

Innovative
Products

Profitable
Operations

patient safety +
increased efficiency

=

good business

Electronic
Health
Record

Health Care Continuum

Primary/GP

- The largest eHealth network in the Southern Hemisphere
- Over 6,000 Australian primary care sites (GPs, specialists and ancillary)
- Leading provider of financial and administration systems to Australian GPs and specialists

Acute Hospital Private, Public

- 280 hospitals in Australia, New Zealand, Singapore and the UK
- Electronic Health Records to Australian Defence Force
- Process over 60% of all bills generated by private hospitals in Australia
- Administration solutions
- ePrescribing and pharmacy solutions
- Clinical systems

Tertiary

- Day surgeries
- Community care
- Aged care
- Mental health

Thanks to **ibahealth**, every minute somewhere in the world, a health practitioner is able to make a more informed decision, a clearer diagnosis and achieve a better result.

Connecting
Providers

Contents

1	Highlights	17	Corporate Governance Statement
3	Chairman's Report	20	Financial Statements
5	Managing Director's Report	46	Directors' Declaration
9	Finance Report	47	Independent Audit Report to the Members of IBA Health Limited
11	Board of Directors	48	Shareholder Information
12	Directors' Report		

Annual General Meeting

The Annual General Meeting of IBA Health Limited ABN 66 063 539 702 will be held at 10.00am on Thursday, 6 November 2003 at the Darling Park Pavilion, Gallery Level, 201 Sussex Street, Sydney.

Highlights

Financials

	30 June 2003	30 June 2002
Revenue	\$25.0m	\$28.93m*
Profit from ordinary activities, before goodwill amortisation	\$573k	(\$22.60m)*
Net loss after tax	(\$487k)	(\$49.38m)
Earnings per share, before goodwill amortisation	0.3 cents	(13.9) cents
Net assets	\$17.76m	\$17.39m
Cash	\$16.63m	\$19.73m

* After removing licence and implementation revenue attributable to the sale of our UK assets.

Highlights

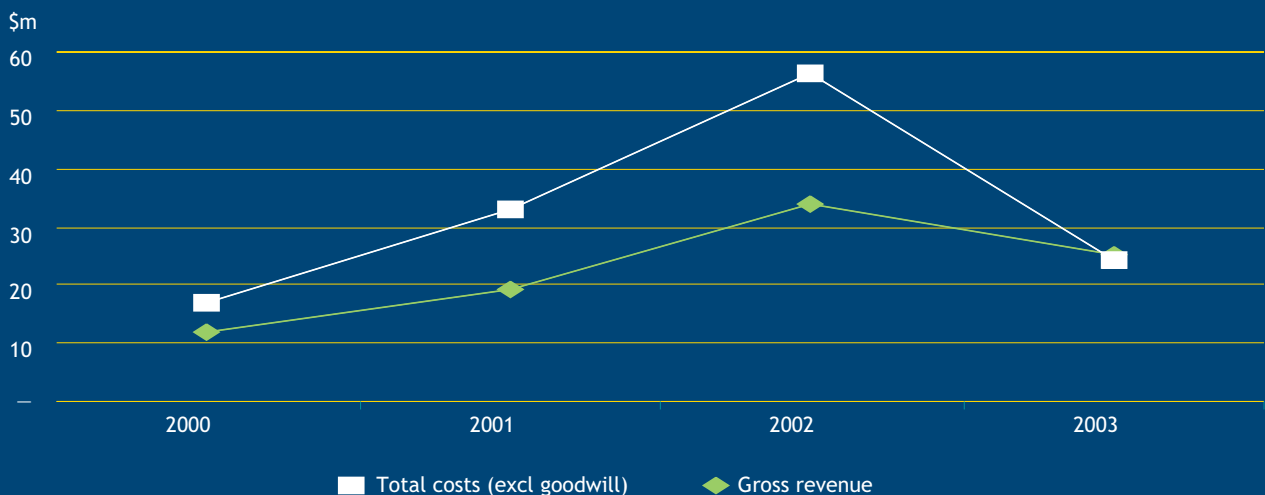
- A year rebuilding IBA Health towards earnings focus
- First time since listing profit before goodwill amortisation
- First positive earnings per share before goodwill amortisation
- First to market in Australia and New Zealand ('ANZ') with a new web based patient administration system
- Delivering our new clinical suite to the Australian Defence Force ('ADF')
- Highest level of funded/short listed projects in ANZ for several years
- Leading provider of financial systems to primary care (GPs)
- Building international channel relationships in Europe, USA and Asia
- Cash for inorganic growth
- Macquarie Bank became strategic shareholder

Strong
Balance
Sheet

“... we start the new year with an increased pipeline of opportunities and a strong base upon which we can grow.”

Profitable
Business
Model

ibahealth Results Summary



Chairman's Report

Strategic
Shareholders

The 2003 year will prove a seminal one in IBA Health's history. This year we made a profit before goodwill. We finished the year in a strong cash position. We increased shareholder funds and we start the new year with an increased pipeline of opportunities and a strong base upon which we can grow.

IBA Health is the only company in Australia that provides health information systems across the entire health network, hospitals, community and GPs. IBA Health has built a commanding position in Hospital information systems in this region. Over 280 hospitals across five countries use IBA Health hospital systems. Over \$3.5 billion of Australia's healthcare billing is handled by IBA Health's systems. IBA Health is Australia's largest supplier of financial and administrative systems to GPs, specialists and ancillary care with 6,000 sites. IBA Health also has the only country wide fully deployed Electronic Health Record ('EHR') system, which is being rolled out throughout the ADF.

The technical excellence and innovation of our health information systems enables IBA Health to take advantage of the market dynamics that are shaping the health sector in the various countries in which we compete. This product strategy provides IBA Health the ability to easily integrate other products with its own whilst at the same time enabling the Company to pursue acquisitions, which can leverage its product more effectively. In Australia alone there are significant funded initiatives involving administrative and clinical information systems for hospitals. For example, the Victorian Government has allocated more than \$130m towards a new information, communication and technology network to enable a statewide EHR. There is also increasing demand by the GPs and specialists for integrated systems that can exchange information with other health providers. This sits alongside the Australian Government's initiatives such as an Australian wide EHR and Medicconnect (ePrescribing).

Notwithstanding some of the challenges we are facing in the UK market with our distributor, Torex plc, as a result of its recent announcement of a proposed merger with iSoft plc, we are quietly confident that we will be able to reinstate our position to take advantage of the enormous potential in the UK market.

Whilst the past year has been one of consolidation the new year will see IBA Health pursue profitable opportunities where it can grow its business more deeply into the hospital sector and also across the health spectrum. The recently announced acquisitions in the primary care sector are an example of this strategy.

The success of IBA Health comes from the commitment and quality of our people. We are indeed fortunate to have very talented and dedicated professionals who, under the leadership of Len Humphreys, have achieved this year's result and are building the future of IBA Health.

Yours sincerely



Gary Cohen
Chairman

25 September 2003

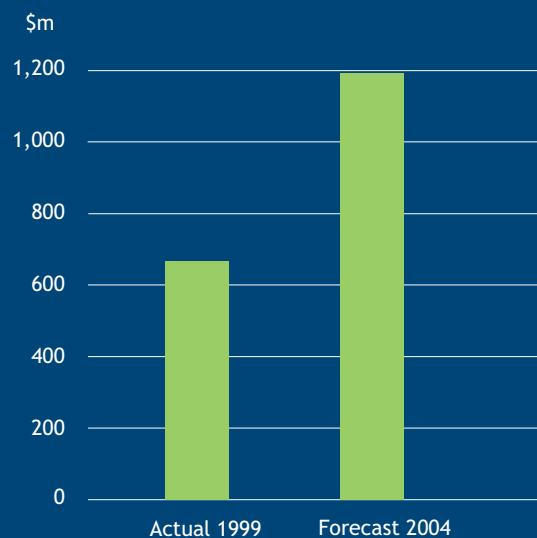


Improved
Productivity

“**IBA Health’s strategy** is to become the leading Australian provider of information systems to healthcare providers across the healthcare network, ranging from GPs through to major hospitals.”

Reduced
Medication
Errors

Asia/Pacific Healthcare Software Spending



Source: Dataquest (2000) "Healthcare Industry IT Forecasts: Market Statistics", GartnerGroup, USA

Managing Director's Report

Highlights

- Moved customer services to profitability
- Reduced R&D spend to align with international standards of 20% of revenue
- Documented and reinforced internal process control
- Instigating Capability Maturity Model ('CMM') level two development practices throughout the Company, delivering better customer outcomes and further reducing costs
- Delivering products and services on time and to customer expectations
- Building up the sales and marketing teams and programs
- Strengthening our customer focus via such actions as appointing a new general manager in New Zealand
- First to market in ANZ with a new web based patient administration system
- Highest level of funded/short listed projects in ANZ for several years
- Delivering our new clinical suite to the ADF
- Building international channel relationships in Europe, USA and Asia
- Recently announced acquisitions in primary (GP) care

Operational review

Australia

IBA Health continues to dominate the private hospital sector. Our patient administration system facilitates over \$3.5bn of the \$5bn that flows through this sector. During the year we have been successful in establishing two leading metropolitan hospitals as quality reference sites for our new flagship administration product. The rollout of this product in two leading Victorian public hospitals has put us in good stead for the substantial \$100m administration upgrade program currently underway in Victoria.

The uptake to clinical applications has been slow in hospitals as the healthcare industry as a whole comes to terms with the methodologies and principles that will bring the EHR to life; which is where these applications will really come into their own.

We formed a strategic alliance with Macquarie Bank, who have become a substantial shareholder. We see our relationship with Macquarie Bank as important, particularly in facilitating growth from our leading position in electronic claims and messaging to GPs and ancillary health care providers.

The rollout of our EHR product has been enthusiastically received by the ADF and we look to make it a model reference site for a community wide EHR.

Our electronic health division that facilitates the billing for patient services provided by over 5,000 GP practices to the Health Insurance Commission ('HIC') returned a stable and positive year also. The future of this division will be via leveraging the network we have built to enable clinical messaging as more of the once paper based clinical records are digitised to make up the patient's EHR and then make this available to health care professionals in the health care continuum.



Patient
Centric
Solutions

Customer services were completely restructured to better respond to customer needs and as a result not only did the division become profitable but also the outstanding customer Corrective Actions Requests ('CARs') reduced by 300%. This of course has led to a major improvement in customer satisfaction.

Small system enhancement requests are also now being turned around quickly, resulting in both revenue and customer satisfaction increase.

New Zealand

For the first time in IBA Health's history we appointed a new general manager to run New Zealand to help position the Company for the pending increase in system sales. In the past year system sales in New Zealand were very low as the country was in the middle of a complete review of how it acquires healthcare systems. This phase is coming to a close with the result of more District Health Boards ('DHBs') cooperating and moving to more shared services to cut down costs and drive efficiencies. The Ministry of Health also wants to restrict the number of health IT companies in the market place to those that have an existing major presence. IBA Health, with over 24% market share, should see an increase in system sales in the next two years as the DHB cooperation programs start to move forward.

Singapore

This is the home of IBA Health's clinical suite where it was first delivered to the Singaporean defence forces and can probably claim to be the longest running EHR system in the world today. In the Singapore public hospital sector we dominate pharmacy applications with over 80% market share.

Last year saw the Singapore operations return to profitability via the delivery of improved customer services and small enhancement projects.

The public health system in Singapore is grouped into two major clusters, East and West, and they are starting to look towards making cluster wide decisions on all health information system applications. IBA Health will seek to be one of the major vendors as this process unfolds over the next couple of years.

