THE TAKEOVER PANEL

iSOFT GROUP PLC (“iSOFT”)

IBA HEALTH LIMITED ("IBA")

Introduction

This is a statement of criticism by the Panel Executive of Monterrey Investment Management Limited (“Monterrey”) for failing to disclose dealings in relevant securities of iSOFT and IBA within the appropriate time frames as required by Rule 8.3 of the Takeover Code (“the Code”).

Background

On 17 October 2006, iSOFT announced, inter alia, that it had received expressions of interest from a number of parties interested in acquiring the company and that the board of iSOFT had concluded that the company should open discussions with those parties. As a result of this announcement, an offer period commenced in respect of iSOFT for the purposes of the Code.

On 16 May 2007, IBA, an Australian company whose shares are listed on the Australian Securities Exchange, announced a recommended securities exchange offer for iSOFT to be implemented by way of a scheme of arrangement. IBA also announced that it intended to raise additional capital through a two for five rights issue and a placing of new shares, with the latter being conditional on the offer for IBA becoming effective by 13 August. Following discussions with the Panel Executive, IBA released an announcement on 23 May setting out, inter alia, how percentage interests in IBA relevant securities were to be calculated for the purposes of Rule 8 in the context of IBA’s rights issue and conditional placing.

On 20 July, CompuGROUP UK Limited ("CompuGROUP") announced a recommended cash offer for iSOFT, which offer was also to be implemented by way of a scheme of arrangement.

On 13 August, IBA's conditional placing lapsed.

On 21 August, IBA purchased 24.3% of iSOFT's share capital, including the entirety of a 13.2% stake then held by Monterrey, and immediately announced a revised cash offer for iSOFT at above the level of the CompuGROUP offer. The acquisition by IBA of this 24.3% shareholding in effect prevented CompuGROUP from implementing its offer by way of a scheme of arrangement.

On 29 August, CompuGROUP announced that it would not be increasing its offer for iSOFT whereupon the board of iSOFT announced that it intended to recommend the revised cash offer from IBA.

On 10 September, iSOFT posted documentation to its shareholders in relation to implementing the revised cash offer from IBA by way of a scheme of arrangement. On 4 October, iSOFT announced that the shareholder resolutions required to approve this offer had been passed and that it expected the scheme of arrangement to become effective on 30 October.

The actions of Monterrey

Monterrey, an Australian hedge fund manager which specialises in the Australian merger arbitrage market, was one of the parties which agreed to sub-underwrite the IBA rights issue and to participate in the conditional placing and, on 15 May, it signed commitment letters to this effect. Monterrey was not at that time interested in any issued relevant securities of either iSOFT or IBA (nor did it have a short position in respect of any such securities).

However, between 18 May and 18 July, Monterrey acquired iSOFT shares representing approximately 13.2% of the company's issued share capital. Monterrey did not disclose any of these dealings in accordance with Rule 8.3 of the Code as it

should have done as explained further below, nor did it make any disclosure to iSOFT under the Financial Services Authority's Disclosure and Transparency Rules ("the DTRs"). On 8 August, Monterrey, having become aware of its UK disclosure obligations, notified iSOFT of its shareholding under the DTRs (and iSOFT made an announcement of that shareholding on Form TR-1) and, on 9 August, Monterrey released a disclosure on the Panel's Form 8.3 ("Form 8.3") setting out its shareholding in iSOFT and stating that full details of all its dealings in iSOFT shares would follow shortly. On 10 August, Monterrey released a further disclosure on Form 8.3 which re-stated its shareholding in iSOFT and attached a schedule listing its dealings in iSOFT shares between 18 May and 18 July.

In addition, between 18 May and 9 August, Monterrey dealt in both IBA shares and renounceable rights issued by IBA in connection with its rights issue and, as at 9 August, by which time the rights issue had completed, Monterrey had acquired shares representing approximately 4.9% of IBA's then issued share capital. Monterrey did not disclose any of these dealings in accordance with Rule 8.3 of the Code as it should have done. On 13 August, Monterrey released a disclosure on Form 8.3 setting out its shareholding in IBA which attached a schedule listing its dealings in IBA relevant securities between 18 May and 9 August.

