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Half Yearly Results and Business Update

ICSGlobal's revenue for the half year to 31 December 2005 increased by about 42% over the corresponding period the previous year, to \$465,000. This was disappointing and lower than we expected as some revenue producing opportunities for which there were strong indications would come on line during 2005, slipped into 2006.

Revenue is expected to increase significantly during calendar 2006 as a result of:

- Continued growth in hospital transaction volumes from both existing and new customers. In the four months from October to January, hospitals totalling about 1,000 beds or 5% of the private hospital market went live on THELMA, as well as eleven health funds totalling 14% of the market.
- New transactions going live. In-patient medical claims (specialists, pathology, radiology) is on track to go live in March. There are about 10 million of these claims in the market, and most of our current health fund customers are already connected to the service and awaiting volume. There has also been an encouraging amount of interest from healthcare providers in sending their claims electronically through THELMA.
- UK revenue. In addition to revenue that MackenzieHealth generates from eCABS, ICSGlobal is fast tracking the implementation of THELMA in its own right in the UK to carry hospital and medical claims in parallel with eCABS. The opportunity emerged when doctor software vendors representing about half the UK market contacted MackenzieHealth inquiring about doing electronic claiming. MackenzieHealth then raised this with the seven largest private health insurers, who represent over 75% of the industry, who also expressed the desire to receive electronic claims. Specifications for the implementation are under development now, and if we can continue to get timely information from the software vendors and insurers, the target for going live is the second quarter of 2006. The operating model agreed in principle would see THELMA being rolled out to doctors by their software vendor, who would also provide the local support for the service. The insurers pay the transaction fees.

Other major strategic initiatives which are in train and have the potential to dramatically affect revenue during 2006 include:

- The establishment of a new claims and payments solution for the 235 million Medicare claims, totalling \$9 billion. The Request for Information issued by the Department of Human Services (DHS) closed on 24 January 2006. THELMA was included in a number of consortia that responded. The next step is expected to be DHS issuing a Request for Proposal. THELMA is in a very strong position to be included in the final solution whatever form it takes. As far as timing, the Federal Health Minister, Tony Abbott, signalled the government's hopes in December to have the new system "in operation by the middle of next year."
- Business from the US. Following the successful Proof of Concept of THELMA, the final agreement between ICSGlobal and MedAccess Plus, our first US partner, is being developed. In addition to this, there are several lines of discussion in progress in the US, any of which could rapidly convert into significant revenue generating business. Through our involvement in the Medical Banking Project, ICSGlobal and THELMA have achieved a high profile in the US, with the CEO of ICSGlobal addressing the Fourth Medical Banking Institute in Tennessee on 22 February 2006. In less than a year, MBProject membership has grown from 40 to some 200 corporate members, including many more banks and Top 50 employers.

The hiring of three additional expert-level technical staff, including recruitment fees and internal restructuring costs, was principally responsible for the \$332,000 increase in our net loss for the half year to about \$1.3m. The company felt it necessary to recruit these three new staff – an international infrastructure and hosting expert; an Internet global solutions architect; and an Internet global application architect - to underpin the local and international rollout of the THELMA application and infrastructure. The benefits from these three key people are already becoming apparent, for example:

- Some internal re-engineering of the THELMA application, which is in progress and on track to be completed during April by existing staff, will eliminate the majority of THELMA's third party software licence fees, greatly simplify system maintenance, speed up implementation and any Proof of Concepts we get called on to perform, and enable THELMA to be more easily and affordably scaled to handle virtually any volume
- The management and control of THELMA's infrastructure has been strengthened in anticipation of integrating THELMA into banking networks and/or running substantial chunks of Medicare through THELMA
- The THELMA application is being "shrink wrapped" to simplify international multi-hub deployment and to minimise the costs and logistics of hosting and managing such a network

The addition of these three new staff, together with average annual salary increases of 5% - 6%, which is typical in a strong IT skills market, means ICSGlobal's cost base, 70% of which is staff salaries, is now running at about \$4m per annum. Given the mix and qualifications of our staff, we don't anticipate this cost base will need to increase materially to achieve our global expansion plans.

So while we are disappointed with our half yearly financial result, strategically and operationally we have never been better placed to convert the investment in THELMA into returns for our shareholders. There are several major business opportunities in front of us, any one of which has the potential to quickly and dramatically improve the financial position of the company, which is why we are excited about the year ahead.

ICSGlobal's audited half yearly results will be released on 14 March 2006.

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About ICSGlobal and THELMA

Founded in 1990 as an engineering and IT consultancy, ICS Group listed on the Australian Stock Exchange as ICSGlobal Limited in 1999 [ASX:ICS]. Since 2000, ICSGlobal's core business has been the unique "any-to-any" health industry clearing house technology **THELMA** (Transactional Health Exchange Linking Multiple Applications), which ICSGlobal built, owns and operates. THELMA creates interoperability between the broad range of new and legacy software systems that typically exist in health systems. This enables health industry business partners in any country to conduct financial, clinical and administrative transactions electronically over the Internet. In Australia, THELMA's customer base continues to grow steadily, now standing at over 60% of private health insurers, 35% of private hospitals, 22% of public hospitals on the east coast, plus is connected into the national Medicare system for member checks and electronic claims. THELMA went live in the UK in July 2005 and has been certified to operate in the US following successful completion of a Proof of Concept in November 2005. For more information visit www.icsglobal.net and www.thelma.com.au.