Announcement to the ASX

iSOFT full-year net profit climbs 137% to $34.7 million

Sydney – Tuesday, 18 August 2009 – iSOFT Group Limited (ASX: ISF) – Australia's largest listed health information technology company today announced its full-year result for the 12 months ended 30 June 2009.

HIGHLIGHTS

- Total revenue grew 50% to $540.1 million, meeting the company's guidance.
- NPAT climbed 137% to $34.7 million, while underlying NPAT rose 101% to $66 million
- EBITDA grew a better-than-expected 37% to $132.4 million
- EBITDA margin of 25%
- Net operating cash flow of $64.3 million
- Net debt reduced by $129 million; gearing of 21%
- Unfranked dividend of 1 cent

Executive Chairman & CEO, Gary Cohen, said: "We have met or exceeded guidance on our key measures and reinstated a dividend. We have grown revenues more than 15% year on year on a like-for-like basis. We have significantly strengthened our balance sheet. iSOFT is in sound financial shape, and is well-placed at the forefront of a growing and resilient industry at a time when many companies are struggling."

Financial Highlights FY09

	FY09	FY08	% change
	$m	$m	
Sales Revenue	538.9	358	51%
EBITDA	132.4	96.4	37%
EBIT	78.4	54.6	44%
Underlying NPAT *	66	32.9	101%
NPAT	34.7	14.7	137%
Basic earnings per share in cents	4.3	2.08	107%
Underlying basic earnings per share	8.09	4.73	71%
Cash at end of period	85.7	54.2	58%
Net cash from operating activities**	64.3	76.2	-16%
Days sales outstanding (DSO)	50	79	36%

* Underlying NPAT is NPAT excluding amortisation of intangibles on acquisition only

**09 includes one-off outflows for i7 and ESA totalling $25m

OPERATIONAL PERFORMANCE

In the first full fiscal year of integration, overall financial results were strong. Revenue grew 50% to $540.1 million as iSOFT strengthened its global footprint with significant contracts in core markets such as the U.K, the Netherlands, Germany, Spain and Australia, and entered new markets in Latin America, Italy and Africa. Revenue met guidance, even as the AUD/GBP exchange rate fell from the first half to the second half. More than 50% of the Group's revenues are in GBP.

EBITDA of $132.4 million and EBITDA margin of 25% were above the guidance provided to the market on lower than anticipated costs. Net profit after tax gained 137% to $34.7 million, while underlying net profit after tax rose 101% to $66 million. At constant currencies, revenue grew by 42%, EBITDA rose by 29% and NPAT by 131%.

Operating cash flow was $64.3 million, equivalent to 49% of EBITDA for the full year and 118% of EBITDA in the second half. Earnings per share more than doubled year on year, increasing to 4.3 cents in FY09 from 2.08 cents a year earlier.

iSOFT announced a 1 cent unfranked dividend. The record date is 22 September and it is payable on 6 October. The dividend reinvestment plan is activated and the discount will be notified shortly.

OUTLOOK

iSOFT expects sales growth of 10%, almost five times the forecast industry average*, in FY10, with margins at FY09 levels. Interest expense is forecast to be substantially lower ($10-$12 million), boosting NPAT in FY10. Operating cash flows are expected to trend across the halves in a similar way to FY09, and revenue and EBITDA is expected to be materially higher in the second half than in the first.

*Gartner forecast

RESULTS DETAILS

iSOFT invites you to a live webcast of its FY09 results presentation at 10:30 AM AEST today.

To access the webcast click on the following link: http://www.brr.com.au/event/59043. The webcast will be available on iSOFT's website and on the ASX website.

A teleconference facility will also be made available:

Access Number: 02 8212 8410
Toll Free Number: 1800 153 721
Participant Pin Code: 289034#

Instructions for Participants:

Step 1: Participants dial the Event access number.
Step 2: At the prompt, participants will hear the Q&A instructions.
Step 3: Participants will be placed on hold until the Event begins.

The presentation details are as follows:

- **FY09 Full-Year Results**
- **Presented by Gary Cohen, Executive Chairman & CEO; Martin Deda, Group Finance Director; and Andrea Fiumicelli, Chief Operating Officer. Brian Cohen, Chief Technology Officer; and Michael Dahlweid, Chief Medical Officer, will be present.**
- **10:30 AM AEST**
- **iSOFT**
  Darling Park
  Tower 2
  Level 27
  201 Sussex Street
  Sydney NSW 2000

End of release

For further information contact:

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About iSOFT Group

iSOFT Group Limited (ASX: ISF) is the largest health information technology company listed on the Australian Securities Exchange, and among the world's biggest providers of advanced application solutions in modern healthcare economies.

iSOFT works with healthcare professionals to design and build software applications that answer all of the difficult questions posed by today's healthcare delivery challenges. Our solutions act as a catalyst for change, supporting free exchange of critical information across diverse care settings and participating organisations.

Today, more than 13,000 provider organisations in 39 countries use iSOFT's solutions to manage patient information and drive improvements in their core processes. The Group's sustainable development is delivered through careful planning, in-depth analysis of the market, and anticipation of our clients' evolving requirements. Our business is driven by the collective talent, experience and commitment of more than 4,600 specialists worldwide, including more than 2,300 technology and development professionals.