International

On the UK front we managed to both reduce ongoing costs by \$2m on an annualised basis and reap a return on our investment of over \$8m by selling a legacy, UK specific, patient administration system to Torex plc (Torex) of the UK.

Torex was also signed up as a channel to market our clinical products in the UK and selected European countries where it has an existing presence. During the year no major system sales were made in the UK as a national procurement program got underway that will first select Local Service Providers ('LSPs') who will take complete responsibility for all hardware and software acquisition and running in the five main health districts in England. The first major project for all the LSPs

will be the creation of the national data spine, prior to layering any new clinical or administrative applications over the spine. The NHS spine will be there as the highway for the patient's EHR, linking all sectors of the healthcare continuum together in England. This is likely to lead to further delay of large system procurements in this market. During this period we see the main source of revenue from the UK comprising support and minor existing installation enhancements.

Product

New system sales opportunities in core markets were very low as the acute base of both private and public hospitals in ANZ and around our other key markets were reviewing their own operations and were all engrossed in planning studies.

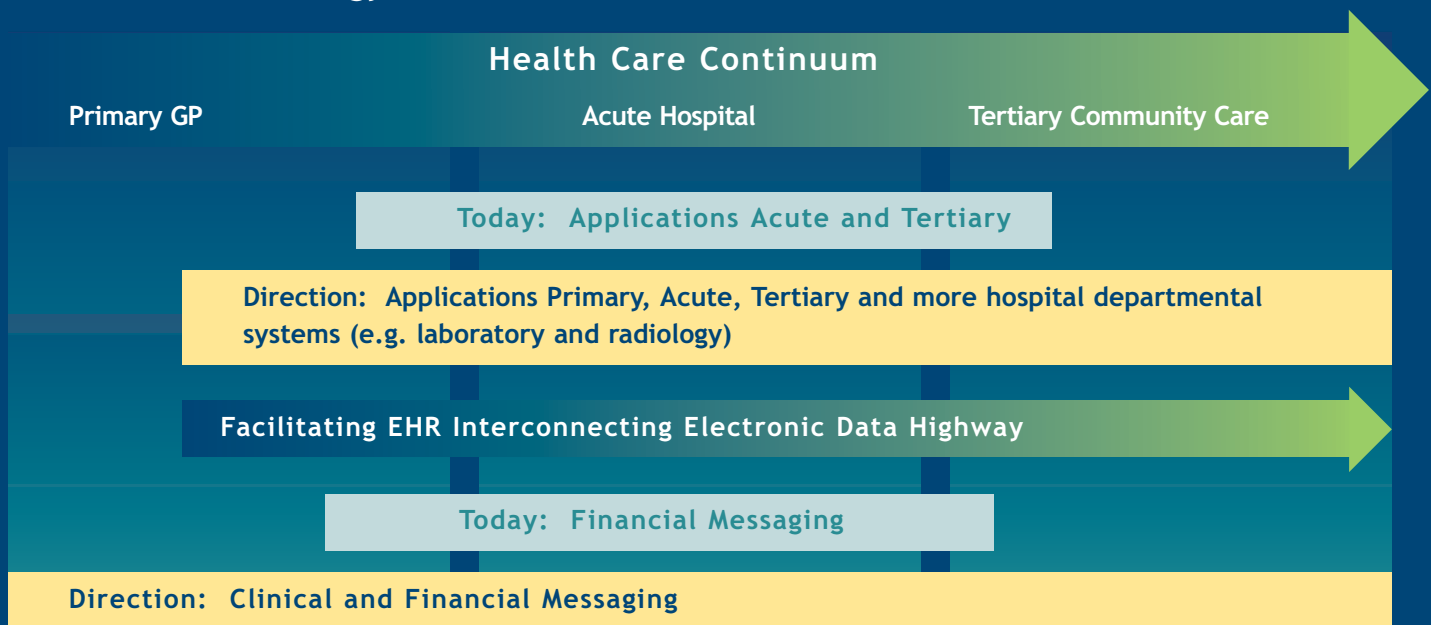
Going forward we will continue the policy of expensing all R&D and reducing spend in this area to no more than 20% of the revenue generated from the product.

The new clinical and administrative products are fundamentally complete and being delivered to our customer base. We have devoted a lot of time during the year establishing CMM quality processes and practices within our development environment. The key commercial result of this

Recent achievements

- First to market in ANZ with a web-based Patient Administration System in public and private hospitals
- Rolled out our new Clinical Suite into the ADF
- Appointed Torex plc as the distributor of our clinical solutions in the UK and Europe
- Pilot of our Clinical Orders and Results system in the National Health Service ('NHS')
- Highest level of funded/short listed projects in ANZ for several years

Overview of Strategy



program is a reduction in scope creep that traditionally has led to escalating costs to complete a development project and poor customer satisfaction due to missed delivery dates.

We will continue the rollout of CMM, closely monitor the outcomes and continue to improve and see the customers benefit from this more controlled and accountable development environment.

The recently announced GP administrative and clinical applications we propose to acquire are significantly smaller and less complicated applications, when compared to comparable hospital applications. These systems should not present any major obstacles to IBA Health to integrate them into our development environment.

Outlook and future strategy

We commence this financial year with a significant buildup of opportunities, particularly in the ANZ region. A number of Australian States have announced initiatives for health IT systems valued at over several hundred million dollars that are designed to promote more efficient and safer delivery of healthcare.

Further we see that we need to look at increasing our market position by acquiring greater market share

particularly in areas where we can leverage our products more effectively in our core market of Asia Pacific.

The recent announcement by Torex of its planned merger with iSoft plc gives us some level of concern as to the future of our relationship. However, it is currently too early to determine whether the merger will happen and more importantly how Torex will deal with its significant contractual obligations it has to IBA Health. In this year's budget (2004), 17% of IBA Health's revenue is attributable to income from the UK. The significant increase in project activity in ANZ markets will certainly reduce any potential impact.

The recently announced proposed acquisitions of the No 2 and No 3 provider of GP and primary care systems propels IBA Health into the leading provider of financial and administration systems to Australian GPs. These acquisitions continue IBA Health's strategy of becoming the leading Australian provider of information systems to healthcare providers across the healthcare network, ranging from GPs through to major hospitals. It also positions IBA Health as a central player in the Australian Government's EHR initiatives. With these acquisitions IBA Health is more strategically

positioned to deal with the recently announced HIC Online initiatives by the HIC. It had been foreshadowed that HIC Online could impact our eHealth revenue connected to our facilitation of electronic claiming between the GP and the HIC which is particularly focussed on computerised GP practices, which represents around 15% of IBA Health's revenue. As HIC Online has been on the market for over a year and to date only around 70-100 practices actively use it, this is a challenging target for the HIC.

As a result of the strong position IBA Health has secured amongst GPs, IBA Health will be able to manage the transition more effectively and can also benefit from the HIC Online financial incentives.

The general drivers for Government and healthcare providers remain the reduction of the cost of providing care while improving the quality of care. Hence process automation and moving from paper based transactions to electronic transactions will not only reduce costs but also reduce errors, resulting in improved quality of care.

One of the key costs and erosion of quality of care has been identified in many national and international studies as adverse drug events. That is when a patient is prescribed

"...the executive team at St Vincent's made a strategic decision to select a web-based solution in order to ensure prospective, easy integration of St George's Health Service and Caritas Christi Hospice. The solution was technologically more streamlined and configurable than the alternatives, enabling a lower cost implementation. Being an Australian company was an important factor, as was the easy to use, flexible internet browser to view patient records."

Jenny O'Brien, Manager Information Services, St. Vincent's Hospital Melbourne



a medication that they have an allergy to or adversely interacts with medication they are already on due to lack of clinical information and history on the patient.

- 8,000 deaths in the US are due to medical errors.
- Adverse drug events in Australia account for 140,000 hospitalisations per year.
- one in four New Zealanders with serious health problems report that they have experienced a medical mistake or medication error.
- Evidence that using a clinical ordering solution can reduce 50% – 80% of adverse events.

The process of converting the clinical record from a paper based system and making the record available to health care professionals in the health care continuum is commonly known as the EHR.

The IBA Health clinical modules were initially designed for the military environment in electronically tracking the defence forces personnel health record as they moved from

base to base and country to country. As such it was conceived around multi-facility architecture so the multi-facility comparison follows true in the public domain around the primary, secondary and tertiary levels of healthcare. More importantly, it is unique in concept as most other clinical competitive systems were conceived in a static hospital environment.

IBA Health's clinical solutions are designed for the future and intuitively fit the requirements for an EHR.

To compete fully in the future of EHR we need a greater presence in primary healthcare. This was one of the key drivers for our recently announced acquisitions of GP systems.

One other major benefit from this strategy is to reduce our traditional reliance on major project sales as the revenue derived from the applications sold into the GP market is largely repeatable.

Additionally, in the acute hospital environment, the close linking and

integration of once separate departmental applications such as laboratory and radiology systems leads to compelling reasons for IBA Health to look towards acquiring applications and market presence in these areas.

In Asia Pacific, IBA Health is a major regional player and can influence the market dynamics via a process of organic and inorganic growth. We will continue to consolidate and build on this position.

In USA, Europe and the Middle East, IBA Health will continue to seek channel routes to market for our acute clinical products.



Dr Len Humphreys
Managing Director
25 September 2003

“Total direct medical costs of adverse events exceeds \$2 billion per year and total lifetime cost of preventable injury may be twice that amount”.

Source: “Iatrogenic injury in Australia” Report prepared by the Australian Patient Safety Foundation, 2001

“... medical errors account for an estimated 44,000 to 98,000 deaths per year in US hospitals, making it a leading cause of death.”

Source: “To Err is Human”, Institute of Medicine, 2001

Finance Report

IBA Health recorded a full year profit before tax and goodwill amortisation of \$573,000. This was the first year since Australian Stock Exchange (‘ASX’) listing, that all research and development costs were expended as incurred and on a ‘like for like’ basis this year’s result is a substantial improvement compared with last year’s loss of \$16.9m.

The improvement in profit before tax and goodwill amortisation was partly achieved through a substantial lowering of our ongoing cost structure (\$7.8m) and partly from the profit (\$7.2m) generated from the sale of our UK legacy Patient Administration (UKPAS) product.

Revenue for the year was \$25.0m compared to \$33.8m for 2002, however after excluding revenue attributable to the sale of our UKPAS, IBA Health’s trading revenue was \$15.9m (2002: \$21.1m). This was achieved despite a difficult year in new sales in the Asia - Pacific region and without any contribution from the UK for licence or implementation revenue.

IBA Health’s operational results for the year are summarised below.

	Revenue 2003 \$m	Profit/(loss) before tax 2003 \$m	Revenue 2002 \$m	Profit/(loss) before tax 2002 \$m
Australia / New Zealand	6.6	(5.4)	7.0	(10.1)
Asia	2.2	0.2	1.8	(5.9)
United Kingdom	0.6	0.2	5.9	(6.2)
eHealth	6.5	1.1	6.5	(1.1)
Other	9.1	3.4	12.6	(26.4)
Total	25.0	(0.5)	33.8	(49.7)

ANZ recorded a \$400k decrease in revenue year on year despite minimal contribution from new sales. This was due to a 70% increase in existing client maintenance rates.

