

IBA Health Limited

Corporate Governance Statement

IBA Health Limited (“IBA” or “Company”) and the board are committed to achieving and demonstrating the highest standards of corporate governance, consistent with the size and nature of the Company. This Statement outlines the Company’s main corporate governance practices as at 30 June 2004. All these practices, unless otherwise stated, were in place for the entire year.

The Company considers that it has substantially met the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003 (“ASX Recommendations”). In those circumstances where the Company has not followed an ASX Recommendation, the Company considers that the recommendation is not appropriate for a company of IBA’s size and nature. Also, this Statement provides additional explanation why the Company has departed from particular ASX Recommendations.

Key features of the statement of responsibilities reserved to the board and the charters of the Audit and Compliance Committee and the Appointments and Compensation Committee will be made available in a Corporate Governance section of the Company’s website during the 2005 financial year. Further information will be posted to that website from time to time as considered necessary or relevant to shareholders.

Board responsibilities and objectives

The directors acknowledge the board’s objective is to increase shareholder value within an appropriate framework that ensures the Company’s affairs are properly managed and controlled and sets the strategic business direction to be followed. The board is responsible for the overall corporate governance of the Company.

In July 2003, the board reviewed its delegations to management and adopted an updated statement of delegations and reservation of powers.

The powers reserved to the board include the following:

- the review and oversight of the Company’s strategic plan, setting goals and long term objectives with a view to maximising shareholder value;
- adopting the annual budget and reviewing financial performance;
- the selection, appointment and review of the performance of the Chief Executive Officer and Chairman;
- establishment of the control environment to provide for meaningful and timely information;
- providing the basis for the review of the performance of the board and its members and the senior management and their remuneration;
- establish a communication capability and the relevant procedures with all stakeholders in accordance with the continuous disclosure provisions and to comply with the relevant legal requirements;
- reviewing and ratifying systems of risk management;
- establishing a basis for approvals of capital expenditure, acquisitions and divestment; and
- setting the highest standards for ethical and corporate behaviour.

With the exception of the matters reserved for the board, all other powers are delegated to management.

Board composition

The policy is to maintain a broad base of business skills on the board and expertise relevant to the Company’s objectives. There are five directors of the Company, three of whom are non-executive directors. The term of office, skills, experience and expertise relevant to the position of director held by each director in office at the date of this report are set out on page 14.

The Chairman (Mr Cohen) and three other members of the board (Messrs Garrington, Wise and Phillips) are not considered “independent” directors in terms of the ASX Recommendations. Messrs Cohen and Wise, or interests associated with them, are each “substantial shareholders” of the Company, and their appointment as directors of the Company is reflective of the underlying capital structure of the Company.

Mr Phillips is an executive director of Macquarie Bank Limited (which is a “substantial shareholder” of the Company) and under the ASX Recommendations is considered to be associated directly with a substantial shareholder of the Company.

In addition, Messrs Cohen and Garrington are both employed in an executive capacity by the Company.

Mr Sherlock is considered “independent” in terms of the ASX Recommendations (he holds only a nominal amount of shares and options, details of which are set out on pages 44 and 45 of this report).

Notwithstanding the ASX Recommendations that a majority of the board should be independent directors and the Chairman should be an independent director, the board maintains strict protocols to ensure that any potential or actual conflicts of interest and duty are properly identified and managed, and to ensure directors act in accordance with their fiduciary responsibilities. In addition, the board believes that Mr Cohen is an appropriate person to be Chairman due to his extensive knowledge of the activities of the Company and its business.

Each director is appointed pursuant to letters of appointment or executive service agreements setting out the key terms and conditions of appointment, and each director has agreed with the Company to comply with the Company’s policy on dealing in shares in IBA and the ongoing disclosure requirements of such. In addition, the board proposes to formalise a code of conduct applicable to directors and key executives to reflect the current thinking amongst the board on ethical and responsible decision-making.

Directors are also appointed to the Audit and Compliance Committee and Appointments and Compensation Committee, each of which have adopted comprehensive charters defining their role and responsibilities. These charters and the composition of these committees are summarised in this Statement.

The Company's constitution specifies that:

- one third of the directors (with the exception of the Managing Director, alternates or new appointees who must retire under a different rule);
- any director who would have held office for more than three years at the time of the annual general meeting; and
- must retire from office at each annual general meeting but may stand for re-election.

Finally, the roles of Chairman and Chief Executive Officer are not exercised by the same person.

Directors' independent advice

With the consent of the Chairman, directors or committees of the board can seek external professional advice, as considered necessary, at the Company's expense.

Audit and Compliance Committee

The Audit and Compliance Committee consists, at the date of this report, of the following directors:

Mr Anthony Sherlock (Chairman)

Mr Peter Wise

Mr Wise is not considered "independent" in terms of the ASX Recommendations. Although the ASX Recommendations specify that this committee should consist of a majority of independent directors and have at least 3 members, the board believes that the composition of the committee is adequate given the current size of the board. No executive directors are on the committee and an independent director, (Mr Sherlock) chairs the committee.

The role of this committee as described in its charter is to:

- review the manner in which the accounting and internal control systems are assessed as adequate and effective;
- review accounting and disclosure policies, financial and management accounting reporting practices;
- review recoverable amounts of assets compared to book values and recommend to the board any variations;
- make due enquiry to satisfy itself provisions have been made for all known liabilities;
- review prior to presentation to board, statutory accounts and financial statements;
- monitor relationship with the external auditors, review and agree the scope of the external audit program;
- recommend to the board the appointment and remuneration of external auditors;
- review policies and procedures to ensure areas of risk have been identified and that appropriate processes are in place for their management; and
- review any matter which has the potential to affect the financial standing of the Company including but not restricted to litigation, claim, contingency and tax assessment.