Relevant provisions of the Code – Rule 8.3

Rule 8.3 provides as follows:

"(a) During an offer period, if a person … is interested (directly or indirectly) in 1% or more of any class of relevant securities of an offeror or of the offeree company or as a result of any transaction will be interested in 1% or more, dealings in any relevant securities of that company by such person … must be publicly disclosed in accordance with Notes 3, 4 and 5.".

Note 3 explains that disclosures under Rule 8.3 must be made by no later than 3.30pm (London time) on the business day following the date of the transaction. Note 4 explains that disclosures under Rule 8.3 must be made via a Regulatory Information Service (as defined in the Code). Note 5 sets out the information which must be set out in the disclosure.

The Panel Executive considers compliance with the dealing disclosure requirements of Rule 8.3 to be extremely important. As explained by the Code Committee in PCPs 2005/1 and 2005/2, the rationale for requiring persons who have material interests in relevant securities (i.e. 1% or more of any class of relevant securities in issue) to disclose their dealings in an offer period is as follows: (i) to inform shareholders as to where control (or effective control) of the company's voting rights lies, (ii) to assist in identifying persons who may be considered to be acting in concert with an offeror or the offeree company and (iii) to provide additional market transparency as to movements in the price of a company's securities.

Application of Rule 8.3 in this case

Disclosure of purchases of iSOFT shares

Monterrey became interested in more than 1% of iSOFT's share capital following a purchase of iSOFT shares on 22 May. Under Rule 8.3, this purchase should have been disclosed by 3.30pm on 23 May. Thereafter, until 18 July, Monterrey purchased iSOFT shares on a further 23 separate occasions without in any case the dealing being disclosed by 3.30pm on the next business day as required by Rule 8.3. In fact, no disclosure was made until Monterrey made retrospective disclosures on 9 and 10 August as described above.

Disclosure of purchases of IBA shares and renounceable rights

Monterrey became interested in more than 1% of IBA's relevant securities (as that threshold applied to IBA in the context of its rights issue and proposed placing) following a purchase of renounceable rights on 1 June. Under Rule 8.3, this purchase should have been disclosed by 3.30pm on 4 June. Thereafter, until 9 August, Monterrey dealt in IBA relevant securities on a further 25 occasions without in any case the dealing being disclosed by 3.30pm on the next business day as required by Rule 8.3. In fact, no disclosure was made until Monterrey made a retrospective disclosure on 13 August as described above.

Disclosure of commitment in relation to the conditional placing of IBA shares

There was no requirement under Rule 8.3 for Monterrey, on entering into its conditional placing commitment on 15 May, to make an announcement that it had done so. This was on the basis that, although entering into that commitment was treated as a dealing for the purposes of the Code, Monterrey did not then have an existing interest in the issued share capital of IBA of 1% or more and its commitment in respect of the placing did not result in Monterrey triggering the 1% threshold.

However, if Monterrey had subsequently disclosed its dealings in IBA relevant securities by the deadlines prescribed by Rule 8.3, as described above, it would have been required to set out in each of those disclosures its commitment in relation to the conditional placing. This would have been on the basis that this commitment, albeit not constituting an interest in shares, was a right to subscribe for IBA shares and as such it would have to have been listed on any Form 8.3 published by Monterrey. Since the relevant dealing disclosures were not made, and because the placing had lapsed by the time that Monterrey made its first disclosure relating to IBA on 13 August, no disclosure of Monterrey's conditional placing commitment was ever made.

Disclosure of commitment and subscription in relation to the IBA rights issue

There was no requirement under Rule 8.3 for Monterrey, on entering into its commitment to sub-underwrite the rights issue on 15 May, to make an announcement that it had done so. This was on the basis that entering into a sub-underwriting commitment was not treated as a dealing for the purposes of the Code.

In addition, there was no requirement for Monterrey to disclose its sub-underwriting commitment in any disclosures subsequently made under Rule 8.3. This was on the basis that this commitment was not an interest in shares nor was it treated as a right to subscribe for IBA shares which would have been required to have been listed on any Form 8.3 published by Monterrey.

However, the subscription by Monterrey for IBA shares (pursuant to its sub-underwriting commitment) when the rights issue became unconditional on 2 July did constitute a dealing and, on the basis that Monterrey was by then interested in more than 1% of IBA's shares, this dealing should have been disclosed by 3.30pm on 3 July. In fact, no disclosure of this subscription, and resultant holding, was made until Monterrey made its retrospective disclosure on 13 August as described above.