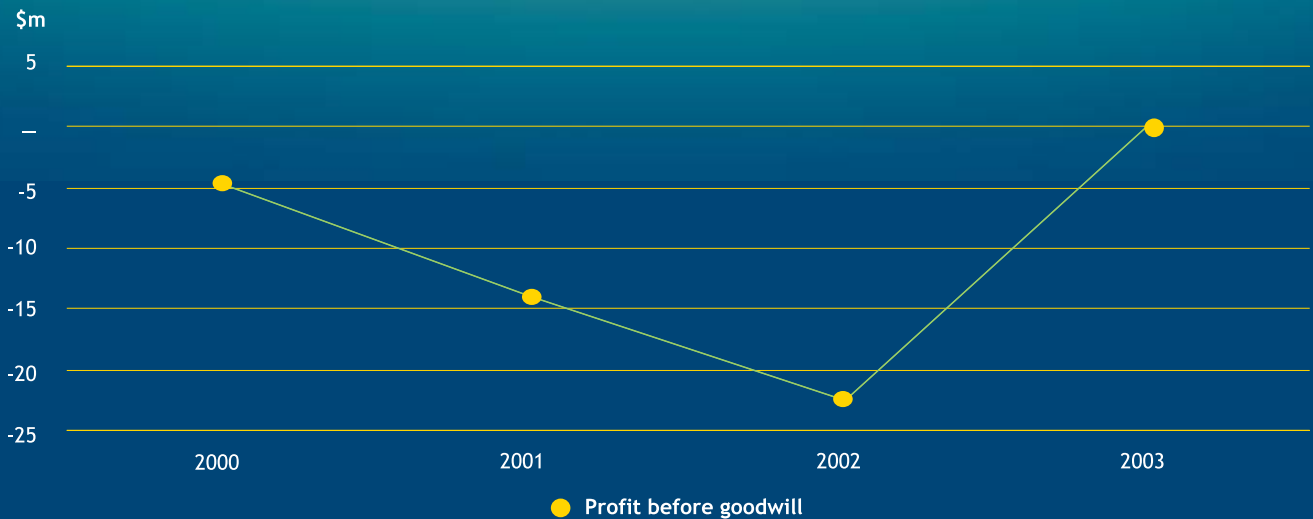
Asia’s revenue increase was attributable to increased product implementation at existing sites, whilst UK revenue for the current year was restricted to third level support to our UK distributor.

IBA Health’s eHealth division recorded revenue consistent with 2002, whilst the balance of the

consolidated group’s revenue was attributed to the sale of our UKPAS.

All divisions with the exception of ANZ had a positive contribution to the consolidated group before tax result. ANZ’s before tax result was adversely affected by product development costs relating to our clinical products which are now being fully expensed and a late settlement cost of \$0.9m relating to the 2002 UK deal with InHealth Solutions.

ibahealth Profitability Summary



Liquidity

IBA Health's cash reserves at year-end totalled \$16.6m (2002: \$19.7m); against this balance \$1.4m (2002: \$3.1m) secures equipment leases in the eHealth business. The net cash outflow from operations, after adjusting for research and development expenditure, reduced from \$17.0m down to \$10.5m year on year and was further evidence of IBA Health's focus on streamlining its ongoing cost structure.

At 30 June IBA Health reports a solid financial position with net assets of \$17.8m (2002: \$17.4m) and sufficient cash reserves to support inorganic growth.

Human resources

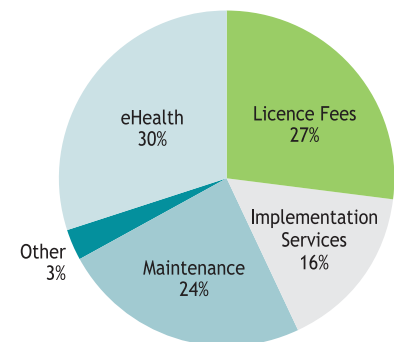
At 30 June 2003, IBA Health employed 124 staff worldwide, (2002: 138). This reduction was attributable in part to the sale of our legacy UKPAS and the resultant transfer of IBA Health's UK employees to Torex plc and in part to the wind-down of Australian development activities. The reduction in staff numbers resulted in a \$4.2m cost reduction in employee benefit expenses from 2002.



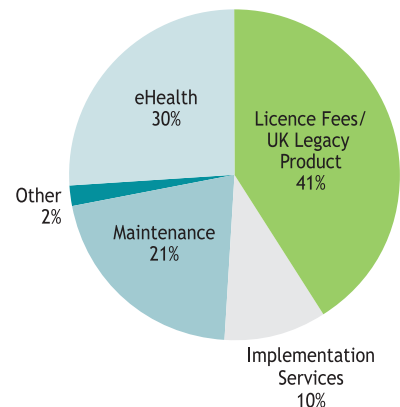
Peter Correy

Acting Chief Financial Officer
25 September 2003

Revenue by Activity 2003



Revenue by Activity 2002



IBA Health's clinical solutions are designed for the future and intuitively fit the requirements for an EHR.

The acquisition of Australian Healthcare Technologies and Medical Spectrum, will make IBA Health the leading provider of financial and administration systems to Australian GPs and position us as a central player in the Australian Government's EHR initiatives.

Board of Directors

Gary M Cohen BCom LLM (Hons) – Chairman and Executive Director

Mr Gary Cohen is the Chairman of IBA Health Limited. Mr Cohen was, until 30 June 2001, a principal of Allco Finance Group Limited. Mr Cohen has extensive expertise in the Information Technology industry. Mr Cohen is a former practising solicitor in corporate and taxation matters. Mr Cohen is also a director of Tag Pacific Limited. He has been Chairman of IBA Health Limited since September 1999.

Dr Len Humphreys C.Chem, MRSC, PhD – Managing and Executive Director

Dr Humphreys is the MD of IBA Health Limited. Before joining IBA Health Dr Humphreys held senior roles within the Invensys Group, one of the world's largest IT, industrial process and system automation companies. He has also held senior positions with Mannesmann, the German based multinational specialising in engineering, manufacturing and telecommunications. Dr Humphreys was appointed to the board as Executive Director on 9 May 2003.

Anthony G Sherlock BEc FCA – Non-executive Director

Mr Anthony Sherlock is a former senior partner of Coopers & Lybrand (now PricewaterhouseCoopers) for over 25 years. Mr Sherlock's current directorships include Austral Coal Limited, Sydney Aquarium Limited, Equatorial Mining Ltd (Chairman) and Network Limited (Chairman). Mr Sherlock has been a director of IBA Health Limited since February 2000.

David Veal M.Ec. (Hons) – Non-executive Director

Mr David Veal is a principal of Allco Finance Group Limited, which he joined in 1986. Mr Veal has extensive experience in finance and investment banking. Mr Veal is a director of a number of Allco affiliated companies including Unique World Pty Limited and Alltech Finance Pty Limited. He is also a director of Record Funds Management Limited. Mr Veal has been a director of IBA Health Limited since September 1999.

Peter H Wise DiplD – Non-executive Director

Mr Peter Wise is Chairman of Tag Pacific Limited, an investment company. In addition to directorships within the Tag Group, Mr Wise has been actively involved in a number of Australian and New Zealand industries and business sectors for over 30 years. Mr Wise is a director of Unique World Pty Limited. Mr Wise has been a director of IBA Health Limited since September 1999.

IBA Health Limited Directors' Report

Your directors present their report on the consolidated entity consisting of IBA Health Limited ('IBA' or 'Company') and the entities it controlled at the end of, or during, the year ended 30 June 2003.

Directors

The following persons were directors of IBA during the whole of the financial year and up to the date of this report:

Gary Cohen

Anthony Sherlock

David Veal

Peter Wise

Dr Len Humphreys was appointed as a director on 9 May 2003 and continues in office at the date of this report.

Chris Moore was appointed as a director on 9 May 2003 and continued in office until his resignation on 18 August 2003.

Robert Savage and Alan Gibson were directors from the beginning of the financial year until their resignations on 9 May 2003.

Principal activities

During the year the principal continuing activities of the consolidated entity were the development and licensing of computer software and the supply of services to the health industry.

Dividends - IBA Health Limited

No dividend has been paid to members of IBA during the financial year nor has a dividend been recommended or declared for payment to members of IBA in respect of the financial year.

Review of operations

The operating loss after tax for the financial year attributable to members was \$487,000 (2002: \$49,387,000).

A summary of consolidated revenues and results is set out below.

	2003 \$'000	2002 \$'000
Revenue from ordinary activities	25,015	33,781
Profit/(loss) from ordinary activities before borrowing costs, depreciation and amortisation	2,738	(3,920)
Amortisation/depreciation		
– Equipment	(2,080)	(2,622)
– Development	–	(2,982)
Capitalised R&D write down	–	(12,890)
Profit/(loss) from ordinary activities before borrowing costs and goodwill amortisation	658	(22,414)
Borrowing costs	(85)	(195)
Profit/(loss) from ordinary activities before goodwill amortisation	573	(22,609)
Goodwill amortisation	(1,082)	(6,283)
Goodwill write down	–	(20,781)
Loss before tax	(509)	(49,673)
Income tax benefit	22	286
Loss after tax	(487)	(49,387)

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

On 1 April 2003 IBA announced the completion of a strategic alliance with Torex plc ('Torex'), a leading provider of IT services and solutions to the European Healthcare sector. Under the terms of the deal which generated revenue exceeding \$8.4m and a net profit of \$7.2m to IBA, Torex outlaid £7.0m (\$18.5m) in acquiring the UK based Hospital Information Systems operation of IBA and its current UK distributor, InHealth Solutions (a division of InHealth Group SA). Torex was also appointed the exclusive distributor for IBA's Clinical Information suite for the United Kingdom, Ireland, Netherlands, Switzerland and Germany.

Matters subsequent to the end of the financial year

- (a) On 29 August 2003 IBA announced to the market a deal worth \$2.2m for the purchase of Medical Spectrum, subject to normal due diligence currently being undertaken. This acquisition is expected to contribute \$0.5m in profit to IBA on an annualised basis.
- (b) On 1 September 2003 IBA announced to the market a deal worth \$3.6m for the purchase of Australian Healthcare Technologies, subject to normal due diligence currently being undertaken. This acquisition is expected to contribute \$1.0m in profit to IBA on an annualised basis.
- (c) Health Insurance Commission ('HIC') online initiatives have recently been announced that could impact IBA's eHealth revenue connected to IBA's facilitation of electronic claiming between General Practitioners and the HIC. IBA has a number of strategies to address this including the acquisitions detailed in (a) and (b) above and trialling a new set of products in the electronic billing environment.
- (d) The recent announcement by Torex of its planned merger with iSoft plc gives IBA some level of concern as to the future of our relationship. However, it is currently too early to determine whether the merger will proceed and more importantly how Torex will deal with its significant contractual obligations it has to IBA.

Likely developments and expected results of operations

Likely developments in the operations are disclosed elsewhere in the Annual Report. Further information on likely developments and expected results of operations of the Company have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulations

There are no particular or significant environmental regulations under a law of the Commonwealth or of a State of Territory affecting the consolidated entity.

The consolidated entity's operations do not pose a high risk for breach of environmental legislation and in the directors opinion there is no known breach of regulatory requirements that may:

- potentially result in financial penalties;
- result in the governing authority having the ability to suspend operation;
- have a major impact on surrounding ecosystems; or
- have a financial impact on the operations and results of the consolidated entity in the 2003 financial year.

