

# Year In Review

## Dear Shareholder,

We are pleased to present the 2008 Year in Review.

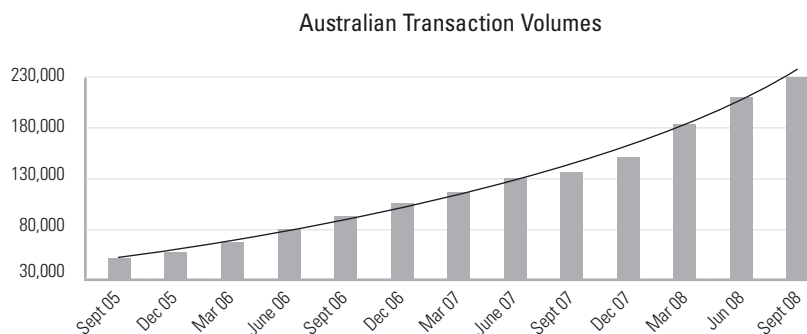
ICSGlobal made good progress with its dual edged global medical banking strategy - the expanded deployment of the Thelma healthcare clearinghouse technology and the acquisition of established, profitable medical billing companies - in the Australian, UK and US markets.

We were pleased with being able to increase our revenue by 78% over the year to \$1.8m while managing to keep costs flat at \$4.0m, even with our first acquisition. The increase in revenue of approximately \$0.8m corresponded to the reduction in our loss from \$2.6m in 2007 to \$1.8m this year. The Company is now better positioned and resourced than ever before for becoming profitable, for which we maintain our sense of urgency.

## Progress in Australia

Strong transaction volume growth continued through the September 2008 quarter, as shown in the graph below. This trend is expected to continue.

Volumes continue to accelerate; steady flow of new customers



There was a steady stream of new customers right across the board - health funds, hospitals, day surgeries, medical practices, diagnostic groups and medical software vendors. The re-signing in August of nib health funds limited, a Thelma customer for almost six years and the nation's first private health insurer to list on the Australian Securities Exchange, was a solid endorsement of our products and services.

The Thelma business in Australia has been impacted by Medicare Australia's participation in the private eHealth market over the past five years to try to block the private sector's involvement in eHealth. Consequently, on 11 August 2008, Thelma Pty Ltd, a wholly owned subsidiary of ICSGlobal, filed an application in the Federal Court of Australia alleging that Medicare Australia has unlawfully used its market power in providing electronic private health transaction services into the private health sector, free of charge, in direct competition to Thelma, for the purpose or effect of eliminating or substantially damaging Thelma; and/or to deter or prevent Thelma from engaging in competitive conduct. The Board of ICSGlobal is confident in the merits of the company's claim against Medicare Australia.

## Progress in the US

In March, Mr BP Fulmer commenced as President and Chief Executive Officer of Thelma-US, Inc. Three months later Ms Patti Velasco joined him as Executive Vice President, Healthcare Transaction Services. These two leading US medical banking executives previously worked together for six years at ACS EDI Gateway, Inc., a US Fortune 500 eHealth company.

Contracts have been signed for a number of strategic partnerships: in April with MedData for the interchange of eligibility transactions; in May with Revenue Management Solutions (RMS) for the interchange of revenue cycle management transactions; in June with The SSI Group Inc. for the interchange of electronic claiming transactions; and in August with ClaimRemedi Inc. for the interchange of electronic claiming transactions.

Strong management team in place; major transaction partnerships in place; transactions live; solid deal pipeline for increasing transaction volume and acquisitions

# Year In Review

What Thelma actually does to assist these organisations is a very similar extension to what it does in Australia. In the next section of the Annual Report is an in depth description of our US transaction services business. In summary, Thelma-US acts as a hub or "interchange" to move transactions around and give US healthcare providers and payers cost effective access to the full suite of medical banking transactions which puts them in control of their revenue cycle. Thelma-US receives a fee for each transaction it interchanges between the various parties.

Thelma-US plans to build its transaction services business through a combination of organic growth and acquisitions. The first billing company customer, PRS URO, signed up in August.