A global network of iSOFT subsidiaries, supported by an extensive partner network, provides substantial experience of national healthcare markets. As a result, we offer our clients comprehensive knowledge of local market requirements in terms of culture, language, working practices, regulation and organizational structure.

www.isofthealth.com

Appendix 4E

Preliminary Final Report

Name of Entity	iSOFT GROUP LIMITED
ABN	66 063 539 702
Financial Period Ended	30 JUNE 2009
Previous Corresponding Reporting Period	30 JUNE 2008

Results for Announcement to the Market

	Year ended 30 June 2009 ($'000)	**Year ended 30 June 2008 ($'000)**	**Percentage increase over previous corresponding period**
Revenue from ordinary activities	540,124	360,943	50%
Net profit after tax for the period	34,731	14,655	137%
Net profit for the period attributable to members	35,086	14,436	143%
EBITDA	132,388	96,376	37%
Dividends (distributions)	Amount per security		Franked amount per security
Final Dividend	1 cent		-
Interim Dividend	-		-
Previous corresponding period	-		-
Record date for determining entitlements to the dividends (if any)	22 September 2009		

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to attached Annual Report and separate ASX announcement on the results presentation.

Dividends

Date the dividend is payable	6 October 2009
Record date to determine entitlement to the dividend	22 September 2009
Amount per security (cent)	1 cent
Total dividend ($'000)	10,139
Amount per security of foreign sourced dividend or distribution	none
Details of any dividend reinvestment plans in operation	activated
The last date for receipt of an election notice for participation in any dividend reinvestment plans	22 September 2009

NTA Backing

	Current Period 30 June 2009	**Previous corresponding period 30 June 2008**
Net tangible asset backing per ordinary security	(0.27) cents	(0.59) cents
Net assets per ordinary security	0.73 cents	0.74 cents

Control Gained Over Entities Having Material Effect

Name of entity (or group of entities)	N/A
Date control gained	N/A
Consolidated profit from ordinary activities since the date in the current period on which control was acquired, before amortization and inter company charges	N/A
Profit / (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

Loss of Control Over Entities Having Material Effect

Name of entity (or group of entities)	N/A
Date control lost	N/A
Consolidated profit / (loss) from ordinary activities for the current period to the date of loss of control	N/A
Profit / (loss) from ordinary activities of the controlled entity (or group of entities) while controlled for the whole of the previous corresponding period	N/A

Details of Associates and Joint Venture Entities

Name of Entity	**Percentage Held**		**Share of Net Loss**	
	Current Period %	**Previous Period %**	**Current Period $'000**	**Previous Period $'000**
Refer note 37 in the Financial Report				
Aggregate Share of Net Loss			(0.8)	(15.1)

Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited	✓	The accounts have been subject to review	
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification: Not applicable
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification: Not applicable

Attachments Forming Part of Appendix 4E

Attachment #	Details
1	**ASX Announcement**
2	**Annual Report 2009**

Signed By (Director/Company Secretary)	
Print Name	Gary Cohen
Date	18 August 2009

iSOFT Group Limited
Annual Report 2009

ABN 66 063 539 702

Contents

"Today, having succeeded beyond our expectations, iSOFT can truly take its place as a global leader in healthcare information technology.

In the past year we have strengthened our global footprint, refreshed each of our businesses, and reinvigorated relationships with our customers."

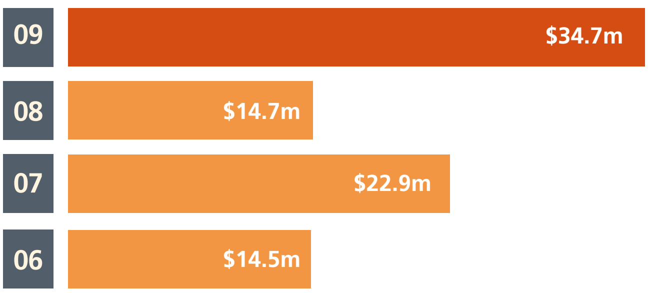
Gary Cohen
Executive Chairman & CEO

Financial highlights

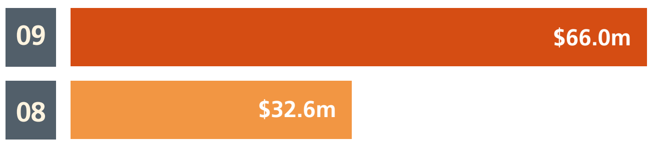
iSOFT Group's financial performance was solid during what was a challenging year for the wider economy. Substantial progress was made against all key measures. Revenue achieved was within guidance. EBITDA and EBITDA margin exceeded guidance. Net profit was up 137%.

Comparative year on year performance

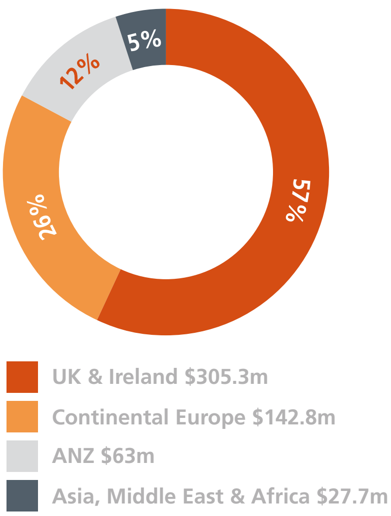
NPAT (Net Profit After Tax)



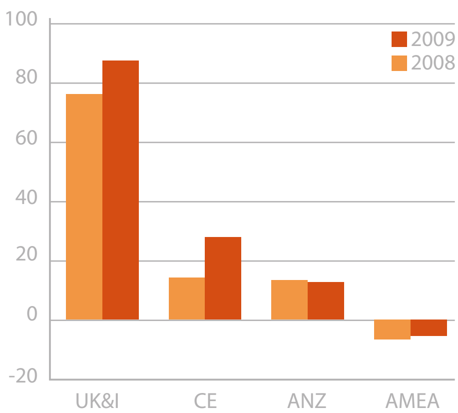
Underlying NPAT



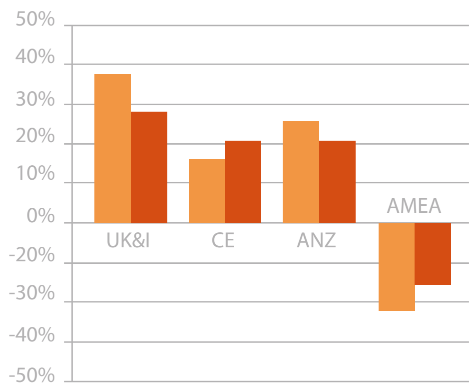
Revenues by region



EBITDA by region ($m)



EBITDA margin by region



The prior period profit includes 8 months of iSOFT Group plc earnings following the acquistion on 31 October 2007.

