

12 November, 2009

Dear Shareholder,

Highlights

- **Australia:** Medicare litigation settled; Thelma growth continues for some transactions; diversification of Australian business through launch of Cybrand
- **UK:** MBC profitable and growing strongly; prominent industry press coverage
- **US:** MRS has resolved operational issues and returned to profitability; further investment into Thelma-US suspended
- **Outlook:** the stronger A\$ and reduced earnings from MRS has delayed achieving cash flow positive; cash on hand \$1.65 million; exciting new growth areas for the business

Australian Update

Medicare Litigation Settled

On 11 August 2008, Thelma Pty Ltd, a wholly owned subsidiary of ICSGlobal, filed an application in the Federal Court of Australia alleging anti-competitive conduct by Medicare Australia, in response to Medicare offering a free service to private hospitals in competition to Thelma.

The Board of ICSGlobal always remained confident of the merits of the Company's claim against Medicare Australia. However, with the Rights Issue raising only \$2.05 million out of a target raising of \$3.3 million, the Board of ICSGlobal decided that it was in the best interests of shareholders to use available cash to grow ICSGlobal rather than diverting it to the Medicare litigation, particularly with the likelihood that appeals by Medicare if we won would see the matter ultimately referred to the High Court.

In a meeting between ICSGlobal and Medicare Australia on 21 October 2009, it was agreed that Medicare Australia would pay Thelma \$460,000; that the legal proceedings would be dismissed; that each party would be responsible for their own legal costs; that Medicare would continue to provide its free service to private hospitals; and that Thelma would continue to offer its services.

Thelma Australia

Overall Australian transaction volume continues to grow at around 50% per annum. In the September 2009 quarter, all transactions achieved record volumes. Some of the private health transaction services provided by Thelma are expected to decline as a result of the free service that Medicare Australia provides in competition to Thelma. Other transactions are expected to continue to grow strongly, driven by an ongoing stream of new Thelma customers. The Thelma Australia business unit makes a positive contribution to corporate overheads. On this basis, it is the Board's intention to continue to operate Thelma in Australia for the foreseeable future. The ability to leverage the Thelma intellectual property into new non-healthcare revenue generating opportunities was the key driver behind the launch of Cybrand (see below).

Cybrand

Cybrand is the new web technology consultancy division of ICSGlobal, leveraging the knowledge, skill sets and web technologies that grew out of the Thelma project into new revenue generating opportunities outside of healthcare.



The Internet has become an extremely powerful tool for business, if it is utilised correctly and to its full potential. Cybrand's mission is:

"To help businesses make the best use of the web and its vast array of media to achieve specific business outcomes."

Cybrand is the kernel for four exciting new growth areas in Australia for ICSGlobal:

- **Consulting:** using the resources of the Thelma team to provide a full spectrum of web expertise to businesses, including solution architecture and development; enterprise data & information solutions; web marketing; training and operations support.
- **Thelma-SaaS:** deploying the Thelma platform for applications outside healthcare. The functions Thelma was designed to perform in healthcare closely align with what's required for sophisticated two-way data interchange between organisations in any industry, or within large organisations. Areas being explored for Thelma-SaaS include smart metering for energy utilities; energy reduction management; and various 2-way business-to-consumer services portals. "SaaS" refers to "Software as a Service": rather than being sold as software, Thelma is provided as a "hosted service" and tailored for each customer. This has many distinct advantages for customers, including no software to purchase, no version issues, no product risk, the customer gets exactly what they want, it can evolve with their business and they can brand it to appear like their own application.
- **Strategic partnerships:** teaming with other consultancies and technology companies to jointly undertake technology projects for government and the private sector. Discussions are on foot with several companies on specific consulting and Thelma-SaaS opportunities.
- **Acquisitions:** established, profitable companies with a strategic fit with Cybrand and/or Thelma. The focus is on consolidating an industry vertical to become No.1 or No.2 in that market. A number of the potential strategic partners we are in discussion with have signalled an openness to exploring being acquired.