Commercial transactions through Thelma-US went live in August. The Thelma-US system is hosted in Dallas, Texas with the Disaster Recovery data centre in Herndon, Virginia.

The US acquisition program has seen nine target companies reviewed. We endeavoured to acquire one in January but the global credit crisis meant we were unable to fund it in time. Five others have failed to meet our selection criteria, and dialogue continues with three more.

The US is a very exciting market for us to be active in, and we expect it will become our major market during the coming financial year.

## Progress in the UK

The London Patient Billing Service grew strongly and has new doctors queued to join

On 1 December, ICSGlobal took possession of its first acquisition, The London Patient Billing Service (LPBS). A rapid growth in customers put pressure on existing operations and affected productivity due to the need for more staff and additional premises.

In June Mr Garry Chapman was appointed General Manager of LPBS and he has quickly identified new business systems and processes that are set to more than double the billing productivity of staff. The re-engineering measures include streamlining the recruitment and training programs; internal knowledge sharing; and the establishment of billing teams based on medical specialty.

These measures set the business up to deal with major growth and allow Dr Diana Bell, the founder of LPBS, to progressively step back from operations to focus fully on sales and marketing in her role as Non-Executive Director of LPBS. Dr Bell has been busy developing a number of new business opportunities for LPBS, and there are a large number of new doctors queued to join.

On the UK health transaction side, Thelma-EU is live for electronic consultant (ie specialist) claims between private health insurer Exeter Friendly Society and MidexPro, one of the UK's major medical specialist practice management software systems. The increase in volume of Thelma-EU depends on when the large health insurers start accepting electronic claims. As LPBS continues to grow, we expect the health insurers to become more interested in receiving the claims from LPBS electronically.

## Summary

ICSGlobal completed a 2 for 5 rights issue in April that was designed to provide funds for the acquisition of a profitable US medical billing company, and to replace the working capital used to fund the acquisition of LPBS. The rights issue raised approximately A\$3.4 million, leaving a shortfall of A\$2.56 million from the amount required to complete the acquisition. Approximately 25% of the amount raised, or over \$850,000, was a result of applications from the Board and management of the Company.

It is appropriate to thank the ICSGlobal staff team for their contribution, as they have again demonstrated outstanding ability, tenacity and persistence in executing the Company's strategy during the year.

In summary, the global credit crisis that meant we were unable to fund our first US acquisition in January caused us to lose significant momentum towards becoming cashflow positive during fiscal 2008. However, we've recovered strongly since then, with excellent management teams in place and building momentum in each of our markets, and we are in a strong cash position. The exact timing of becoming profitable will depend upon the rate of organic growth and the size and timing of acquisitions.

We are very excited about the year ahead.



Ross Bunyon  
Chairman



Tim Murray  
Managing Director

# Theлма Electronic Banking Efficiencies For Health Systems Globally

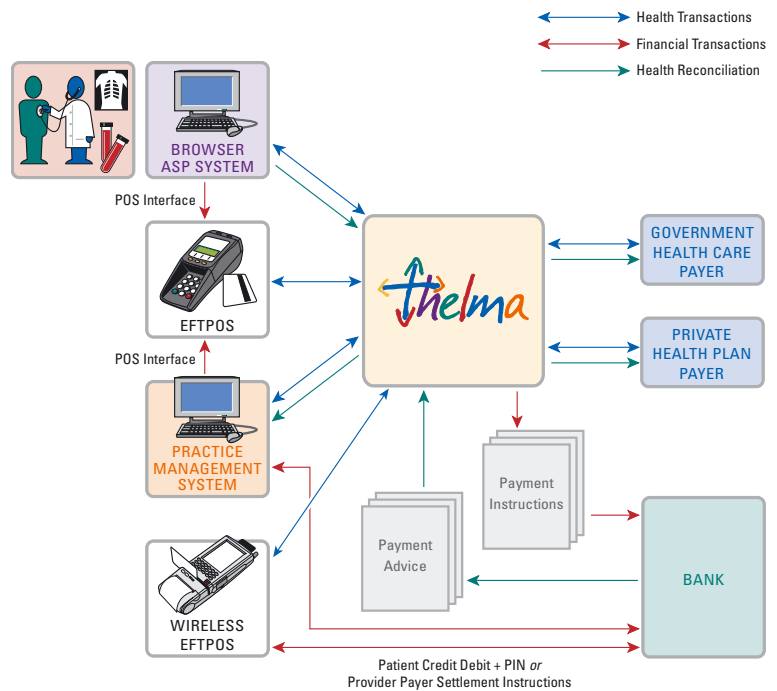
Following are some questions and answers about our dual edged global medical banking strategy which should provide you with a deeper understanding of the business in which you are a shareholder.