Key financial measures

Revenue

↑50%

Revenue has risen 50% to $540m in 2009

EBITDA margin

25%

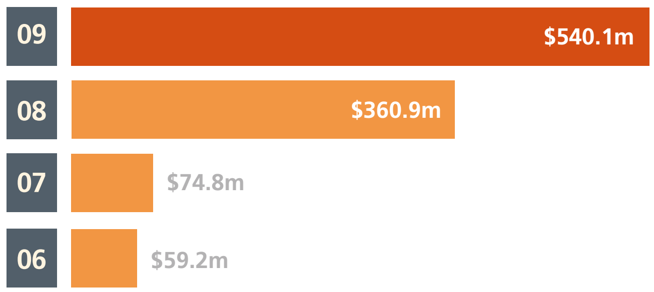
EBITDA margin was ahead of guidance

Operating cash flow

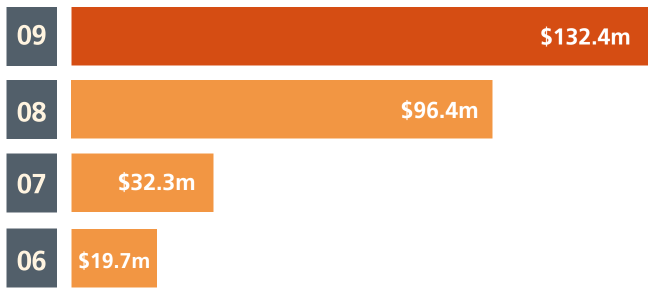
$64.3m

Operating cash flow in 2009

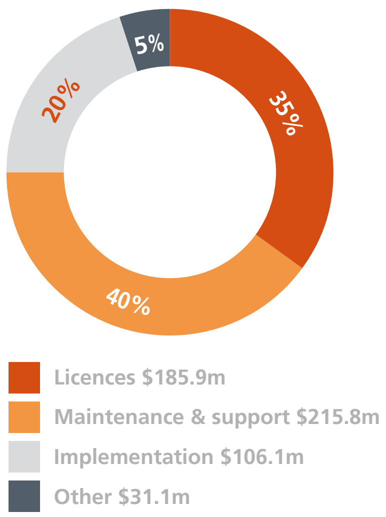
Revenue



EBITDA
(Earnings Before Interest, Tax, Depreciation & Amortisation)



Recurring revenues

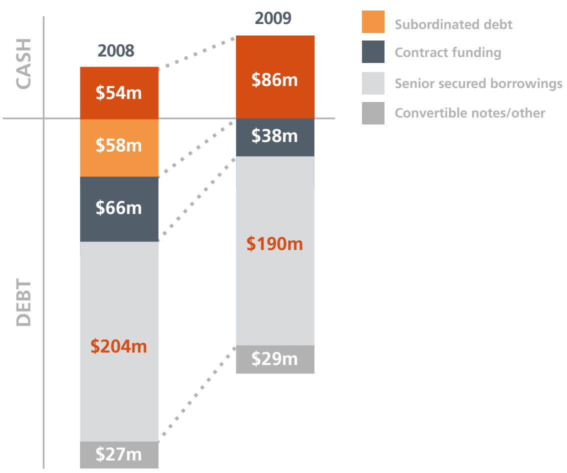


iSOFT Group's revenue split has remained consistent year on year.

40% of the Group's revenue was derived from recurring revenue streams (maintenance and support).

The mix of revenue sources across licence fees, maintenance and support and professional services, provides a stable flow of income that is not overly dependent upon newly contracted software licences.

Balance sheet strength



	2008	2009
Net interest cover (excluding other finance costs)	**3.2x**	**3.9x**
Net debt to equity	**48%**	**21%**

NPAT

↑137%

NPAT has risen to $34.7m

Recurring & contracted revenues

64%

Proportion of total revenues already contracted at the start of FY09

Net debt

↓$128.5m

Net debt has been **reduced** by $128.5m

Operational highlights

The business has made rapid progress in building and strengthening our global footprint. Today we operate seamlessly across all geographies and go to market through a single powerful brand.

Expanding global sales capacity

Sales success in new geographies has proven our ability to cross sell, localise, implement and support products from across our portfolio.

■ Regional Business Unit (RBU)
■ Offices + customers
■ Customer
* New in FY09

Significant new customer contracts signed in FY09

Australia & New Zealand

Australia-wide Electronic Medical Record for the Royal Flying Doctor Service

State wide contracts signed for Western Australia, South Australia and Tasmania including Administration; Pharmacy and Laboratory systems forming foundations for an Electronic Patient Record

Central Europe

In Germany Christophorus-Kliniken became the sixth early adopter of Lorenzo across its three hospitals.

Hospital Information Systems for two major hospital groups in the Netherlands, Erasmus MC and Hospital Diaconessenhuis Leiden.

Academic Medical Centre in Amsterdam (AMC) extending contracts for a range of solutions.

Middle East & Africa

Enters Libyan market with Laboratory solution and Hospital Information System at Al Khadra Hospital in Tripoli.