Information on directors

Director	Experience	Special responsibilities	Particulars of directors' interests in shares and options of: IBA Health Limited	
			Ordinary shares	Unlisted options
Chairman - Executive director				
Gary Cohen BCom LLM (Hons)	Refer page 11	Chairman, Member of Appointments and Compensation Committee, Member of Audit and Compliance Committee (5 May 2003 to 26 August 2003)	55,168,085	4,650,000
Executive director				
Dr Len Humphreys C.Chem, MRSC, PhD	Refer page 11	Managing Director	1,731,301	500,000
Non Executive directors				
Anthony Sherlock BEC, FCA	Refer page 11	Chairman of Audit and Compliance Committee	50,000	250,000
David Veal M.Ec. (Hons)	Refer page 11	Chairman of Appointments and Compensation Committee	36,586,346	150,000
Peter Wise DiplD	Refer page 11	Member of Appointments and Compensation Committee, Member of Audit and Compliance Committee (Appointed 26 August 2003)	13,588,442	150,000

Meetings of directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2003, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
	A	B	Audit and Compliance		Appointments and Compensation	
			A	B	A	B
Gary Cohen	18	19	1	2	2	2
Alan Gibson	8	15	*	*	*	*
Dr Len Humphreys	3	3	*	*	*	*
Christopher Moore	—	3	*	*	*	*
Robert Savage	15	15	1	2	*	*
Anthony Sherlock	19	19	2	2	*	*
David Veal	19	19	*	*	2	2
Peter Wise	19	19	*	*	2	2

A = Number of meetings attended.

B = Number of meetings held during the time the director held office or was a member of the committee during the year.

* = Not a member of the relevant committee

Directors' and executives' emoluments

The Company's remuneration policies are designed to align executive directors' pay with the interests of shareholders by including performance-related bonuses. Executives also receive performance-related bonuses. These payments are linked to the achievement of individual objectives, which are relevant to meeting the Company's business objectives.

The Appointments and Compensation Committee, consisting of two non-executive directors, advises the board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. Details of the members of the Appointments and Compensation Committee are provided in the Corporate Governance Statement.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits. Executives are also eligible to participate in the IBA Employee Option Plan and the IBA Health employee share schemes (comprising the IBA Health Employee Deferred Incentive Plan, the IBA Health Employee Loan Plan and the IBA Health Exempt Employee Share Plan).

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's diverse operations and achieving the Company's strategic objectives.

Remuneration and other terms of employment for the Managing Director and certain other senior executives are formalised in service agreements.

Remuneration of non-executive directors is determined by the board within the maximum amount approved by the shareholders from time to time.

Details of the nature and amount of each element of the emoluments of each director of IBA and each of the five officers of the Company and the consolidated entity receiving the highest emoluments during the year are set out in the following tables.

Non-executive directors of IBA Health Limited

	Directors' base fee \$'000	Committee fees \$'000	Super'n \$'000	Total \$'000
Alan Gibson (resigned 9 May 2003)	47	—	—	47
Christopher Moore* (from 9 May 2003 to 30 June 2003)	4	—	—	4
Robert Savage (resigned 9 May 2003)	26	17	2	45
Anthony Sherlock (full year)	23	15	15	52
David Veal (full year)	27	18	2	48
Peter Wise (full year)	27	18	2	48

* Christopher Moore resigned as Director on 18 August 2003

Executive directors of IBA Health Limited

	Base Salary \$'000	Motor Vehicle \$'000	Other Benefits \$'000	Bonus \$'000	Super'n \$'000	Total \$'000
Gary Cohen (full year)	342	—	—	—	11	353
Dr Len Humphreys (since 9 May 2003)	44	8	6	—	4	62

* Dr Humphreys was appointed a director on 9 May 2003. Amounts shown above include Dr Humphreys emoluments during the period that he was a director. Amounts received in his position as Managing Director are included in the Other executives of IBA Health Limited table below.

Other executives of IBA Health Limited

	Base Salary \$'000	Motor Vehicle \$'000	Other Benefits \$'000	Bonus \$'000	Super'n \$'000	Total \$'000
Stephen Lynch General Manager Sales International	268	—	63	—	—	331
Dr Len Humphreys Managing Director (from 1 September 2002 to 8 May 2003)	206	36	14	—	18	274
Jeremy Morgan Director Business Development	230	—	3	—	11	244
Linda Miners Director Professional Services (ceased employment 21 April 2003)	140	—	88	—	8	236
Dr Colin Metz Product Director	206	—	10	—	11	227
Les Davey General Manager Sales Asia Pacific (ceased employment 9 May 2003)	150	10	49	—	9	218

Other executives of the consolidated entity

Brian Cohen Chief Technology Officer	218	—	19	—	10	247
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'Other executives' are officers who are involved in, concerned in, or who take part in, the management of the affairs of IBA and/or related bodies corporate.

A recent Australian Securities and Investments Commission ('ASIC') guidance release has clarified the treatment of options for inclusion in directors' and executives' remuneration. In accordance with this release, options granted to directors and executives were assessed at the fair value at the date they were granted. Fair values have been assessed using a modified Black-Scholes/Merton option valuation model. Factors taken into account using this option valuation model include the exercise price, the expected term of the option, the current price and the expected volatility of the underlying share, and the risk-free interest rate for the term of the option.

No fair value of the options have been allocated to this reporting period as remuneration in accordance with the transitional arrangements provided by ASIC.

The IBA Health Limited share price at 30 June 2003 was 14 cents, which meant all share options were out-of-the-money at that date.

The ASX Corporate Governance Council has made recommendations in relation to directors' remuneration disclosures, including disclosures about the expected outcomes of remuneration structures

Shares under option

Unissued ordinary shares of IBA under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
10 January 1999	30 September 2004 – 15 February 2005	\$0.50	3,000,000
Various	30 March 2005 – 10 June 2006	\$0.50 – \$1.50	4,836,539
1 December 2000	30 June 2005	\$1.30	4,500,000

Some of the above noted options have exercise hurdles, which must be achieved before the options can be exercised. No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Shares issued on the exercise of options

18,000,000 shares in IBA were issued during or since the year-end as a result of the exercise of an option over unissued shares.

Insurance of officers

During the financial year, the Company paid a premium to insure the officers of the Company and related entities against certain liabilities that might be incurred in that capacity ("D&O Policy"). Disclosure of the total amount of the premium and the nature of the liabilities in respect of such insurance is prohibited by the policy.

and the basis for the exercise of the directors' discretion in relation to the payment of bonuses. The Company is reviewing these recommendations and will make appropriate disclosures in future directors' reports.

Share options granted to directors and the most highly remunerated officers

Options over unissued ordinary shares of IBA granted during or since the end of the financial year to any of the directors or the five most highly remunerated officers of the Company and consolidated entity as part of their remuneration were as follows:

Executive directors of IBA Health

Dr Len Humphreys (appointed 9 May 2003) 500,000

The options were granted or agreed to be granted on 1 October 2002 under the IBA Health Limited Employee Share Option Plan. The vesting conditions attached to these options were not satisfied and accordingly, these options did not vest.

Indemnification

The constitution of the Company provides an indemnity (to the maximum extent permitted by law) in favour of current and past directors, company secretary, and all other past and present executive officers when acting in these capacities in respect of:

- (a) all liabilities to another person (other than the Company or related entities) if the relevant officers have acted in good faith; and
- (b) the costs and expenses of successfully defending legal proceedings.

Under Deeds of Access and Indemnity, the Company has agreed to indemnify each current director and the company secretary for all liabilities that may arise as a result of the director or company secretary acting in that capacity to the full extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities, including legal costs.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by ASIC, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in some cases to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.



Gary Cohen
Chairman



Anthony Sherlock
Director

Sydney
25 September 2003

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. A review of the Company’s corporate governance framework has been conducted in light of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003 (“ASX Recommendations”). The Company’s corporate governance framework was largely consistent with the ASX Recommendations.

A description of the Company’s main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

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 Managing Director 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 skills, experience and expertise relevant to the position of director held by each director in office at the date of this report is set out on page 11.

The Chairman (Mr Cohen) and three other members of the board (Messrs Humphreys, Veal and Wise) are not considered “independent” directors in terms of the ASX Recommendations. Messrs Cohen, Veal 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.

In addition, Messrs Cohen and Humphreys 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 page 13 of this report).

Notwithstanding the nature of the board composition, 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.

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 report.

The Company’s constitution specifies that:

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

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.

The role of this committee 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 provision has 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 13.

Appointments and Compensation Committee

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

Mr David Veal (Chairman)

Mr Gary Cohen

Mr Peter Wise

The role of the committee 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;
 - 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.

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 13.

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.

Code of conduct

As part of the review of the Company's corporate governance framework, 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.

The Company has since 2001 a formal share trading policy in place applicable to directors and senior managers.

Continuous disclosure

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 co-ordinating information disclosure to ASX, analysts, the media and the public.

All information disclosed to ASX is posted on the Company's website as soon as it is disclosed to ASX. 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. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

IBA Health Limited Financial Statements

for the year ended 30 June 2003

Contents	Page
Statements of Financial Performance	21
Statements of Financial Position	22
Statements of Cash Flows	23
Notes to the Financial Statements	24
Directors' Declaration	46
Independent Audit Report to the Members of IBA Health Limited	47
Shareholder Information	48

This financial report covers both IBA Health Limited as an individual entity and the consolidated entity consisting of IBA Health Limited and its controlled entities.

IBA Health Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

IBA Health Limited
Level 8, Darling Park Tower 1
201 Sussex Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 12 to 16.

Through the use of the internet, we have ensured that our corporate reporting is available globally at minimum cost to the Company. All press releases, financial statements and other information is available on our website: www.ibatech.com

For queries in relation to our reporting please contact Investor Relations on (02) 8251 6700.

IBA Health Limited

Statements of Financial Performance

for the year ended 30 June 2003

	Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue from ordinary activities	3	25,015	33,781	7,180	18,223
Employee benefits expense		(10,146)	(14,325)	(8,122)	(7,537)
Depreciation and amortisation	4	(3,162)	(11,887)	(538)	(3,049)
Borrowing costs expense	4	(85)	(195)	—	(22)
Rent expense	4	(1,112)	(1,105)	(978)	(689)
Goodwill write down	4	—	(20,781)	—	—
Capitalised R&D write down	4	—	(12,890)	—	(8,358)
Investment write down	4	—	—	—	(25,626)
Carrying amount of net assets of subsidiary sold		(1,677)	(4,880)	(893)	(4,880)
Provision for onerous contracts		—	(4,441)	—	—
Related parties loan write back/(down)	4	—	—	720	(24,605)
Contracted services		(1,568)	(2,088)	(1,097)	(2,088)
Consultancy fees		(976)	(1,410)	(653)	(1,068)
Consumables		(1,692)	(3,187)	(425)	(440)
Other expenses from ordinary activities		(5,106)	(6,265)	(3,146)	(852)
Loss from ordinary activities before income tax expense	4	(509)	(49,673)	(7,952)	(60,991)
Income tax benefit	5	22	286	22	224
Loss from ordinary activities after income tax expense		(487)	(49,387)	(7,930)	(60,767)
Net loss attributable to members of IBA Health Limited	22	(487)	(49,387)	(7,930)	(60,767)
		Cents	Cents		
Basic earnings (loss) per share	34	(0.3)	(30.3)		
Diluted earnings (loss) per share	34	(0.3)	(27.4)		

The above statements of financial performance should be read in conjunction with the accompanying notes.