## About medical banking and Theлма

“medical banking” is about blending healthcare administration processes with banking-type infrastructure to maximise efficiency and minimise costs in providing and paying for healthcare.

The medical banking process begins the moment a patient contacts a doctor seeking help, and ends when that encounter or episode of care is complete, and all monies have been paid, received and accounted for. This process is also often referred to as the “revenue cycle”.

Theлма (Transactional Health Exchange Linking Multiple Applications) was designed as a flexible, configurable transaction “clearinghouse”, using the Internet to collect and clear medical bills electronically. This enables medical practices and hospitals to avoid the stress, time and cost of filling in forms and trying to work out who owes what to whom via phone, fax and post.



## What types of transactions are involved in medical banking?

There are about a dozen different transaction types that make up the end-to-end medical banking process. They vary slightly in each health system, but fundamentally they aim to achieve the same outcome: to put healthcare providers and payers in control of their revenue cycle. The key medical banking transactions in the US healthcare system, as defined by HIPAA (Health Insurance Portability and Accountability Act) are shown in the table below.

HIPAA Identifier	Live on THELMA <sup>1</sup>	Transaction Description
270 / 271	Yes	Eligibility / Benefit Inquiry & Response, to determine if a patient has health insurance, whether the patient has to make a co-payment, etc.
997 / 864	Yes	Functional Acknowledgment – confirming the transaction was successful or not
837 (I, P & D)	Yes	Claim or Bill from a healthcare provider (doctor, hospital, dentist, lab, etc)
835	Yes	Claim Payment Remittance Advice, often called Explanation of Benefit (EOB)
276 / 277	Yes	Claim Status Inquiry (Request) and Notification (Response)
275		Additional Information to Support a Claim or Encounter
278		Review Information (Request / Response)
834		Enrolment and Maintenance
820		Payroll Deducted & Premium Payment