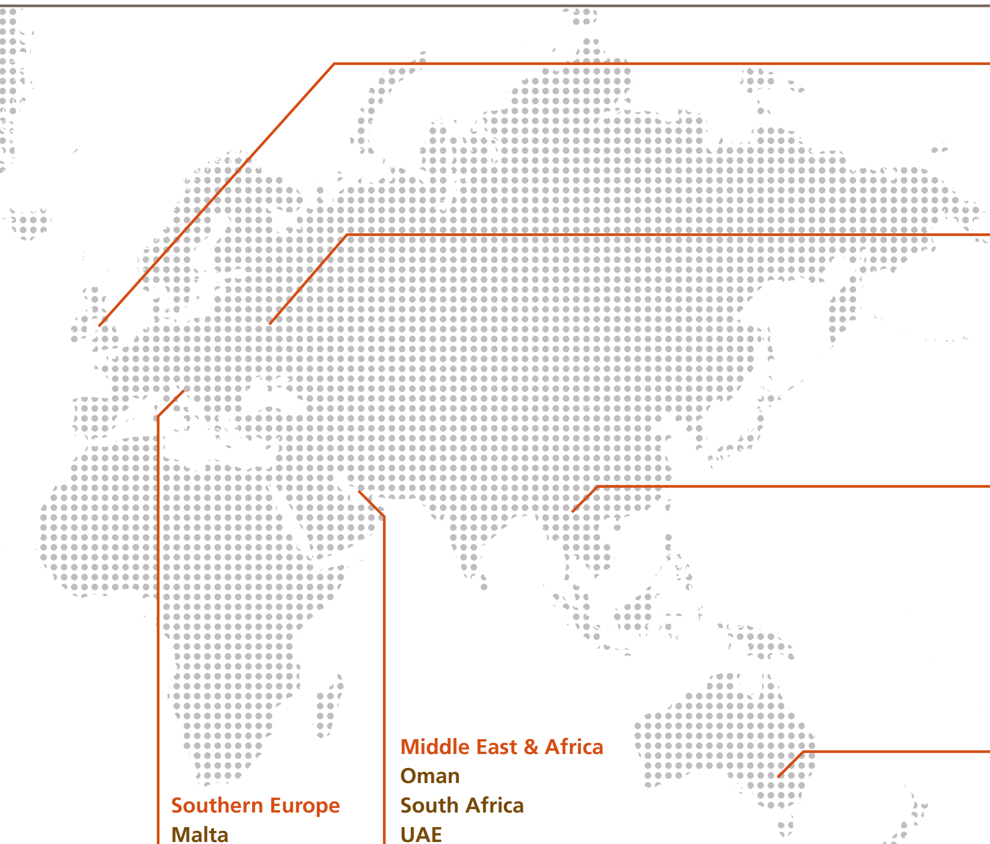
Southern Europe & Latin America

Important step in growth strategy for Latin America with a fourth contract in Mexico, including the first in private healthcare sector.

Entry into Italy to install Hospital Information Systems in four hospitals operated by Consorzio Regionale Servizi Sociali (CRESS), a private healthcare group based in Liguria.

Entry into Honduras with an integrated enterprise-wide Electronic Patient Record solution.

Contracts in Spain including iSOFT solutions for Clinical and Patient Management, Pharmacy, Theatre, Electronic Prescribing, Data Warehousing and Integration services.



UK & Ireland
England
Scotland
Northern Ireland
Ireland

Central Europe
Germany
Netherlands
Austria
Hungary
Norway
Poland
Romania
Russia
Switzerland

Asia
China
India
Malaysia
Singapore
Thailand
Brunei
Hong Kong
Indonesia

Southern Europe
Malta
Spain
Greece
Italy*
Portugal

Middle East & Africa
Oman
South Africa
UAE
Jordan
Libya*
Qatar
Saudi Arabia

Australia & New Zealand
Australia
New Zealand
Tonga

United Kingdom & Ireland

First major deal in the Southern Cluster outside the National Programme for IT with Heatherwood and Wexham Park Hospitals NHS Foundation Trust selecting iSOFT's Patient Management and enhanced Clinical solution.

Asia

Hospital Information System at three hospitals in Malaysia.

Integrated Enterprise Electronic Patient Record solution for three MOH hospitals in Malaysia.

Siriraj Hospital Thailand live with Thai language version of Enterprise Electronic Patient Record solution used by 10,000 healthcare providers.

A single brand worldwide

During the year iSOFT aligned all of its businesses behind the iSOFT name and adopted a single powerful global brand identity.

As well as signalling the transformation of the company, this change will allow iSOFT to make a greater impact on the marketplace. It will also enable economies of scale in our marketing operations as country teams are able to re-use global campaigns for local implementation.

Chairman & CEO's report

"iSOFT is well placed at the centre of a major global transformation in healthcare. Our revenue, profit and margins are healthy. We have world-leading products, a world-class management team and a strong balance sheet."

Gary Cohen
Executive Chairman & CEO

Strong financial peformance

I look back on 2009 with a tremendous sense of achievement. In my last report to you I described the prior 12 months as transformational for our company as we completed the largest acquisition in our history. Today, having succeeded beyond our expectations, iSOFT can truly take its place as a global leader in healthcare information technology.

In the past year we have strengthened our global footprint, refreshed our businesses, and reinvigorated relationships with our customers. We have also successfully raised equity capital, significantly strengthened our balance sheet, and syndicated our debt facility.

Throughout we have remained steadfastly focused on creating superior long-term value for shareholders. The results are plain to see: revenues have grown 50% to $540 million; EBITDA has exceeded expectations with a 37% increase to $132 million; while net profit has climbed 137% to $34.7 million. Our EBITDA margin is 25%, and we have also reinstated a dividend.

The benefits of other initiatives will become more tangible in the years ahead. The opening of our new corporate headquarters in Sydney coincided with our change of name to iSOFT Group – reflecting our powerful global brand. We also entered the S&P/ASX 200 Index of Australia's leading publicly listed companies.