For more information on Cybrand see www.cybrand.com.au

UK Update

Medical Billing & Collection (MBC)

MBC continues to grow strongly amidst the UK economy experiencing the longest recession on record, which is now in its 7th Quarter with GDP down 5.9% in total. MBC has felt the affects of the recession, with some doctor's monthly billings reducing by up to 20% compared to the previous year. Despite this, new sales have boosted MBC's average monthly revenue by approximately 27% compared to the previous year, and achieved record figures for the September quarter in all areas of the business, including record billing and receipts figures for the month of September.

The marketing focus on the larger medical practice and hospital market is also starting to reap some rewards with MBC's largest client to date joining in July. This is in addition to the other major contract that was signed with one of the UK's major private hospital groups. The pilot for this contract is progressing well and should start to build revenue during the December quarter.

Another marketing coup for MBC is the current editorial series in the Independent Practitioner, the magazine with the largest distribution to doctors in private practice in the UK. The series kicked off with the lead article "Bad debts are rising" (see back page of this letter) in the October 2009 issue. The November issue will again feature MBC and step through the business case as to why doctors in private practice should use a billing agency. The December / January edition will then feature a case study of one of MBC's largest and highest profile doctors, and the benefits to their practice due to MBC.

MBC is now positioned for major growth, and rapidly consolidating its position as the UK's leading company in the outsourced patient billing services sector.

Thelma in UK

Prior to acquiring MBC, ICSGlobal assessed the potential for Thelma in the UK. An excellent market opportunity was identified around private healthcare consultant (ie specialist) claiming, with around 5 million paper claims in the market reportedly costing private health insurers around £3 each to process. To demonstrate the suitability of Thelma for the UK market, in September 2007 we implemented electronic consultant claims for one of the small insurers, Exeter Friendly Society. However, while the large insurers admitted that paper-based claims were a major administrative problem for them, they weren't prepared to pay a transaction fee to Thelma to deliver claims electronically, even though the fee was a fraction of the cost of processing a paper claim. Consequently, Thelma-UK was placed on hold, as we could see no future in providing free electronic claims.

However, as MBC claim volume grows, if the private insurers were prepared to receive electronic claims via Thelma, return an electronic remittance advice and pay electronically – which is just standard medical banking practice - the cost savings to MBC would more than justify providing free electronic claims to the private insurers. Another approach to the private insurers will be mounted in the new year.

US Update

Medical Recovery Services (MRS)

After a series of costly one off operational issues in the first six months after it was acquired, MRS has stabilised and going forward is expected to generate EBIT (earnings before interest & tax) of approximately US\$400,000 per annum.

The large new Florida account that MRS won in February has not yet produced the earnings that were expected. However, the revenue generated by the account is progressively improving as a result of MRS working with the client to help them re-engineer their business processes, as well as process changes within MRS to deal with the unique nature of this client.

In addition to the new Florida account, the MRS customer base has grown by approximately 15% during 2009. This growth rate is expected to accelerate in 2010, as a result of an increased focus on sales and marketing now that the operational issues have been resolved.

The global financial crisis has not had a significant impact on this business, although the fall of the US dollar has reduced the Australian earnings from the business.

Thelma-US

Following the departure in July 2009 of the CEO of Thelma-US, Mr BP Fulmer, and in light of the poor volume growth that had been achieved, a thorough review of the US healthcare transaction business was carried out, including meeting with key transaction partners and customers. The conclusion reached was that, based on the contracts signed to date and the approach adopted over the previous 12 months, it was going to take several million dollars more over several years to reach a break even point.

Consequently, it has been decided that the current Thelma-US service would be suspended, with operations ceasing at the end of 2009. The medical banking services that Thelma-US was providing to MRS have been assigned to one of our transaction partners, ClaimRemedi, Inc., at a discount of approximately 50% to the clearinghouse fees MRS was paying prior to connecting to Thelma. This reflects the highly commoditised state that the US healthcare transaction market has reached.