<sup>1</sup> As at 30 September 2008

# Theлма Electronic Banking Efficiencies For Health Systems Globally

## What is a transaction clearinghouse?

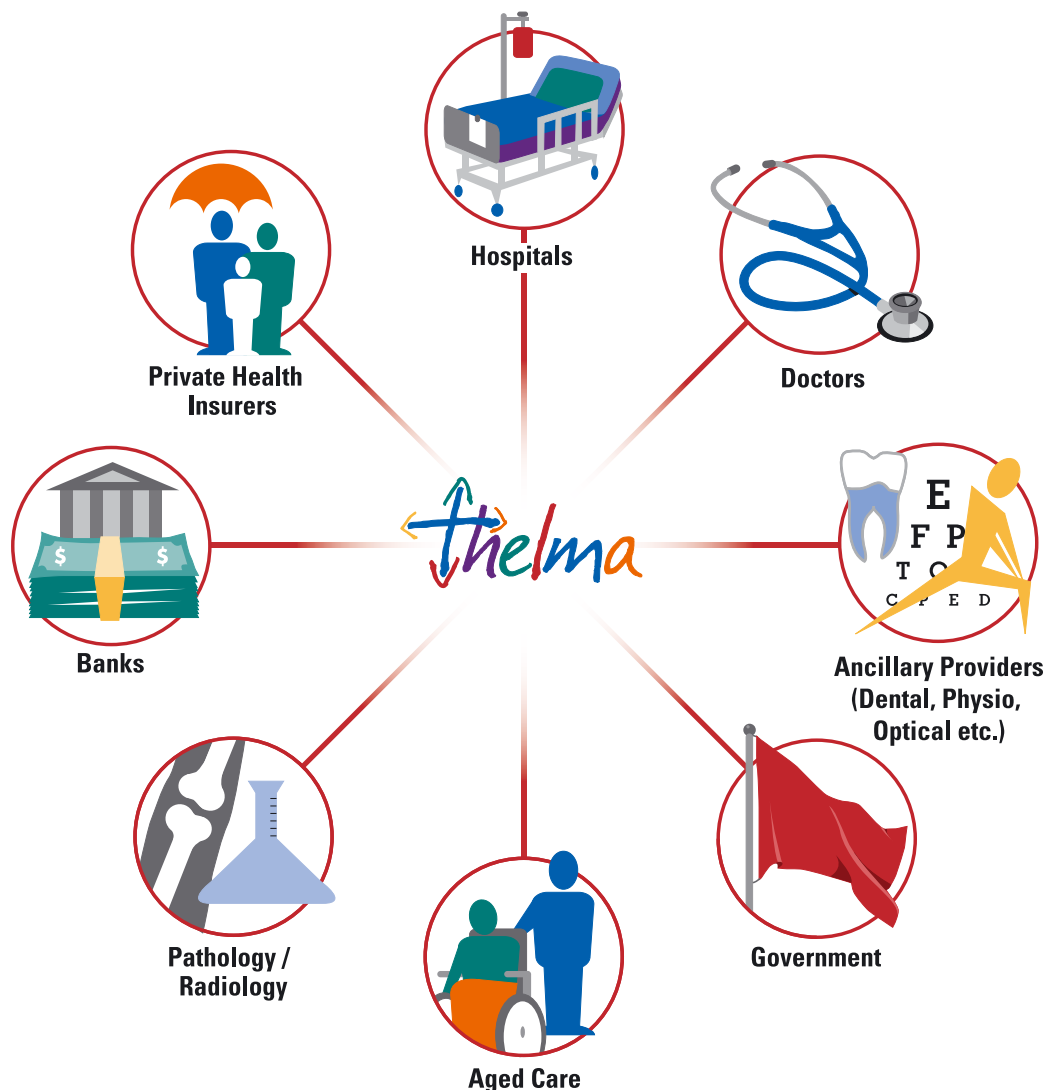
A “transaction clearinghouse” could be likened to an electronic post office, routing electronic transactions between senders and receivers. An everyday example is drawing cash out of an ATM that belongs to a bank other than your own. The transactions need to be “routed” from the other bank to your bank, and back again. This is what a clearinghouse does.

Drawing cash out of an ATM is also a good example because the various transactions involved can be likened to those in eHealth:

- Step 1: check with your bank or credit card to make sure sufficient cleared funds are available (eHealth = “eligibility check”)
- Step 2: deduct the requested amount from your account (eHealth = “claim”)
- Step 3: write a receipt into your account for the deduction  
(eHealth = “remittance advice” or “EOB” (explanation of benefit))

Transaction clearinghouses can be very basic or “dumb” in that they don’t do anything to the transaction other than simply pass it to the addressee.

Theлма however is highly “intelligent”, as it can be configured or “taught” by a series of rules engines to perform whatever functions are necessary in order to move a range of complex and differing transactions between large numbers of senders and receivers, each with different technology platforms.



**Theлма is an “any-to-any” transaction exchange or “clearinghouse” that allows participants in any health system to interchange any type of financial or clinical transaction electronically over the Internet.**

# Theлма Electronic Banking Efficiencies For Health Systems Globally

## Why is Theлма called an “any-to-any” clearinghouse?

Theлма’s “any-to-any” capability means that it can be configured or “taught” to send and receive any type of electronic transaction, in any data format, between any senders and receivers.