Our robust financial performance comes at a time when many companies are suffering the impact of the global financial crisis. Complacency would be imprudent, and management is alert to the potential risks to our industry. However, we should also grasp with confidence the unique opportunity that iSOFT has as a leading player in a growing and resilient sector.

I believe we are poised to reap further rewards as iSOFT continues to focus on generating cash and rolling out leading solutions. In Lorenzo, our next-generation product, we have transformational intellectual property to support the inevitable digitisation of health records, while our portfolio of core products is installed across a diverse customer base worldwide.

Global commitment

iSOFT expanded and strengthened its footprint during the year; and has opened offices in Mexico City and Dubai. Since the end of fiscal 2009, we have also entered the U.S market, boosting our international presence to 39 countries. Today we are the world's largest healthcare information technology company in terms of our global footprint.

In our core markets, particularly in the UK and elsewhere in Europe, we have worked to earn the trust of our customers as they see Lorenzo installed and operational in key sites, and gaining acceptance as a leading interoperable solution with the scalability and flexibility to effect transformation across the entire healthcare continuum. We are also playing a role in our home market, where we have a significant market share, as the Australian government maps the digitisation of patient records on a national scale.

We are building our presence in key developing markets, especially in Latin America, and enhancing iSOFT's reputation as the brand with the expertise and flexibility to connect healthcare anywhere in the world.

We have also released the beta version of our Health Studio toolkit, enabling others to create their own healthcare application. We believe it has real potential in the U.S market where President Obama's US$19 billion health IT incentive is designed to stimulate demand for interoperable solutions.

Humanising healthcare

Our singular attention in 2009 has been to position each of our core businesses for maximum potential through our new brand and its core messages: 'Humanising Healthcare' and `embracing people'. Nowhere has this been more evident than in our relationships with customers.

The managers who have joined since the acquisition are reinvigorating ties with more than 13,000 customers, and refining our portfolio of solutions into the most comprehensive in the world. iSOFT is fortunate to now have world-class executives in each of its global businesses. That they have chosen to provide iSOFT with their experience is testament to the belief in our company's potential.

Internally, the message 'Humanising Healthcare' is resonating strongly with our own people. We have initiated a programme to align the ambitions of all of our 4,700 employees through a common culture.

Chairman & CEO's report cont'd

"Since the end of fiscal 2009, we have also entered the U.S market, boosting our international presence to 39 countries. Today we are the world's largest healthcare information technology company in terms of our global footprint."

Investing in innovation

As a software developer, iSOFT's future depends on investing in innovation. We are a major player in a global industry that is rapidly transforming, and in Lorenzo we have a solution that is at the heart of this directional change – connectivity to patient health records.

The bitter reality confronting politicians, patients and medical practitioners, is that the cost of healthcare in all of the world's major economies is growing at an unsustainable rate. Healthcare systems, already burdened with archaic paper-based processes, are facing extraordinary demands as populations age. The results – and we talk about some of them later in this report – are sobering. Governments are awake to the opportunity for technology to dramatically improve the quality of healthcare and lower its cost. Many are investing enormous sums in the digitisation of healthcare records. iSOFT is already a key supplier to the NHS and its £12.7 billion National Programme for IT in England.

We see further potential to build more direct relationships with customers as this programme continues to evolve. Our existing market share stands us in good stead to win more business as the marketplace opens up.

In other markets iSOFT has the opportunity to enable the transformation of the healthcare industry as care providers move towards a healthcare model that puts the patient at its centre.

A bright future

iSOFT is well placed at the centre of a major global transformation in healthcare. Our revenue, profit and margins are healthy. We have world-leading products, a world-class management team, and a strong balance sheet. The list of our achievements is just beginning as iSOFT builds and invests in its future. I look forward to 2010.

Gary Cohen
Executive Chairman & CEO

Chief Operating Officer's report

"In the past twelve months we have focused on improving the areas of our business that will most immediately impact our customers. This in turn will bolster our financial performance."

Andrea Fiumicelli
Chief Operating Officer

Chief Operating Officer's report

Andrea Fiumicelli
Chief Operating Officer

In 2009 we have focused on fine tuning the key components of the business – operational effectiveness, quality processes and people skills – that will provide us with an engine for growth. Together they result in improved customer satisfaction and better financial performance.

Regional performance

We are seeing the benefits of these initiatives coming through in the enhanced performance of our Regional Business Units (RBUs).

The United Kingdom and Ireland (UK&I) RBU has enjoyed revenue growth and improvements in profitability as the evolution of the NHS National Programme for IT (NPfIT) and the reinvigoration of local sales teams created new business opportunities. During the year Lorenzo Regional Care Release 1 was successfully implemented at three NHS trusts in Morecambe Bay, Bradford and South Birmingham.

Notable wins include a $17 million deal for a hospital information system in Northern Ireland, and a renewed agreement with the Irish Health Service Executive (HSE). The clarity surrounding the implementation of Lorenzo Regional Care in England has resulted in greater understanding of the solution's capabilities among customers in other markets.

We are engaging with customers in the south of England, where we have a substantial market share. Healthcare trusts in southern England have recently been granted the freedom to deal directly with software developers. This is boosting our sales activity elsewhere as customers seek solutions for their individual healthcare institutions or local areas.

Southern Europe and Latin America (SELA) enjoyed strong revenue growth and significant improvements in profitability. Highlights include our entry in Italy with our Community solution. This was quickly followed by new customers for our diagnostic, secondary and primary care solutions in Spain and Portugal. We have also opened a Lorenzo Distributed Development Centre at our office in Malaga.

We have been successful in cross selling our Spanish language solutions in the emerging Mexican market. With four new customers in Mexico, we opened an office to serve the local marketplace. We also signed our first deal in Honduras. We are seeing increasing opportunities in other Latin American markets.