IBA Health Limited

Statements of Financial Position

as at 30 June 2003

	Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current assets					
Cash assets	6	16,636	19,733	10,771	17,263
Receivables	7	3,172	3,114	2,436	1,735
Other	8	1,795	1,430	917	1,178
Total current assets		21,603	24,277	14,124	20,176
Non-current assets					
Receivables	9	—	—	—	—
Other financial assets	10	—	—	5,413	5,413
Property, plant and equipment	11	2,485	4,179	1,096	1,254
Deferred tax assets	12	—	5	—	5
Intangible assets	13	2,661	3,743	—	—
Other	14	—	—	—	—
Total non-current assets		5,146	7,927	6,509	6,672
Total assets		26,749	32,204	20,633	26,848
Current liabilities					
Payables	15	4,357	5,917	2,042	4,115
Interest bearing liabilities	16	954	1,279	—	—
Provisions	17	1,968	5,457	1,699	537
Other	18	1,239	747	2,363	641
Total current liabilities		8,518	13,400	6,104	5,293
Non-current liabilities					
Interest bearing liabilities	19	248	1,238	—	—
Provisions	20	224	172	224	172
Total non-current liabilities		472	1,410	224	172
Total liabilities		8,990	14,810	6,328	5,465
Net assets		17,759	17,394	14,305	21,383
Equity					
Contributed equity	21	92,508	86,436	92,508	86,436
Reserves	22a	—	5,220	—	5,220
Accumulated losses	22b	(74,749)	(74,262)	(78,203)	(70,273)
Total equity		17,759	17,394	14,305	21,383

The above statements of financial position should be read in conjunction with the accompanying notes.

IBA Health Limited

Statements of Cash Flows

for the year ended 30 June 2003

	Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		16,029	21,386	6,616	8,695
Payments to suppliers and employees (inclusive of goods and services tax)		(27,101)	(29,271)	(14,842)	(14,657)
		(11,072)	(7,885)	(8,226)	(5,962)
Interest received		636	739	628	725
Dividend received		73	–	–	–
Borrowing costs		(85)	(195)	–	(22)
Income taxes paid		(95)	(87)	(73)	(80)
Net cash (outflow) from operating activities	33	(10,543)	(7,428)	(7,671)	(5,339)
Cash flows from investing activities					
Payments for property, plant and equipment		(420)	(924)	(380)	(773)
Proceeds from sale of UK product		7,938	–	–	–
Proceeds from sale of shares		893	–	–	–
Proceeds from sale of controlled entity		–	10,307	–	9,208
Payment of research and development costs		–	(9,589)	–	(7,880)
Loans to other parties		(538)	–	(538)	–
Loans to related parties		–	–	1,228	(5,810)
Net cash inflow/(outflow) from investing activities		7,873	(206)	310	(5,255)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		852	5,220	852	5,220
Repayment of finance leases		(1,317)	(1,898)	17	(15)
Net cash inflow/(outflow) from financing activities		(465)	3,322	869	5,205
Net (decrease) in cash held		(3,135)	(4,312)	(6,492)	(5,389)
Cash at the beginning of the financial year		19,733	24,045	17,263	22,652
Exchange rate adjustments		38	–	–	–
Cash at the end of the financial year	6	16,636	19,733	10,771	17,263

The above statements of cash flows should be read in conjunction with the accompanying notes.

IBA Health Limited

Notes to the Financial Statements

for the year ended 30 June 2003

Note	Contents	Page
1	Summary of significant accounting policies	25
2	Segment information	28
3	Revenue	30
4	Loss from ordinary activities	30
5	Income tax	31
	Current assets	
6	Cash assets	32
7	Receivables	32
8	Other	32
	Non-current assets	
9	Receivables	32
10	Other financial assets	32
11	Property, plant and equipment	32
12	Deferred tax assets	33
13	Intangible assets	33
14	Other	33
	Current liabilities	
15	Payables	33
16	Interest bearing liabilities	34
17	Provisions	34
18	Other	34
	Non-current liabilities	
19	Interest bearing liabilities	34
20	Provisions	34
	Total equity	
21	Contributed equity	35
22	Reserves and accumulated losses	35
23	Financial instruments	36
24	Remuneration of directors	37
25	Remuneration of executives	38
26	Remuneration of auditors	39
27	Contingent liabilities	39
28	Commitments for expenditure	40
29	Employee benefits	41
30	Related parties	43
31	Investments in controlled entities	44
32	Events occurring after reporting date	44
33	Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities	44
34	Earnings per share	45

Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

As a result of applying the new accounting standard AASB 1044 Provisions, Contingent Liabilities and Contingent Assets for the first time, certain liabilities have been reclassified as described in Note 1(s).

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by IBA Health Limited ('company' or 'parent entity') as at 30 June 2003 and the results of all controlled entities for the year then ended. IBA Health Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

No provision is made for additional taxes which could become payable if certain reserves of the foreign controlled entity were to be distributed as it is not expected that any substantial amount will be distributed from those reserves in the foreseeable future.

(c) Foreign currency translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

(ii) Foreign controlled entities

As the foreign controlled entities are self-sustaining, the assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while their revenues and expenses are translated at the average rates ruling during the year. Exchange differences arising on translation are taken to the statement of financial performance for the year.

(d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Provisions for restructuring costs are recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

Goodwill is brought to account on the basis described in Note 1(k)

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing the recorded amounts of the non-monetary assets acquired to zero, a discount balance remains it is recognised as revenue in the statement of financial performance.

(e) Revenue recognition

Sales revenue represents revenue earned from the sale of the consolidated entity's products and services, net of returns, trade allowances and duties and taxes paid. Other revenue includes interest income on investments.

Profits on system sales are recognised when the software is delivered. Where significant modification is required, revenue is recognised using the percentage completion method. Income is deferred to the extent that work has not been performed and losses are provided for in full when foreseeable.

Revenue from implementation and project management contracts is recognised following the percentage of completion method. Income and costs are deferred to the extent the work has not been performed and losses are provided for in full when foreseeable.

Revenue received in relation to service and maintenance contracts is initially credited to deferred revenue and is then recognised on a straight line basis over the life of the contract.

IBA Health Limited

Notes to the Financial Statements

for the year ended 30 June 2003

Note 1. Summary of significant accounting policies (continued)

(f) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 60 days from the date of invoicing.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(g) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values, using a market determined risk adjusted discount rate (8.5%).

(h) Depreciation of property, plant and equipment

Depreciation is calculated on either a straight line or diminishing value basis as considered appropriate to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity. The expected useful lives are follows:

Plant and equipment	2 - 12 years
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Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

(i) Leasehold improvement

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

(j) Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straightline basis over the term of the lease, or where it is likely that the company will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over periods ranging from 1 to 5 years.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between interest (calculated by applying the interest rate implicit in the lease to the outstanding amount of the liability), rental expense and reduction of the liability.

The present value of future payments for surplus leased space under non-cancellable operating leases which are not onerous contracts is recognised as a liability, net of sub-leasing revenue, in the period in which it is determined that the leased space will be of no future benefit to the consolidated entity. The net future lease payments are discounted using the interest rates implicit in the leases. Each lease payment is allocated between the liability and finance charges. Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(k) Intangible assets and expenditure carried forward

(i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight-line basis over the period during which benefits are expected to arise.

Until 30 June 2001 goodwill for the acquisition of SWi was amortised on a straight-line basis over 25 years. With effect from 1 July 2001, the consolidated entity elected to amortise this goodwill over a remaining life of five years, as this was deemed to be more relevant to the direction the business was taking in Asia. At 30 June 2002 the consolidated entity wrote down this goodwill to a nil value. The directors believed this policy led to an overall improvement in the relevance and reliability of financial information about the financial performance and financial position of the consolidated entity.

The goodwill arising from the acquisition of Optus Health continues to be amortised over five years.

(ii) Research and development

Costs incurred on research and development projects are expended in the year in which they are incurred or applied against any existing provision for onerous contracts.

(iii) Deferred costs

Costs relating to long term projects where revenue will not be recognised in the current year are deferred to later years in which that revenue is recognised, and amortised in line with the contract life.

(l) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Website costs

Costs in relation to websites controlled by a controlled entity are charged as expenses in the period in which they are incurred.

(n) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(iv) Equity-based compensation benefits

Equity-based compensation benefits are provided to employees via the employee incentive plans set out in Note 29.

No accounting entries are made in relation to the Employee Share Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration to directors and executives in Notes 24 and 25 include the assessed fair values of options at the date they were granted.

The market value of shares issued to employees for no cash consideration under the employee share schemes is recognised as a liability and as part of employee benefit costs when the employees become entitled to the shares. When the shares are issued, their market value is recognised in the statement of financial position as share capital.

(o) Onerous contracts

The provision for onerous contracts is recognised when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under that contract, and only after any impairment losses to assets dedicated to that contract have been recognised.

The provision recognised is based on the excess of the estimated cash flows to meet the unavoidable costs under the contract over the estimated cash flows to be received in relation to the contract, having regard to the risks of the activities relating to the contract.

(p) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the operating result after income tax attributable to members of the Company, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include finance lease charges.

(r) Cash

For the purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity, which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(s) Reclassification of liabilities for surplus leased space and certain employee benefits

The liabilities for surplus leased space under non-cancellable operating leases that are not onerous contracts and wages and salaries and annual leave and related on-costs expected to be settled within 12 months of reporting date have been reclassified from provisions to interest bearing liabilities and other creditors in the current year as a result of the adoption of the new accounting standard, AASB 1044 Provisions, Contingent Liabilities and Contingent Assets. The directors do not believe there are any significant uncertainties relating to the amount and timing of future payments included in the liabilities for surplus leased space and these employee benefits, therefore they do not meet the definition of a provision under the new standard. Comparative amounts have also been reclassified to ensure comparability with the current reporting period.

IBA Health Limited

Notes to the Financial Statements

for the year ended 30 June 2003

Note 2. Segment information

Revenue and results are derived from the sales and maintenance of computer software and hardware to the healthcare industry in the geographical segments highlighted below.

	ANZ \$'000	UK \$'000	Asia \$'000	Inter-segment eliminations \$'000	Consolidated \$'000
2003					
Primary Reporting – Geographical Segments					
Sales to external customers	13,116	591	2,178	–	15,885
Inter-segment sales	–	–	334	(334)	–
Total sales revenue	13,116	591	2,512	(334)	15,885
Other revenue	636	8,494	–	–	9,130
Total segment revenue	13,752	9,085	2,512	(334)	25,015
Segment result	(4,270)	7,012	165	(1,082)	1,825
Unallocated revenue less unallocated expenses					(2,334)
Loss from ordinary activities before income tax benefit					(509)
Income tax benefit					22
Consolidated loss from ordinary activities after tax					(487)
Segment assets	23,325	4,894	1,367	(5,498)	24,088
Unallocated assets					2,661
Total assets					26,749
Segment liabilities	8,111	10,368	14,273	(23,762)	8,990
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	380	–	40	–	420
Profit on sale of UK assets	–	7,231	–	–	7,231
Depreciation and amortisation expense	1,937	42	101	–	2,080
Unallocated depreciation and amortisation expense	–	–	–	1,082	1,082
Net cash outflow from operating activities	(4,018)	(4,426)	(2,099)	–	(10,543)

	ANZ \$'000	UK \$'000	Asia \$'000	Inter-segment eliminations \$'000	Consolidated \$'000
2002					
Primary Reporting – Geographical Segments					
Sales to external customers	13,469	5,886	1,771	–	21,126
Inter-segment sales	–	–	112	(112)	–
Total sales revenue	13,469	5,886	1,883	(112)	21,126
Other revenue	12,655	–	–	–	12,655
Total segment revenue	26,124	5,886	1,883	(112)	33,781
Segment result	(11,176)	(6,154)	(5,882)	1,973	(21,239)
Unallocated revenue less unallocated expenses					(28,434)
Loss from ordinary activities before income tax benefit					(49,673)
Income tax benefit					286
Consolidated loss from ordinary activities after tax					(49,387)
Segment assets	23,747	2,364	695	1,655	28,461
Unallocated assets					3,743
Total assets					32,204
Segment liabilities	9,344	14,710	13,704	(22,950)	14,808
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	695	43	186	–	924
Profit on sale of subsidiary	4,876	–	–	2,049	6,925
Depreciation and amortisation expense	4,944	289	371	–	5,604
Unallocated depreciation and amortisation expense	–	–	–	6,283	6,283
Net cash outflow from operating activities	(3,331)	(494)	(3,603)	–	(7,428)

Notes to and forming part of the segment information

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and the revised segment reporting accounting standard, AASB 1005 Segment Reporting. The geographical segments are not materially different to those identified in previous years.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors and employee entitlements. Segment assets and liabilities do not include income taxes.