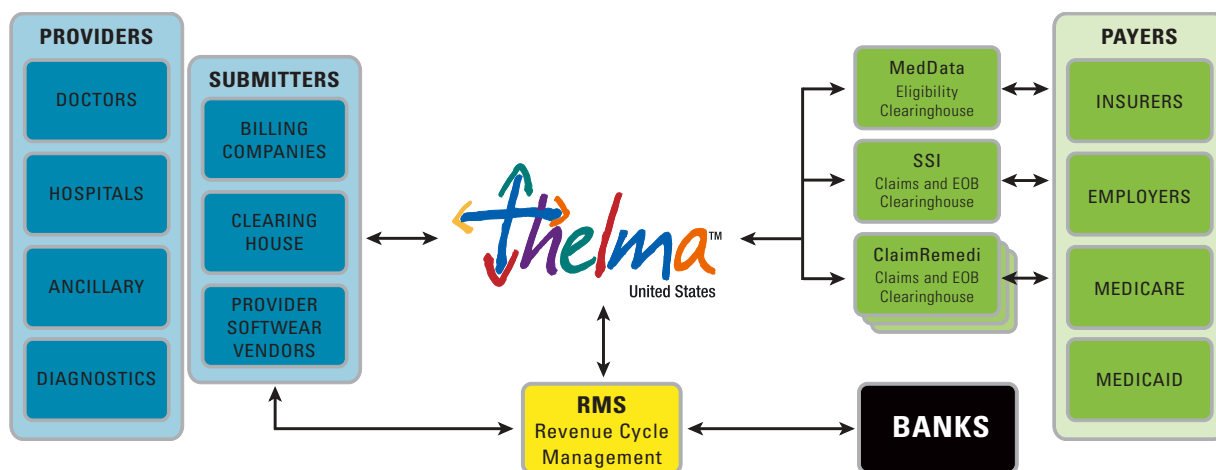
The table below summarises the key functionality within Theлма that enables “any-to-any” transacting.

<b>Theлма Function</b>	<b>Description</b>
Switching and Routing	Intelligent routing and tracking of transactions between senders and receivers.
Translation	Converting transactions to different formats if the sender’s format doesn’t match the receiver’s. There are dozens of different transaction formats and standards in healthcare, and hundreds of variations of these.
Code mapping	Converting data values as requested by senders and receivers allowing data to be loaded into their systems automatically eg convert M to Male.
Batching / Unbatching	Some senders prefer to send batches of transactions rather than one at a time. Theлма has to unbundle batches to perform any tasks on the transactions, then re-bundle for on sending. If a batch contains transactions for multiple recipients, it has to be split into a batch for each recipient which is then tracked and managed individually.
Validation / Analysis	Check the data in each field is valid and perform any analysis or tests on the data, as requested by the receivers, to validate that the transaction is “valid”.
Reconciliation	Reconciling what is sent against what is received. eg to check that payments equals claims.
Extraction / Posting	Theлма has sophisticated extraction and posting tools to get data out of or put information back into customer’s business systems. These tools make customer connections fast and simple.
Electronic Audit Trails	Retention of transactions in mailboxes to allow searching, queries, viewing and archiving.
Security	Industry-best practice to ensure Security, Privacy, Data Integrity and User Access Authorisation. Theлма can cater for all data security standards.
Workflow	Theлма can be “taught” how and when to combine any of the above tasks to replicate each customer’s existing business processes.

# Thelma Electronic Banking Efficiencies For Health Systems Globally

## Where are the opportunities for Thelma in the US?

The opportunity for Thelma in the US arises from the fact that there are numerous established eHealth organisations, many of whom specialise in only some of the different electronic transaction types that are required for full “medical banking”. Thelma-US acts as a hub or “interchange” to vertically integrate this myriad of transaction streams into a complete national electronic “medical banking network”, as shown in the diagram below:



This puts Thelma-US in a unique position of being able to give US healthcare providers and payers cost effective access to the full suite of medical banking transactions which puts them in control of their revenue cycle. Thelma-US receives a fee for each transaction it interchanges between the various parties.

About two thirds of healthcare providers in the US are SMEs (small and medium enterprises). This market is underserved by the major clearinghouses as, for a range of reasons, it has not been viable for them to target the SME market. Thelma’s target market for medical banking services is approximately 3,500 billing companies who act for providers, and hundreds of clearinghouses and software vendors that submit transactions on behalf of providers.