The Central Europe (CE) RBU has successfully integrated the substantial German and Dutch businesses. Germany posted double digit growth in new contract revenues and secured three new Lorenzo contracts, while the Netherlands business improved revenues and recorded new contract successes. As a result, profitability improved.

"The decision this year to brand all of our wholly owned businesses and products under the iSOFT name is providing us with economies of scale in marketing, and greater value for each dollar invested. We have also become more of a provider of solutions for our customers than merely a supplier of software products."

The Central Europe RBU also spearheaded our presence in Russia. New customer contracts were signed during the year even as the Russian marketplace was impacted by the global financial crisis.

After a period of flat revenues for the Middle East and Africa (MEA) RBU, new customers in existing and new markets resulted in strong revenue growth. In addition to expanding our client base, we opened an office in Dubai. We also won new business in Jordan and Qatar, and secured our first customer in Libya. Existing projects continued to grow in scale. In the Limpopo province of South Africa we have now connected four million health records between 40 hospitals.

In the Australia and New Zealand (ANZ) RBU, government budget delays that curtailed a wave of regional investments resulted in a flat performance. In Western Australia some 21 public hospitals agreed to an upgrade of our hospital management solution in a contract worth more than $14 million.

We are encouraged by the National Health and Hospitals Reform Commission's report "A Healthier Future for all Australians". It is a vigorous call to action in which eHealth strategies strongly feature as a platform for transforming the nation's health system.

In the South East Asia (SEA) RBU, our market share in Malaysia. We were successful with a phased implementation in Thailand, while in Brunei we successfully completed a large project. Our diagnostic solutions were cross marketed throughout the region, and in Malaysia we signed a $6.9million support contract.

iSOFT Business Solutions

iSOFT Business Solutions enjoyed a strong performance in its traditional markets in the UK and Ireland, while also tasting its first success in the new markets of Australia and the Middle East. As well as our consistent approach to finding cross selling opportunities in new geographies, we also identified existing financial products that can be sold in new territories. Our Australian Electronic Claims & Payments offering is the first such product. We also have three Integra installations underway in Australia, and we are planning to extend our Australian Electronic Claims and Payments business through new partnerships with government and payments institutions in other geographies. Our UK Oracle-based business has continued to grow through new customers.

iSOFT Consumer and the China opportunity

Our subsidiary in China is spearheading our strategy of meeting the needs of citizens to access healthcare at home or in the community. Working with some of China's largest telecommunications and healthcare organisations, iSOFT has been deploying health and content services based on the Internet and mobile devices.

In 2009 we launched our mobile SMS platform to provide information and alerts to individuals in Shangahi in conjunction with China Mobile.

In the Changning District of Shanghai we completed the third phase of a project connecting health professionals in hospitals, community clinics and day centres with their patients through a converged multimedia Internet-based network. We commenced a similar project with the Songjiang District of Shanghai.

Operational effectiveness

The work of integrating the iSOFT businesses was completed quickly and efficiently in fiscal 2009. Now the challenge is to collaborate as a global company.

We have already put in place information technology infrastructure to communicate more effectively. Investments in video conferencing and network infrastructure will help us work smarter and reduce travel costs.

The decision this year to brand all of our wholly owned businesses and products under the iSOFT name is providing us with economies of scale in marketing, and greater value for each dollar invested. We have also become more of a provider of solutions for our customers than merely a supplier of software products. Our aim is to provide greater clarity to our customers about the role of the many different solutions in our portfolio, which means we can extract more value from our intellectual property.

Chief Operating Officer's report cont'd

Great software is at the core of every iSOFT solution. Each RBU will build a Solution Office to ensure that iSOFT's products are tuned to local market requirements and can profitably be brought to market.

We are also looking for ways to enhance our support services by tailoring our processes to particular geographies, languages and healthcare environments.

Quality processes

Our Quality Management Programme is examining every factor affecting the performance of our solutions and services. It is examining the lifecycle of each of our products, starting with the development of robust, secure software, through the implementation phase, and on to ongoing support and upgrades.

We have set an objective of achieving Capability Maturity Model Integration (CMMI) Level 4, an internationally recognised quality assurance methodology. Achieving this distinction within two years will demonstrate to our customers that iSOFT is striving for the highest standards in software development.

We have created a Patient Safety Board (PSB) responsible for ensuring all our actions are mindful of protecting patients at all times. The PSB responds quickly to market changes that may affect our products, and also champions patient safety at the earliest stages of development to ensure our products are safe by design.

Enriching Lorenzo

Under the direction of our CTO, Brian Cohen, we have advanced our technology and product strategies, motivated by the need to realise the full value of our intellectual property.

Recognising that larger healthcare IT companies may wish to adapt and implement Lorenzo using in-house resources, we launched Health Studio. Particularly applicable to the U.S and European marketplaces, Health Studio provides the tools necessary to allow a high level of customisation, or even the creation of newly built in-house applications, while still adhering to Lorenzo standards.

Adding value

iSOFT must have an innovation programme to explore potential future software applications. The next step in iSOFT's development programme is to build an integration and interoperability framework and, through the iSOFT Health Information Framework, provide a single virtual view of a patient record from any data source. This capability will be vital to patients and clinicians as electronic patient records and related data is increasingly connected across multiple locations.

As part of our long-term investment in Lorenzo, we will focus on supporting clinical solutions, such as disease management, advanced semantic medical documentation, and problem-oriented viewing components. The Lorenzo suite will also see enhancements in regional care, secondary and tertiary care, primary care, clinical interoperability and care management.

In the year ahead we expect to introduce our Smart Solution Strategy – a new approach to designing software that enriches the user's experience by seamlessly integrating Lorenzo and other iSOFT products.