(b) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's length" basis and are eliminated on consolidation.

IBA Health Limited

Notes to the Financial Statements

for the year ended 30 June 2003

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue from operating activities				
Services	15,885	21,126	6,552	6,973
Revenue from outside the operating activities				
Interest	636	739	628	725
Sale of non current assets	8,421	111	—	—
Dividends received	73	—	—	—
Proceeds on sale of subsidiary	—	11,805	—	10,525
	9,130	12,655	628	11,250
Revenue from ordinary activities	25,015	33,781	7,180	18,223

Note 4. Loss from ordinary activities

(a) Net gains and expenses

Loss from ordinary activities before income tax expense includes the following specific net gains and expenses:

Gains

Net foreign exchange gain/(loss)	446	(230)	200	—
Write back / (down) of related party loans to recoverable amount	—	—	720	(24,605)
Net gain on disposal of property, plant, equipment and share investment	406	—	—	—

Expenses

Depreciation of plant and equipment	658	810	538	435
Amortisation				
Plant and equipment under finance leases	1,422	1,812	—	—
Research and development	—	2,982	—	2,614
Goodwill	1,082	6,283	—	—
Total amortisation	2,504	11,077	—	2,614
Other charges against assets				
Bad and doubtful debts – trade debtors	163	57	41	54
Write down of research and development to recoverable amount	—	12,890	—	8,358
Write down of goodwill to recoverable amount	—	20,781	—	—
Write down of investment to recoverable amount	—	—	—	25,626
Borrowing costs				
Interest and finance charges paid/payable	85	195	—	22
Other provisions				
Employee entitlements provisions	(27)	(159)	80	(15)
Rental expense relating to operating leases – minimum lease payments	1,112	1,105	978	689
Research and development	1,285	—	753	—

(b) Individually significant items

Gains

Net gain on disposal of subsidiary				
Consideration	—	11,805	—	10,525
Net assets sold	(893)	(4,880)	(893)	(4,880)
Gain/(loss) on sale	(893)	6,925	(893)	5,645
Net gain on disposal of United Kingdom assets				
Consideration	8,015	—	—	—
Net assets sold	(784)	—	—	—
Gain on sale	7,231	—	—	—

CONSOLIDATED ENTITY		PARENT ENTITY	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

Note 5. Income tax

(a) The income tax expense for the financial year differs from the amount calculated on the result. The differences are reconciled as follows:

Loss from ordinary activities before income tax expense	(509)	(49,673)	(7,952)	(60,991)
Income tax calculated @ 30% (2002: 30%)	(153)	(14,902)	(2,386)	(18,297)
Tax effect of permanent differences				
Non-deductible depreciation and amortisation	324	8,119	—	7,688
Non-deductible entertainment and legal	21	421	15	343
Non assessable gain on sale of non current assets	(2,169)	—	—	7,381
Income tax adjusted for permanent differences	(1,977)	(6,362)	(2,371)	(2,885)
Future income tax benefit of the losses not booked	1,977	6,362	2,371	2,885
Provision for deferred income tax not required	—	(286)	—	(224)
Under (over) provision in previous year	(22)	—	(22)	—
Aggregate income tax (benefit) /expense	(22)	(286)	(22)	(224)

Adjustment to deferred income tax balances

(b) The directors estimate that the potential future income tax benefit at 30 June 2003 in respect of tax losses not brought to account is

15,101	13,124	8,916	6,545
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This benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- (ii) the losses are transferred to an eligible entity in the consolidated entity, and
- (iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Franking Credits

Franking credits available for subsequent years amount to \$658,875. The balance of franking credits disclosed are based on a tax rate of 30%. Legislation has been enacted which will increase the balance of franking credits to take into account income tax rate changes.

Tax consolidation legislation

IBA Health Limited and its wholly-owned Australian subsidiaries have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision. The entities also intend to enter into a tax sharing agreement, but details of this agreement are yet to be finalised.

The financial effect of the implementation of the legislation has not been recognised in the financial statements for the year ended 30 June 2003.

IBA Health Limited

Notes to the Financial Statements

for the year ended 30 June 2003

CONSOLIDATED ENTITY		PARENT ENTITY	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

Note 6. Current assets – Cash assets

Cash at bank and on hand	3,201	2,173	567	818
Deposits on call	13,435	16,478	10,204	16,445
Funds held in Escrow	–	1,082	–	–
	16,636	19,733	10,771	17,263

Deposits on call

The deposits are bearing floating interest rates constant at 4.65% for the full year (2002: 3.68% and 4.9%). Equipment leases of the Company are secured by a cash deposit of \$1.413 million held by Commonwealth Bank of Australia ('CBA'). The cash security reduces as the lease liability is reduced.

Note 7. Current assets – Receivables

Trade debtors	3,228	3,153	2,436	1,746
Less: Provision for doubtful debts	(129)	(156)	(44)	(98)
	3,099	2,997	2,392	1,648
Other debtors	73	117	44	87
	3,172	3,114	2,436	1,735

Note 8. Current assets – Other

Prepayments and sundry debtors	314	936	237	778
Accrued revenue	943	494	142	400
Loans (Note 29)	538	–	538	–
	1,795	1,430	917	1,178

Note 9. Non-current assets – Receivables

Loans to related parties	–	–	23,885	24,605
Less: Provision for diminution	–	–	(23,885)	(24,605)
	–	–	–	–

Note 10. Non-current assets – Other financial assets

Other (non-traded) investments

Shares in controlled entities - at cost (Note 31)	–	–	5,413	5,413
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Note 11. Non-current assets – Property, plant and equipment

Plant and equipment

At cost	3,240	2,978	2,691	2,312
Less: Accumulated depreciation	(1,993)	(1,459)	(1,595)	(1,058)
	1,247	1,519	1,096	1,254
Plant and equipment under finance lease				
At cost	5,574	5,574	73	73
Less: Accumulated amortisation	(4,336)	(2,914)	(73)	(73)
	1,238	2,660	–	–
Total plant and equipment	2,485	4,179	1,096	1,254

Reconciliation

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Leased plant and equipment \$'000	Plant and equipment \$'000	Total \$'000	
Consolidated				
Carrying amount at 1 July 2002	2,660	1,519	4,179	
Additions		420	420	
Disposals	—	(34)	(34)	
Depreciation expense (Note 4)	(1,422)	(658)	(2,080)	
Carrying amount at 30 June 2003	1,238	1,247	2,485	
Parent entity				
Carrying amount at 1 July 2002	—	1,254	1,254	
Additions	—	380	380	
Disposals	—	—	—	
Depreciation expense (Note 4)	—	(538)	(538)	
Carrying amount at 30 June 2003	—	1,096	1,096	
	CONSOLIDATED ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

Note 12. Non-current assets – Deferred tax assets

Future income tax benefit	—	5	—	5
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Note 13. Non-current assets – Intangible assets

Goodwill	35,290	35,290	—	—
Less: Accumulated amortisation	(32,629)	(31,547)	—	—
	2,661	3,743	—	—

The directors considered the dynamic international market in which the Company operates and along with the prevailing and emerging accounting practices which require capitalised costs to be evaluated against more stringent predictability tests. As a result, a decision was made to fully write off the balance of goodwill arising from the 1999 merger with SWi at 30 June 2002.

Note 14. Non-current assets – Other

Research and development at cost	—	17,886	—	12,469
Less: Accumulated amortisation	—	(17,886)	—	(12,469)
	—	—	—	—

The directors considered the dynamic international market in which the Company operates and along with the prevailing and emerging accounting practices which require capitalised costs to be evaluated against more stringent predictability tests. As a result, a decision was made to fully write off the balance of capitalised R&D at 30 June 2002.

Note 15. Current liabilities – Payables

Trade creditors	1,744	2,202	1,231	1,752
Other payables	2,613	3,715	811	2,363
	4,357	5,917	2,042	4,115

IBA Health Limited

Notes to the Financial Statements

for the year ended 30 June 2003

CONSOLIDATED ENTITY		PARENT ENTITY	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

Note 16. Current liabilities – Interest bearing liabilities

Secured				
Lease liability (Note 28)	954	1,279	–	–

Note 17. Current liabilities – Provisions

Employee benefits	816	895	565	537
Provision for project losses	61	121	43	–
Provision for onerous contracts	1,091	4,441	1,091	–
	1,968	5,457	1,699	537

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

	Provision for onerous contracts \$'000	Provision for project losses \$'000	Total \$'000
Consolidated 2003 – Current			
Carrying amount at start of year	4,441	121	4,562
Payments	(3,026)	(60)	(3,086)
Reduction from remeasurement without cost	(324)	–	(324)
Carrying amount at end of year	1,091	61	1,152
Parent entity 2003 – Current			
Carrying amount at start of year	–	–	–
Provisions acquired	1,091	43	1,134
Carrying amount at end of year	1,091	43	1,134

CONSOLIDATED ENTITY		PARENT ENTITY	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

Note 18. Current liabilities – Other

Loans from related parties	–	–	1,254	26
Prebilled revenue	1,239	747	1,109	615
	1,239	747	2,363	641

Note 19. Non-current liabilities – Interest bearing liabilities

Secured				
Lease liability (Note 28)	248	1,238	–	–
Total non-current interest bearing liabilities	248	1,238	–	–

Secured liabilities

Total secured liabilities (current and non-current) are:

Lease liability (Note 28)	1,202	2,517	–	–
Total secured liabilities	1,202	2,517	–	–

The leases are secured by a cash deposit held by CBA. The cash security reduces as the lease liability is reduced.

Note 20. Non-current liabilities – Provisions

Employee benefits	224	172	224	172
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Note 21. Contributed equity

(a) Share capital

Ordinary shares – fully paid	187,422	163,132	92,508	86,436
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Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$'000
01-7-01	Opening balance	163,132,028		86,436
31-1-03	Issue of shares under the IBA Health employee incentive plans	6,082,041	\$0.1058	644
06-5-03	Issue of shares under the IBA Health Employee Deferred Incentive Plan	208,170	\$0.1359	28
12-5-03	Issue of shares on conversion of options held by InHealth Group	8,700,000	\$0.30	2,610
28-5-03	Issue of shares on conversion of options held by InHealth Group	9,300,000	\$0.30	2,790
30-6-03	Balance	187,422,239		92,508

(c) Movements in options

- (i) 1,879,231 options granted or agreed to be granted under the Company's Employee Share Option Plan were cancelled during the year.
- (ii) 500,000 options were granted or agreed to be granted under the Company's Employee Share Option Plan to an eligible employee during the year, exercisable at an exercise price of \$0.30 per share after 1 October 2004. The vesting conditions attached to these options were not satisfied and accordingly, these options did not vest.
- (iii) 18,000,000 shares were issued on the conversion of options held by Integrated Healthcare Management S.A. which were issued at \$0.29 per option exercisable at exercise price of \$0.01 per share.
- (iv) Optus Network Pty Limited agreed to cancel 8,152,174 options for no consideration.
- (v) The number of unissued ordinary shares under option at 30 June 2003 is 12,436,539.