## What does a medical billing company do?

Medical billing companies collect money on behalf of healthcare providers. Understanding and being able to navigate through the maze of medical terminology, diagnostic codes, rules, regulations, contracts and rebate schemes, which are constantly changing, is a highly specialised and time consuming process. Rather than a doctor having to learn and keep abreast of the science of getting paid what they are owed, a billing company will take care of this for them, allowing them to maximise their time attending to patients. Doctors that use billing companies report that they receive up to 25% more income compared to doing their own billing, through the elimination of bad debts and maximisation of what they are rightfully owed under the various contracts they have with healthcare payers.

## What is meant by ICSGlobal’s “dual edged medical banking strategy”?

The attraction of Thelma to medical billing companies is that Thelma can provide better, more cost effective services than their existing clearinghouse, or help them convert any manual (phone, fax, post) work processes they are still using into electronic transactions. This generates substantial savings – 5% to 15% of overall costs – which flows through to improved profitability for the billing companies.

So the “dual edged medical banking strategy” is ICSGlobal’s way of capturing the compound benefits that Thelma creates: acquiring established, profitable medical billing companies and vertically integrating them with Thelma gives us the existing profit stream, plus the Thelma transaction fees, plus we bank the internal operational cost savings.

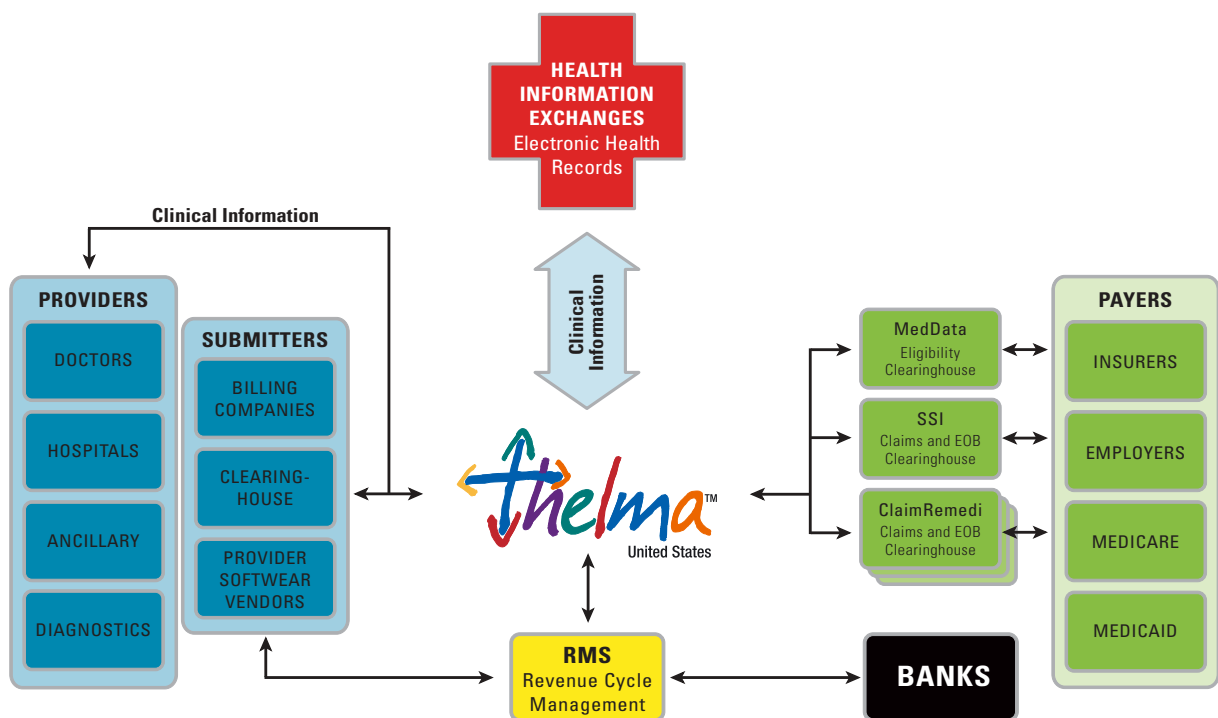
# Theлма Electronic Banking Efficiencies For Health Systems Globally

## What is Clinical Information, and are there any opportunities for Theлма in the US?

Whereas “medical banking” deals with the electronic movement of financial and administrative information, “clinical information” relates to what actually happened during the episode of care, and includes things like the patient’s diagnosis, test results (pathology, radiology, etc), treatment and/or drugs administered, etc. “Electronic Medical Records” are just storage of clinical information in such a way that it can be accessed electronically as required eg to check if a drug being prescribed doesn’t clash with drugs previously prescribed.