Regional market highlights

SOUTHERN EUROPE & LATIN AMERICA

Guillermo Ramas
General Manager, SELA
Headcount: 167

A 25% increase in employees was driven by strong growth in all regions, as well as the establishment of the Lorenzo Distributed Development Centre. Opportunities exist in the increase in corporate primary care centres and new large hospital projects across Spain suitable for Lorenzo.

CENTRAL EUROPE

Peter Herrmann
General Manager, CE
Headcount: 497

We are taking local Laboratory and Radiology solutions into broader international markets and leveraging Lorenzo's capability to meet the demand for interoperability and collaboration between acute and primary care. We enjoy significant market share in Radiology, Laboratory and Hospital Information Systems in key CE countries.

UK & IRELAND

Adrian Stevens
General Manager, UK&I
Headcount: 498

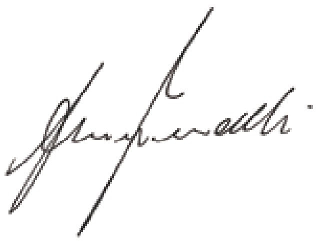
Confidence was demonstrated by the long-term contract extension in Northern Ireland and Early Adopter status in three Trusts within the National Programme for IT. Today 60% of all NHS Trusts have one or more iSOFT solutions.

We are also developing a business and clinical intelligence framework and a billing and insurance services engine. These will incorporate a Lorenzo solution and an option to upgrade to our other solutions' equivalent functionality. We have a strategy to investigate emerging segments, such as the semantic web, personalised health, user-centric design, human machine interaction and clinical research.

A year of achievement

The financial controls and reporting procedures that we have put in place provide a discipline and a rhythm across the company. These are proving to be of immense value as we manage a growing global business.

In the past twelve months we have focused on improving the areas of our business that will most immediately impact our customers. This in turn will boost our financial performance. The results are already evident in increased revenues and profitability – achieved against the backdrop of the global financial crisis. This is an endorsement of our strategy, and a significant achievement by all iSOFT people.



Andrea Fiumicelli
Chief Operating Officer

"The financial controls and reporting procedures that we have put in place provide a discipline and a rhythm across the company. These are proving to be of immense value as we manage a growing global business."

MIDDLE EAST & AFRICA

Wael Khalil
General Manager, MEA
Headcount: 23

Our new office in Dubai is well placed to benefit from increased investment in national health programmes across the Middle East, supported by new health insurance policy initiatives. In Africa we created four million medical records for 40 hospitals under a single enterprise-wide solution in Limpopo Province, while also winning our first customer in Libya.

SOUTH EAST ASIA

Wim Botermans
General Manager, SEA
Headcount: 300
(excluding Indian development centres)

Integrated Enterprise Electronic Patient Record solutions were sold to three MOH hospitals in Malaysia. The Siriraj Hospital in Thailand went live with a Thai language version of Enterprise Electronic Patient Record solution used by 10,000 healthcare providers.

AUSTRALIA & NEW ZEALAND

Dennis Tebbut
General Manager, ANZ
Headcount: 270

In Australia the opportunities announced by the recent National Health and Hospital Reform Commission Report lie in the future. Additionally, Federal Government support for multi-disciplinary Super Clinics will suit iSOFT's enterprise scale Primary Care solution. Aged Care opportunities include medication management, clinical decision support and home/mobile telecare solutions.

Group Finance Director's report

Martin Deda
Group Finance Director

The prior period profit includes 8 months of iSOFT Group plc earnings following the acquistion on 31 October 2007.

This first full fiscal year of integration saw solid financial performance based on profitable growth, and a successful strengthening of our balance sheet through capital raising and reduction in our debt.

Highlights of the year from a finance aspect were:

- Year on year sales revenue growth at actual exchange rates of 51%
- EBITDA margin of 25%
- Operating cash flow of $64million
- NPAT growth of 137%
- $123m of new equity raised through a rights issue
- Net debt reduced by $128.5million

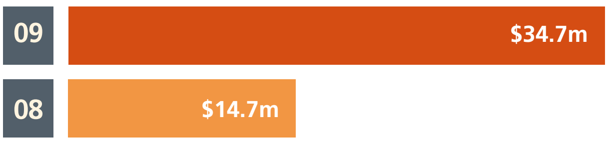
At constant currencies, (using June 2009 closing rates) revenue grew by 42%, EBITDA by 29% and NPAT by 131%.

Maintenance and support revenue was 40% of total revenue, licences 35% and implementation 20%.

Operating cash flow was 49% of EBITDA for the full year, and 118% of EBITDA in the second half. Cash collections improved considerably year on year, with Days Sales Outstanding (DSO) improving from 79 days in FY08 to 50 days in FY09. Earnings per share more than doubled year on year, increasing from 2.08cents in FY08 to 4.30cents in FY09.

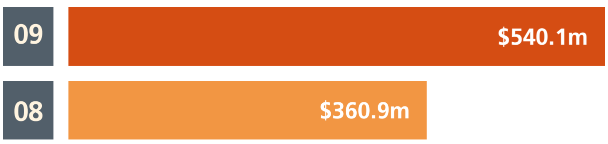
Comparative year on year performance

NPAT (Net Profit After Tax)



Underlying NPAT

Revenue



EBITDA
(Earnings Before Interest, Tax, Depreciation & Amortization)

Key financial measures

Overall financial results were strong, with revenue within guidance and EBITDA and EBITDA margin exceeding guidance. Operating cash flow was $64million for the full year and $71.3million in the second half.