Note 22. Reserves and accumulated losses

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(a) Reserves				
Share option reserve				
Movements:				
Balance at 30 June 2002	5,220	–	5,220	–
Payment received for purchase of options	180	5,220	180	5,220
Conversion to ordinary shares	(5,400)	–	(5,400)	–
Balance at 30 June 2003	–	5,220	–	5,220
(b) Accumulated losses				
Accumulated losses at the beginning of the financial year	(74,262)	(24,875)	(70,273)	(9,506)
Net loss attributable to members of IBA Health Limited	(487)	(49,387)	(7,930)	(60,767)
Accumulated losses at the end of the financial year	(74,749)	(74,262)	(78,203)	(70,273)

IBA Health Limited

Notes to the Financial Statements

for the year ended 30 June 2003

Note 23. Financial instruments

(a) Credit risk exposures

The credit risk on financial assets of the consolidated entity, which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

2003	Notes	Fixed interest maturing in:				Total \$'000
		Floating interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	Non- interest bearing \$'000	
Financial assets						
Cash	6	16,630	—	—	6	16,636
Receivables	7, 8	—	—	—	4,115	4,115
		16,630	—	—	4,121	20,751
Weighted average interest rate		4.65%				
Financial liabilities						
Trade and other creditors	15	—	—	—	4,357	4,357
Lease liabilities	16, 19	—	954	248	—	1,202
		—	954	248	4,357	5,559
Weighted average interest rate		7.0%				
Net financial assets (liabilities)		16,630	(954)	(248)	(236)	15,192
2002	Notes	Fixed interest maturing in:				Total \$'000
		Floating interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	Non- interest bearing \$'000	
Financial assets						
Cash	6	19,728	—	—	5	19,733
Receivables	7,8	—	—	—	3,608	3,608
		19,728	—	—	3,613	23,341
Weighted average interest rate		4.3%				
Financial liabilities						
Trade and other creditors	15	—	—	—	5,917	5,917
Lease liabilities	16, 19	—	1,279	1,238	—	2,517
		—	1,279	1,238	5,917	8,434
Weighted average interest rate		7.0%				
Net financial assets (liabilities)		19,728	(1,279)	(1,238)	(2,304)	14,907

(c) **Net fair value of financial assets and liabilities**

(i) *On-balance sheet*

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

The directors are of the opinion that the net fair value of financial assets and liabilities of the economic entity approximates their carrying value.

(ii) *Off-balance sheet*

There are no off balance sheet financial assets or liabilities which have a measurable net fair value.

DIRECTORS OF ENTITIES IN THE CONSOLIDATED ENTITY		DIRECTORS OF PARENT ENTITY	
2003	2002	2003	2002
\$	\$	\$	\$

Note 24. Remuneration of directors

Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities

903,448	1,542,255	656,439	574,987
903,448	1,542,255	656,439	574,987

Options are granted to directors under the Company's Employee Share Option Plan and also, in respect of the Chairman, under the Company's Chairman's Share Option Plan. Details of options granted to and exercised by directors during the year ended 30 June 2003 are set out in Note 29.

The numbers of parent entity directors whose total income from the parent entity or related parties was within the specified bands are as follows:

\$	\$	2003	2002
0	– 9,999	1	–
10,000	– 19,999	–	1
40,000	– 49,999	4	–
50,000	– 59,999	1	4
60,000	– 69,999	1	–
350,000	– 359,999	1	1

Total directors remuneration and the remuneration banding does not include amounts in relation to the grants of options under the IBA Health Limited Employee Share Option and the IBA Health Limited Chairman's Share Option Plan. The options are not included as they were issued at no cost to the entity.

IBA Health Limited

Notes to the Financial Statements

for the year ended 30 June 2003

EXECUTIVE OFFICERS OF THE CONSOLIDATED ENTITY		EXECUTIVE OFFICERS OF THE PARENT ENTITY	
2003	2002	2003	2002
\$	\$	\$	\$

Note 25. Remuneration of executives

Remuneration received, or due and receivable, in the consolidated entity and related parties by Australian based executive officers (including directors) whose remuneration was at least \$100,000:

Executive officers of the parent entity	2,129,663	2,220,773	2,129,663	2,220,773
Executive officers of other entities in the consolidated entity	—	—	—	—
	2,129,663	2,220,773	2,129,663	2,220,773

Options are granted to executive officers pursuant to the Company's Employee Share Option Plan and also, in respect of the Chairman, under the Company's Chairman's Share Option Plan, details of which are set out in Note 29. A summary of the numbers of options granted to Australian based executive officers (with income of at least \$100,000) (excluding directors) during the year ended 30 June 2003 is set out below. No options were exercised during the year ended 30 June 2003.

	Outstanding 30 June 2002	Granted	Lapsed / Cancelled	Outstanding 30 June 2003
Australian-based executive officers of the parent entity in the consolidated entity	1,342,308	500,000	1,125,000	717,308
Australian-based executive officers of other entities in the consolidated entity	—	—	—	—
	1,342,308	500,000	1,125,000	717,308

The numbers of Australian based executive officers (including directors) whose remuneration from entities in the consolidated entity and related parties was within the specified bands are as follows:

\$	\$	EXECUTIVE OFFICERS OF THE CONSOLIDATED ENTITY		EXECUTIVE OFFICERS OF THE PARENT ENTITY	
		2003	2002	2003	2002
160,000	– 169,999	–	1	–	1
180,000	– 189,999	1	–	1	–
210,000	– 219,999	1	–	1	–
220,000	– 229,999	1	–	1	–
230,000	– 239,999	1	–	1	–
240,000	– 249,999	1	–	1	–
260,000	– 269,999	–	1	–	1
280,000	– 289,999	–	1	–	1
290,000	– 299,999	–	1	–	1
330,000	– 339,000	2	1	2	1
340,000	– 349,999	–	1	–	1
350,000	– 359,999	1	2	1	2

CONSOLIDATED ENTITY		PARENT ENTITY	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

Note 26. Remuneration of auditors

During the year the auditor of the parent entity and its related practices earned the following remuneration:

PricewaterhouseCoopers – Australian firm

Audit or review of financial reports of the entity or any entity in the consolidated entity

Advisory services

Taxation

Total remuneration

204,981	317,110	184,981	317,110
21,212	158,693	6,843	158,693
28,350	27,940	28,350	25,590
254,543	503,743	220,174	501,393

Related practices of PricewaterhouseCoopers Australian firm (including overseas PricewaterhouseCoopers firms)

Audit or review of financial reports of the entity or any entity in the consolidated entity

Advisory services

Taxation

Total remuneration

20,019	91,130	–	–
52,632	18,595	–	–
44,319	43,767	–	–
116,970	153,492	–	–

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important. These assignments are principally tax advice, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the consolidated entity's policy to seek competitive tenders for all major consulting projects.

Note 27. Contingent liabilities

The parent entity and consolidated entity has contingent liabilities at 30 June 2003 in respect of the provision of performance guarantees in the normal course of their trading operations.

No provision for liquidated damages in respect of late contracted delivery of product has been made, on the basis that any claims are adequately provided by either agreements with the parties, or work already performed and not charged as at balance date.

IBA Health Limited

Notes to the Financial Statements

for the year ended 30 June 2003

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Note 28. Commitments for expenditure				
Lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	1,662	2,254	593	843
Later than one year but not later than 5 years	499	2,006	242	636
Later than 5 years	—	—	—	—
	2,161	4,260	835	1,479
Representing:				
Non-cancellable operating leases	959	1,743	835	1,479
Future finance charges on finance leases	1,202	2,517	—	—
	2,161	4,260	835	1,479
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	708	975	593	843
Later than one year but not later than 5 years	251	768	242	636
Later than 5 years	—	—	—	—
Commitments not recognised in the financial statements	959	1,743	835	1,479
Finance leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	989	1,421	—	—
Later than one year but not later than 5 years	251	1,238	—	—
Minimum lease payments	1,240	2,659	—	—
Less: Future finance charges	(38)	(142)	—	—
Recognised as a liability	1,202	2,517	—	—
Total lease liabilities	1,202	2,517	—	—
Representing lease liabilities:				
Current (Note 16)	954	1,279	—	—
Non-current (Note 19)	248	1,238	—	—
	1,202	2,517	—	—

The weighted average interest rate implicit in the leases is 7% (2002: 7%).

CONSOLIDATED ENTITY		PARENT ENTITY	
2003	2002	2003	2002

Note 29. Employee benefits

Employee benefit and related on-costs liabilities

Provision for employee benefits:

Current (Note 17)	816	895	565	537
Non-current (Note 20)	224	172	224	172
Aggregate employee benefits and related on-costs liability	1,040	1,067	789	709

Employee numbers

Average number of employees during the financial year	150	175	96	100
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IBA Employee Share Option Plan ('ESOP')

The ESOP was established to enable IBA to grant options over shares to employees of the economic entity, subject to local regulations. Under the ESOP, the board (or committee of the board) may invite applications for options from directors, full time or part time employees of IBA having regard to the employee's position, services provided by the employee, record of employment or service, potential contribution and any other matters which indicate the employee's merit. The exercise price in respect of an option granted shall be the market price for a share prevailing at the time of grant unless the board decides otherwise. The prevailing market price shall be the weighted average closing price of shares sold on the ASX on the 5 trading days immediately preceding that date. Options will lapse if they are not exercised within the relevant period or if the option holder leaves the employment of IBA. The board reserves a discretion to waive the latter provision.

A total of 4,936,539 options are issued and outstanding under the ESOP as at 30 June 2003, with varying exercise prices and expiry dates.

IBA Chairman's Share Option Plan ('CSOP')

The CSOP was established to enable IBA to grant options over shares to the Chairman of the Company. The CSOP is in similar terms to the ESOP.

A total of 4,500,000 options are issued and outstanding under the CSOP at an exercise price of \$1.30 per share.

Set out below are summaries of options granted under the ESOP and the CSOP.

Grant date	Expiry date	Exercise price	Balance at start of year	Issued during the year	Transfers during the year	Exercised during the year	Lapsed during the year	Balance at end of the year
Consolidated and parent entity – 2003								
<i>Employee Share Option Plan</i>								
30 March 2000	30 March 2005	\$1.30	600,000	–	–	–	–	600,000
Various	30 March 2005	\$0.50	5,451,540	–	–	–	1,615,001	3,836,539
	10 June 2006	\$1.00						
		\$1.50						
1 October 2002	1 October 2007	\$0.30	–	500,000	–	–	–	500,000
<i>Chairman's Share Option Plan</i>								
29 November 2000	30 June 2005	\$1.30	4,500,000	–	–	–	–	4,500,000
			10,551,540	500,000	–	–	1,615,001	9,436,539
Consolidated and parent entity – 2002								
<i>Employee Share Option Plan</i>								
30 March 2000	30 March 2005	\$1.30	600,000	–	–	–	–	600,000
Various	30 March 2005	\$0.50	10,980,000	350,000	–	–	5,878,460	5,451,540
	10 June 2006	\$1.00						
		\$1.50						
<i>Chairman's Share Option Plan</i>								
29 November 2000	30 June 2005	\$1.30	4,500,000	–	–	–	–	4,500,000
			16,080,000	350,000	–	–	5,878,460	10,551,540

IBA Health Limited

Notes to the Financial Statements

for the year ended 30 June 2003

Note 29. Employee benefits (continued)

Options were granted for no consideration. No options issued under the ESOP or the CSOP were exercised during the financial year. The vesting conditions attached to the options issued on 1 October 2002 were not satisfied and accordingly, the options did not vest. As at the reporting date, 5,275,000 options had vested (2002: 5,100,000).

