
Income before interest	833	4,832
Interest expense	-	(180)
Net income for the period	\$ 833	4,652
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.08	0.46

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Cash Flows

Nine months ended October 31, 2010 with comparative figures for the nine months ended October 31, 2009
(Expressed in thousands of Bahamian dollars)

	October 31, 2010	October 31, 2009
Cash flows from operating activities		
Net income	\$ 833	4,652
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,203	1,957
Provision for doubtful accounts	519	1,386
Loss on disposal of property, plant and equipment	(17)	3
	3,538	7,998
Changes in operating assets and liabilities:		
Decrease in accounts receivable	117	865
Increase in inventories	(98)	(126)
Decrease in prepaid expenses and other assets	(62)	(290)
Increase (decrease) in accounts payable and other liabilities	36	(16)
Cash provided by operating activities	3,531	8,431
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,719)	(1,349)
Purchase of intangible assets	(564)	(39)
Proceeds from disposal of property, plant and equipment	-	7
Cash used in investing activities	(3,283)	(1,381)
Cash flows from financing activities		
Repayment of long-term debt	-	(5,065)
Dividends paid to shareholders	(598)	(798)
Cash used in financing activities	(598)	(5,863)
Increase (decrease) in cash and cash equivalents	(350)	1,187
Cash and cash equivalents at beginning of period	6,352	5,327
Cash and cash equivalents at end of period	\$ 6,002	6,514

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

Nine months ended October 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	-	-	-	833
Dividends paid				(598)
Balance at October 31, 2010	9,971,634	\$ 399	\$ 12,358	\$ 14,487

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Notes to Interim Consolidated Financial Statements

Nine months ended October 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 \$4.2 million.