Reasons for the above breaches

Monterrey has explained to the Executive that its failure to comply with Rule 8.3 was attributable to its lack of familiarity with the relevant provisions of the Code and to compliance staff absence during some of the relevant period (although the obligation for Monterrey to disclose dealings in each of iSOFT and IBA shares under Rule 8.3 was triggered prior to the departure of the compliance staff). It was not until 8 August, after the relevant compliance staff had returned from holiday on 6 August, that Monterrey sought external advice as to the relevant disclosure rules in the UK.

Conclusion

The Panel Executive considers that the failure by Monterrey to disclose its dealings in relevant securities of iSOFT and IBA in accordance with Rule 8.3 as outlined above constituted serious breaches of the Code. The Panel Executive considers these breaches to be particularly surprising in view of the following:

(a) in the Panel Executive's opinion, the following matters should have led Monterrey to exercise particular caution:

(i) the high number of dealings carried out by Monterrey in iSOFT and IBA relevant securities over a two month period;

(ii) the fact that Monterrey acquired significant shareholdings in both iSOFT and IBA; and

(iii) the fact that Monterrey was dealing in the securities of an offeree company which was subject to a regulatory regime with which it was not familiar.

If Monterrey was in any doubt as to the applicable disclosure requirements, it should have sought appropriate advice before acquiring significant shareholdings in iSOFT and IBA;

(b) the fact that Monterrey is a professional investor, specialising in merger arbitrage activities. In the Panel Executive's opinion, it should therefore have been especially aware that dealing in securities of an offeree company and an offeror might be subject to disclosure obligations;

(c) the fact that the requirements of Rule 8.3 were summarised in a number of announcements made by iSOFT and/or IBA. In particular, the announcement made by IBA on 23 May set out in detail how the rule was to be applied to dealings in IBA relevant securities and also explained what disclosure obligations applied to a person's positions in respect of such securities (including those positions arising as a result of sub-underwriting and/or placing commitments). This put all market operators, including Monterrey, on notice of these disclosure requirements; and

(d) the fact that the advisers to IBA referred to the requirements of Rule 8.3 in the commitment letters signed by sub-underwriters of the rights issue and placees in the conditional placing, which in both cases included Monterrey.

The Panel Executive also considers it to be particularly regrettable that Monterrey did not comply with Rule 8.3 since, if it had done so, CompuGROUP would have been aware well before the date on which it announced its offer that Monterrey held securities in both iSOFT and IBA. By 20 July, when it announced its offer, CompuGROUP would have been aware that Monterrey in fact then held 13.2% of iSOFT's issued share capital and 3.4% of IBA's issued share capital (in addition to being a placee in the placing). This information might have been relevant to CompuGROUP in its considering whether, and if so how, to prosecute its interest in

iSOFT. In fact, at the time that it announced its offer, CompuGROUP was unaware of any holdings by Monterrey in either party. The Panel Executive notes that the fact that IBA was able to acquire just under 25% of iSOFT's share capital on 21 August, over half of which was acquired from Monterrey, was ultimately a key factor in determining the outcome of the competing offers by IBA and CompuGROUP for iSOFT.

Monterrey has apologised unreservedly to the Panel Executive for its failure to comply with Rule 8.3 in this case. Monterrey contacted the Panel Executive as soon as it became aware that it may have breached the Code and acted promptly in releasing retrospective disclosures and the Panel Executive has seen no evidence to indicate that Monterrey's conduct in breaching Rule 8.3 was deliberate. Monterrey has co-operated fully with the Panel Executive throughout its investigation and has told the Panel Executive that it will be introducing new procedures with a view to ensuring that it will not commit any similar breaches in the future.

Nevertheless, for the reasons set out above, the Panel Executive considers that Monterrey's failure to comply with Rule 8.3 in relation to this case merits criticism. Monterrey has accepted this criticism.

For the avoidance of doubt, after having investigated the matter, the Panel Executive has concluded that Monterrey was not acting in concert with IBA in connection with IBA's offer for iSOFT.

19 October 2007