The committee meets at least twice per annum and reports to the board following each meeting. The member attendance at meetings of the committee during the year is set out on page 16.

The Company's internal auditors PKF are invited to attend the meetings of the Audit and Compliance Committee as is the Chief Executive Officer.

Performance evaluation

The Board undertakes an annual self-assessment of its collective performance, the performance of individual directors and of its committees. This assessment is ongoing throughout the financial year. Furthermore, the performance of the Chief Executive Officer is reviewed annually by the Chairman in conjunction with the Appointments and Compensation Committee and the performance of other key executives is reviewed annually by the Chief Executive Officer against predetermined goals and competencies.

Financial reporting

The Chairman and the Chief Financial Officer provide the board with written confirmation that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. The Company adopted this reporting structure for the year ended 30 June 2004.

Although the ASX Recommendations specify that the written confirmation should be given by the Chief Executive Officer, the board considers that it is appropriate for the Chairman (rather than the Chief Executive Officer) to give the confirmation for the 2004 financial year due to the fact that the Chief Executive Officer only commenced with the Company on 30 June 2004.

Appointments and Compensation Committee and Remuneration

The Appointments and Compensation Committee consists, at the date of this report, of the following directors:

Mr Daniel Phillips (Chairman)

Mr Gary Cohen

Mr Peter Wise

Although the ASX Recommendations specify that the majority of this committee should consist of independent directors and be chaired by an independent director, the board believes that the composition of the committee is adequate given the qualifications and experience of the members of the committee and that the committee is chaired by a non-executive director (Mr Phillips).

The role of the committee as described in its charter is to:

- review arrangements for and make recommendations to the board on:
 - appointments to the board and to senior executive roles;
 - all human resources policies proposed or applying within the Company;
 - the performance of the senior executives;

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- the remuneration packages and policies applicable to the Chairman, non-executive directors and senior executives and annual salary reviews throughout the Company;
 - the incentive plans;
 - the retirement and termination entitlements of the Chairman, non-executive directors and senior executives;
 - Company wide training programs; and
 - the Charter of the committee;
- review changes in best practice, legislation and market trends in respect of matters on which the committee makes determinations or makes recommendations to the board;
 - apply the provisions of the above two items across the Company with necessary adjustments; and
 - consider other topics as nominated by the board from time to time.

In particular, the committee has reviewed the remuneration and incentive structure to make the remuneration for management more performance based and to align their interests more closely with those of the Company's shareholders through growth in shareholder returns. Further details regarding the structure of directors' and executives' remuneration are contained in the Directors' Report.

Non-executive directors are remunerated by way of fees and currently do not participate in schemes designed for the remuneration of executives other than options. They do not receive bonus payments.

The committee meets at least twice per annum and reports to the board following each meeting. The member attendance at meetings of the committee during the year is set out on page 16.

Risk assessment and management

Management of risk is an essential element of the Company's strategy. The Audit and Compliance Committee has the responsibility of ensuring that the policy framework and control mechanisms are in place to identify, assess and control material risks across the IBA group, including reporting to the board on the risk management issues. Each division is responsible for implementing policies and procedures to manage those risks.

The Chairman and the Chief Financial Officer provide the board with written confirmation that:

- the statement given to the board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

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Code of conduct

As part of the board's commitment to the highest standard of conduct, the Company has established protocols to deal with various issues including:

- conflicts of interest;
- employment practices;
- fair trading;
- health and safety;
- confidentiality;
- relations with customers and suppliers.

In addition, ethical and responsible decision making relies on a strong control environment to provide discipline and structure. The control environment of the Company focuses on having clear policies and procedures, a commitment to competence and development of employees, the responsible assignment of authority and accountability, and the general control awareness of senior management and employees.

Since 2001 the Company has had a formal share trading policy in place applicable to directors, both executive and non-executive, to senior managers and to trading by their family members and associates. The policy restricts directors and senior managers from acting on price sensitive information which is not generally available to the market. In addition to this requirement, the Company prohibits directors and senior managers from engaging in short term trading and restricts the trading of shares in the two week period before the announcement of the full year and half year results and the Annual General Meeting. Provided they do not have price sensitive information, directors and senior managers may generally trade in the Company's shares during the thirty day period commencing three days after the announcement of the full year results, half year results and the Annual General Meeting.

Continuous disclosure

The Company has a procedure in place to ensure that comprehensive and accurate market relevant information and in particular price sensitive information, is released in a timely and controlled manner. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and coordinating information disclosure to the ASX, analysts, the media and the public.

If information is disclosable, an announcement is prepared and sent via the Company Secretary's office electronically to the ASX. After receipt is confirmed, the announcement is posted on the Company's website (www.ibatech.com) and sent electronically to shareholders who have provided the Company with their email address. When analysts are briefed on aspects of the Company's operations, the material used in the presentation is released to ASX and posted to the Company's website.

The Company aims to keep shareholders informed of its performance and all major developments in an ongoing manner. Information is communicated through:

- the Annual Report which is distributed to all shareholders (unless specifically requested otherwise);
- the Half-Year Report;
- other correspondence regarding matters impacting on shareholders as required.

The engagement partner of the Company's external auditor PKF has been requested to attend the Company's Annual General Meeting and is available to answer questions from shareholders about the external audit.