IBA Employee Share Plan ('ESP')

The ESP was established to enable IBA to provide for the issue of shares in IBA to employees of IBA and its subsidiaries.

Under the ESP the board of directors of IBA may make offers to full or part time employees or directors of IBA or its subsidiaries to acquire shares in IBA for no consideration. The number of shares to be offered to each eligible employee in respect of any financial year under the plan will be determined by the board of directors of IBA. The issue price of the shares is determined by the board of directors. Any share allotted under the plan must not be disposed of until the earlier of the expiration of 3 years from the time of acquisition and the time when the holder of the shares ceases to be employed by IBA or its subsidiary.

IBA Health Exempt Employee Share Plan ('EESP')

The EESP, approved by shareholders on 20 November 2002, was established to allow eligible employees access to \$1,000 worth of IBA Health Limited shares on a tax exempt basis.

519,805 shares were issued to the plan on 30 January 2003.

As at 30 June 2003, 50 participants held 472,550 shares under the EESP.

IBA Health Employee Deferred Incentive Plan ('EDIP')

The EDIP, approved by shareholders on 20 November 2002, was established to allow eligible executives the opportunity to invest in IBA Health Limited shares by sacrificing salary or bonuses on a tax deferred basis.

1,730,458 shares were issued to the plan on 30 January 2003. A further 208,170 shares were issued to the plan on 17 April 2003.

As at 30 June 2003, 29 participants held 2,179,736 shares under the EDIP.

IBA Health Employee Loan Plan ('ELP')

The ELP, approved by shareholders on 20 November 2002, was established to provide equity incentives to selected eligible executives.

Loans are provided interest free under ELP to acquire IBA Health Limited shares. The executive is entitled to the net gains, if any arising, subject to satisfying the relevant performance and vesting conditions.

3,831,778 shares were issued to the plan on 30 January 2003.

As at 30 June 2003, 37 participants held 4,727,857 shares under the ELP.

Loans outstanding as at 30 June 2003 amount to \$538,000.

Note 30. Related parties

Directors

The names of persons who were directors of IBA Health Limited at any time during the financial year are Gary Cohen, Alan Gibson, Len Humphreys, Christopher Moore, Robert Savage, Anthony Sherlock, David Veal and Peter Wise.

Remuneration

Information on remuneration and retirement benefits of directors is disclosed in Note 24.

Directors' holdings of shares and options

Aggregate numbers of shares and share options of IBA Health Limited acquired or disposed of by directors of the Company and consolidated entity or their director-related entities from the Company.

	PARENT ENTITY AND CONSOLIDATED ENTITY	
	2003	2002
	Number	Number
Acquisitions		
Options over ordinary shares (issued pursuant to the ESOP)	500,000	350,000
Ordinary shares (issued pursuant to the employee share schemes)	262,004	—
Aggregate numbers of shares and share options of IBA Health Limited held directly, indirectly or beneficially by directors of the Company or the consolidated entity or their director-related entities at balance date:		
	2003	2002
	Number	Number
Ordinary shares	69,081,666	63,995,998
Unlisted options over ordinary shares	5,700,000	5,450,000

Wholly owned group

The wholly owned group consists of IBA Health Limited and its wholly owned controlled entities, IBA Health (UK) Limited, IBA Health (UK) Maintenance Limited, IBA Health Solutions Pty Limited, IBA eHealth Solutions Pty Limited, IBA Health (Asia) Holdings Pty Limited and IBA Health (Asia) Pty Limited. With the exception of interest free loan funds provided and received free of charge, all other transactions were provided on a commercial basis. Ownership interests in these controlled entities are set out in Note 31.

Transactions between IBA Health Limited and other entities in the wholly owned group during the years ended 30 June 2003 and 2002 consisted of:

- loans advanced by IBA Health Limited
- loans repaid to IBA Health Limited
- sales and services of software and providing marketing assistance
- accounting, legal, human resources and other head office administrative assistance to its subsidiaries.

	PARENT ENTITY	
	2003	2002
	\$'000	\$'000
Aggregate amounts receivable from/payable to entities in the wholly owned group at balance date:		
Non-current receivables (loans)	23,885	24,605
Current payables (loans)	1,254	26

Controlling entities

The ultimate and Australian parent entity in the wholly owned group is IBA Health Limited, which at 30 June 2003 owns 100% (2002: 100%) of the issued ordinary shares of all controlled entities.

IBA Health Limited

Notes to the Financial Statements

for the year ended 30 June 2003

Note 31. Investments in controlled entities

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING		BOOK VALUE OF PARENT ENTITY'S INVESTMENT	
			2003 %	2002 %	2003 \$'000	2002 \$'000
Directly controlled by IBA Health Limited						
IBA Health (UK) Limited	United Kingdom	Ordinary	100	100	—	—
IBA Health (UK) Maintenance Limited	United Kingdom	Ordinary	100	100	—	—
IBA Health (Asia) Holdings Pty Limited	Singapore	Ordinary	100	100	—	—
IBA Health Solutions Pty Limited	Australia	Ordinary	100	100	—	—
IBA eHealth Solutions Pty Limited	Australia	Ordinary	100	100	5,413	5,413
Controlled by IBA Health (Asia) Holdings Pte Limited						
IBA Health (Asia) Pte Limited	Singapore	Ordinary	100	100	—	—
					5,413	5,413

Disposal of controlled entity

On 24 April 2003, IBA Technologies (Malaysia) SDN BHD was deregistered at the request of the Company.

Note 32. Events occurring after reporting date

Details of events occurring after reporting date are disclosed in the Directors report on page 12.

Other subsequent events

There are no other outstanding matters or occurrences that have come to our attention up to the present time which would materially affect the financial report or disclosures therein, or which are likely to materially affect the future results or operations of the group.

CONSOLIDATED ENTITY		PARENT ENTITY	
2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000

Note 33. Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities

Loss from ordinary activities after income tax	(487)	(49,387)	(7,930)	(60,767)
Depreciation and amortisation	3,162	11,887	538	3,128
Gain on disposal of UK assets	(7,938)	—	—	—
Gain on disposal of share investment	(893)	—	—	—
Net (profit) / loss on sale of non-current assets	—	(7,036)	—	(5,645)
Capitalised R&D and goodwill write down	—	33,671	—	6,815
Investment in subsidiary write down	—	—	—	25,626
Related parties loan write down	—	—	—	24,605
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
Decrease / (increase) in trade debtors	(102)	1,215	(744)	836
Decrease / (increase) in other operating assets	316	1,359	937	223
Increase / (decrease) in trade creditors	(1,561)	(1,523)	(2,089)	356
Increase / (decrease) in other operating liabilities	492	(957)	498	(153)
Decrease / (increase) in provision for income taxes payable	(95)	(373)	(95)	(304)
(Decrease) / increase in other provisions	(3,437)	3,716	1,214	(59)
Net cash outflow from operating activities	(10,543)	(7,428)	(7,671)	(5,339)

	CONSOLIDATED ENTITY	
	2003	2002
	Cents	Cents
Note 34. Earnings per share		
Basic earnings (loss) per share	(0.3)	(30.3)
Diluted earnings (loss) per share	(0.3)	(27.4)

	CONSOLIDATED ENTITY	
	2003	2002
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	167,733,028	163,132,028

Information concerning the classification of securities

Options

Options granted are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share.

The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 21(c).

IBA Health Limited Directors' Declaration

The directors declare that the financial statements and notes set out on pages 20 to 45:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Gary Cohen
Director



Anthony Sherlock
Director

Sydney
25 September 2003

Independent Audit Report to the Members of IBA Health Limited

Audit opinion

In our opinion, the financial report of IBA Health Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of IBA Health Limited and the IBA Health Limited Group (defined below) as at 30 June 2003 and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001

This opinion must be read in conjunction with the rest of our report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both IBA Health Limited and the IBA Health Limited Group (the consolidated entity), for the year ended 30 June 2003. The consolidated entity comprises both the Company and the entities it controlled during the year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

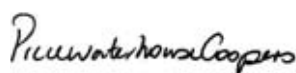
When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



PricewaterhouseCoopers



DS Wladowski, Partner
25 September 2003

IBA Health Limited

Shareholder Information

The shareholder information set out below was applicable as at 29 August 2003.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	ORDINARY SHARES
1 – 1,000	1,419
1,001 – 5,000	1,749
5,001 – 10,000	666
10,001 – 100,000	845
100,001 – and over	126
	4,805

There were 2,201 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	ORDINARY SHARES	
	Number held	Percentage of issued shares
Macquarie Bank Limited	18,000,000	9.60
AIB Investments Pty Ltd	16,792,970	8.96
Techno Holdings Pty Ltd	13,338,443	7.11
Torex plc	13,043,478	6.96
RJL Investments Pty Ltd	9,048,130	4.83
Capital Partners Group	8,280,186	4.42
IBA Health Employee Share Plan Managers Pty Ltd	6,755,047	3.61
Quatro Capital Pty Ltd	5,474,863	2.92
Garsu Holdings Pty Ltd	4,572,136	2.44
Amco Trading Pty Ltd	4,140,111	2.21
CPG Advisors Limited	4,140,111	2.21
Weldon Enterprises No 2 Pty Ltd	4,140,076	2.21
Overnight Nominees Pty Ltd	4,012,000	2.14
Monetti Pty Ltd	1,815,672	0.97
Evanston Investments Ltd	1,759,003	0.94
Miralanco Investments Pty Ltd	1,700,000	0.91
D R Systems Pty Ltd	1,444,344	0.77
Ms Anna Lendvay	1,422,713	0.76
Mr Paul Ryder	1,161,789	0.62
Mr Richard David	1,058,213	0.56
	122,099,285	65.15

Unquoted equity securities

	Number on issue	Number of holders
1999 Options	3,000,000	2
Chairman's Options	4,500,000	1
ESOP Options – directors	700,000	4
ESOP Options – staff	3,636,539	11
	<u>11,836,539</u>	<u>18</u>

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Ordinary shares		
RJL Investments Pty Ltd (interests associated with Gary Cohen and Brian Cohen)	55,168,085	29.44
Monetti Pty Limited and David Raymond Coe	37,568,332	20.05
Menowin Pty Limited and David Lloyd Veal	36,538,000	19.50
Allco Finance Group Limited	35,783,611	19.09
Macquarie Bank Limited	18,000,000	9.60
Tag Pacific Limited Group	13,338,442	7.12
Torex plc	13,043,478	6.96
Capital Partners Group	12,402,297	6.62

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

No voting rights.

Shareholder enquiries

Shareholders with enquiries about their shareholdings should contact IBA Health's Share Registry: Computershare Investor Services Pty Limited by telephone on 1300 855 080 or by facsimile on (02) 8234 5050.

Change your address?

If you change your address, please promptly notify our Share Registrar in writing. Please quote your Shareholders Reference Number and your old address as added security.

Investor information

IBA Health maintains a website at www.ibatech.com where information is available and a service for any queries. For any further queries please contact Investor Relations on (02) 8251 6700.

Removal from the Annual Report mailing list

Shareholders who do not want to receive the Annual Report should advise the Share Registry in writing. These shareholders will continue to receive all other shareholder information, including Notices of all Annual General Meetings.

Stock Exchange Listing

IBA Health Limited ordinary shares are listed on the Australian Stock Exchange (ASX Code: IBA).

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