The suspension of the Thelma-US transaction service would not affect ICSGlobal's plans for a US billing company "roll up" consolidation. As the consolidation process progresses, the business case for redeploying Thelma-US will be regularly re-evaluated.

Strategy Summary and Outlook

The Board has recognised the need to establish new, profitable revenue streams in Australia, outside of healthcare. This led to the launch of Cybrand, whose purpose is to use our consulting heritage, the Thelma assets and our public company listing to build the substantial Australian business base that was originally planned to come from the Thelma healthcare transaction business.

The reduction in our offshore earnings due to foreign exchange rates, and lower than expected earnings from MRS, means ICSGlobal is not yet cash flow positive. Average cash outflow is now less than \$100,000 per month. Cash on hand is \$1.65 million.

With MRS stabilised, MBC primed for growth, the launch of Cybrand, and our current cash reserves, the Company can move past the stifling impact of Medicare Australia on our business, and establish a profitable growth platform through which value can be returned to shareholders.

Yours faithfully



Tim Murray
Chief Executive Officer

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JOCKEYING FOR POSITION: Consultant surgeon Mr Mark Whiteley (left) backed a golden publicity winner when his company sponsored The Whiteley Clinic Stakes at Goodwood Racecourse. See full story on page 2

£300k a year is realistic target

A £300,000 pre-tax profit is now a realistic target for increasing numbers of NHS consultants with a private practice.

Figures from accountants show the top 5% part-time private consultants hit 300k – many of them much more. Stanbridge Associates said that, in London, the proportion who had gone through the £300,000 barrier was twice as high.

Accountant Ray Stanbridge said: 'For someone starting out, if you are going to do it, then you will do it in five to six years. There's more

opportunity now for many consultants due to their NHS contracts.'

But improved earnings for many independent practitioners have not arisen by dint of them charging higher fees.

Mr Stanbridge added: 'Fees are pretty tight this year and most people haven't increased them because of insurance company pressure. And a lot have kept their prices the same for self-pay patients too'.

■ Don't miss 'Ten ways to help you earn £300k from private practice': turn to page 18

Bad debts are rising

By Robin Stride

Increasing numbers of consultants' private practices are risking huge financial losses after allowing bad debts to escalate during the credit crunch.

Many are chasing thousands of pounds, but in the worse case scenarios, they have been owed hundreds of thousands of pounds before acting.

According to one billing agency, the problem is 25% greater than 18 months ago and is set to worsen in the year ahead on the back of the recession.

Garry Chapman, general manager at Medical Billing and

Collection, advised: 'If doctors are owed more than 10% of their turnover, then it's something they should be looking at. If they are owed that now, then it's only going to get worse.'

The mounting debts crisis is not just confined to solo practitioners. The larger and more successful a practice is, the bigger the trouble can be.

He finds more than 80% of consultants are billing less than last year. But late invoicing by busy specialists is compounding the problem, with some patients wrongly claiming they have

already paid once their bill arrives months later.

Mr Chapman said one common scenario was doctors who effectively work for nothing because they continue to see patients who never intend to pay.

Other patients have returned back home abroad, or are jobless, by the time the invoice is raised – making it extremely hard for specialists to ever get their money.

New independent practitioners are also hitting problems because they wait too long, sometimes six months, before billing.

Added Mr Chapman: 'It's a shame; they are working very hard,

but are not getting the full rewards their work deserves. If you are a businessman, your focus is on the bottom line and on making a profit. For most of the consultants we see, the focus is on making sure the patient is being treated correctly.'

Bad debts for consultants in our latest Profits Watch (page 38) nearly doubled. Accountants warn this will worsen as the self-pay market comes under pressure and insurers try to cut fees.

■ How to prevent the problem and get your money back: Don't miss our report next month. To be sure of your copy, subscribe by phoning 01752 312140.

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The best ten ways the top-earning specialists manage to boost their incomes ■ Page 18



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