We believe the major transactional growth area for Theлма in the US will be clinical information. The US federal government has mandated that, at some point in the future, all US healthcare providers must make use of electronic medical records or else lose part of their payment from the government. In response, State-based Health Information Exchanges (HIEs) have started to form as repositories of clinical information. Existing US clearinghouses, built for financial transactions, face major “retooling” if they are to participate in this national clinical information initiative. Theлма can enable them to participate with minimal or no re-tooling. Our plan is to license Theлма to HIEs as routing “middleware”, deploying Theлма’s powerful any-to-any technology to electronically send and retrieve clinical information between HIEs and the medical banking network, as shown in the diagram below.

**Theлма acts as “middleware” for routing clinical information between Health Information Exchanges and the medical banking network**



## How do customers connect to the Theлма service?

Provided customers have a computer with a connection to the Internet, they don’t have to buy any hardware or software. How each customer connects depends on which transaction they are using. For example, for eligibility checking, all they generally need to do is go through a web browser like Internet Explorer, Safari, FireFox or Chrome. For other, more data intensive transactions such as Electric Hospital Claims, Theлма uses configurable adapter modules that are used to accept input and generate output. These modules can, for example, be used to accept any format of data files, extract files from patient management systems or legacy systems, read Web forms based input, generate reports and output data in various formats. These modules are configured into the individual customer’s workflow as required.



# **Thelma** Electronic Banking Efficiencies For Health Systems Globally

## **Do customers go live as soon as they sign up?**

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Some can and do. It depends on things like the types of transactions they want to do, the state of their IT systems, and so on. Eligibility checking can go live immediately, as users simply require an Internet web browser, a Username and Password. Electronic claiming is more involved. ICSGlobal's implementation team sits down with each new claims customer and examines the business, technical and cultural issues that the customer needs to address before going live. For example whether the contract between the hospital and the health insurer is set up for electronic trading; whether the hospital or health insurer has the basic IT infrastructure necessary for electronic claims; how old the customer's business software systems are. ICSGlobal has come up with an innovative range of implementation solutions that allows customers to go live as soon as possible and derive benefits from the outset that they can improve upon over time to gain even further benefits.

## **How much work is involved when another country wants to use Thelma?**

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There's surprisingly little difference between implementing Thelma in Australia and implementing it in another country. Health systems the world over are virtually identical in that they consist of patients, doctors and hospitals. The only real difference that affects the Thelma business model in a particular country is how the healthcare services are paid for - either by the government, by private health insurers, by the patients, or various combinations of the three. So the process for configuring Thelma to connect all the participants in the health system of another country is virtually the same as connecting them in Australia. All that may vary is the content and format of the transactions, which again Thelma can be configured to handle.

## **What is Thelma's Business Model?**

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A good analogy for Thelma's business model is the telephone, where users pay a nominal rental fee then a transaction fee each time they use the service. As with local and long distance calls in the telephone model, there's a range of Thelma transaction fees depending on the volume and complexity of the transaction. The transaction fees are calculated to be just a fraction of what the manual processes currently cost. After six years of operation, we have testimonials from Thelma customers that the Return on Investment (ROI) on Thelma transaction fees ranges from 300% to as high as 1000%.

In terms of volume, in Australia there is about 500 million claims, covering private and public health. In a health system as large as the US, the volume of medical banking transactions has been estimated as high as 50 billion transactions.

## **Will there be a big capital expenditure to set Thelma up in the US?**

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The answer is no. Infrastructure wise, the Thelma-US system is already hosted in Dallas, Texas with the disaster recovery data centre in Herndon, Virginia. Application wise, configuring Thelma for the US medical banking transactions is being done in our Sydney office by existing staff.