	FY09 $m	FY08 $m	% change
Sales revenue	538.9	358.0	51%
EBITDA	132.4	96.4	37%
EBIT	78.4	54.6	44%
Underlying NPAT *	66.0	32.9	101%
NPAT	34.7	14.7	137%
Basic earnings per share in cents	4.30	2.08	107%
Underlying basic earnings per share	8.09	4.73	71%
Cash at end of period	85.7	54.2	58%
Net cash from operating activities	64.3	76.2	-16%
Days sales outstanding (DSO)	50	79	36%

* Underlying NPAT is NPAT excluding amortisation of intangibles on acquisition

Results - constant currencies (using June 09 closing rates)

	H109 $m	H209 $m	FY09 $m	FY08 $m	% change
Revenue					
Licenses	92.8	80.5	173.3	122.3	42%
Implementation	45.6	53.0	98.6	64.3	53%
Maintenance and support	103.0	99.2	202.2	149.7	35%
Third-party hardware	2.7	7.4	10.1	5.0	102%
Third-party hardware	8.4	7.1	15.5	10.8	44%
Other	4.8	-1.3	3.5	1.5	126%
	257.3	245.9	503.2	353.5	42%
EBITDA	61.4	60.5	121.9	94.5	29%
EBIT	36.4	33.2	69.6	51.9	34%
Underlying NPAT (before minorities)*	**21.1**	**39.7**	**60.8**	**31.0**	**96%**
NPAT (before minorities)	5.3	24.2	29.5	12.8	131%

* Underlying NPAT is NPAT excluding amortisation of intangibles on acquisition

Group Finance Director's report cont'd

Operational Results

By geographical split our results followed the trend of the previous year with over 80% of revenues being generated in Europe and the share in ANZ reducing to 12% due to strong growth in Continental Europe. The UK and Ireland remains the largest geography generating 57% of total revenues.

2009	UKI $'000	CE $'000	ANZ $'000	AMEA $'000	Unalloc. $'000	Group $'000
Revenue	**305,328**	**142,812**	**62,997**	**27,714**	**-**	**538,851**
Other income	191	450	452	180	-	1,273
Total segment revenue	305,518	143,262	63,449	27,895	-	540,124
RBU EBITDA before allocations	**163,304**	**45,412**	**25,630**	**6,125**	**11,460**	**251,931**
Group R&D allocated	- 46,392	- 3,314	- 6,627	- 9,941	-	- 66,275
Group costs allocated	- 30,203	- 14,127	- 6,232	- 2,742	-	- 53,304
RBU EBITDA	**86,709**	**27,971**	**12,770**	**- 6,557**	**11,460**	**132,353**
RBU EBITDA margin	**28%**	**20%**	**20%**	**-24%**		**25%**

2008	UKI $'000	CE $'000	ANZ $'000	AMEA $'000	Unalloc. $'000	Group $'000
Revenue	**198,070**	**85,166**	**53,167**	**21,600**	**-**	**358,003**
Other income	763	194	1,895	88	-	2,940
Total segment revenue	198,833	85,360	55,062	21,688	-	360,943
RBU EBITDA before allocations	**122,063**	**27,787**	**25,159**	**1,007**	**663**	**176,679**
Group R&D allocated	- 15,064	- 235	- 3,531	- 4,708		- 23,538
Group costs allocated	- 31,406	- 13,504	- 8,430	- 3,425		- 56,765
RBU EBITDA	**75,593**	**14,048**	**13,198**	**- 7,125**	**663**	**96,376**
RBU EBITDA margin	**38%**	**16%**	**25%**	**-33%**		**27%**

Revenue by type - Sales revenue

2008	2009 $'000	% of total	2008 $'000	% of total	YOY change
Licences	185,925	35%	123,475	34%	51%
Implementation	106,109	20%	64,721	18%	64%
Maintenance and support	215,761	40%	152,400	43%	42%
Third-party hardware	16,577	3%	10,698	3%	55%
Third-party software	10,529	2%	5,019	1%	110%
Other	3,950	1%	1,690	0%	134%
	538,851	100%	358,003	100%	51%

Maintenance and support revenues, which are largely recurring, remained the largest component of revenue. Licenses and implementation increased as a proportion of total revenues. These will pull further maintenance revenues with them.

Costs breakdown

	2009 $'000	% of total	2008 $'000	% of total	YOY change
Employee benefits expense *(salaries, wages and related expenses)*	247,823	61%	165,142	62%	50%
Consultancy, insurance and professional fees	23,499	6%	10,683	4%	120%
Consumables	66,861	16%	40,524	15%	65%
Doubtful debts	973	0%	2,442	1%	-60%
Marketing	6,619	2%	3,121	1%	112%
Occupancy	21,649	5%	12,480	5%	73%
Telecommunications	7,509	2%	4,411	2%	70%
Travel	22,797	6%	14,294	5%	59%
Other	10,006	2%	11,470	4%	-13%
	407,736	100%	264,567	100%	54%

Salaries and wages are the largest cost accounting for 61% of total operating costs.

Operating cash flow

In the year we were able to work through the remaining transactions related to the acquisition which had cash flow effects, most notably the final Existing Service Agreement (ESA) payment which totalled $18.3million in the year. The ESA was an arrangment with the NHS involving pre-payment of maintenance made prior to the acquistion. Reported operating cash flow for the year was strong and include significant reduction of current liabilities as opposed to the June 08 position. Underlying operating cash flow was $18.3million higher due to the one off effect of the ESA settlement payments during the year. Due to the nature of the business, in particular licence sales and maintenance paid in advance, operating cash flows are lumpy and seasonal. This led to the negative operating cash flow in the first half followed by a strong positive operating cash flow in the second. Overall operating cash flow was 49% of EBITDA for the full year and 118% of EBITDA in the second half.

	H109	H209	FY09	FY08
Operating receipts (incl GST)	256.4	333.0	589.5	351.7
Operating payments (incl GST)	-258.7	-257.7	-516.3	-271.9
Interest received	0.5	1.1	1.6	2.3
Tax paid	-5.3	-5.2	-10.5	-5.9
Operating cash flow	**-7.0**	**71.3**	**64.3**	**76.2**
Net property, plant and equipment	-3.5	-5.5	-9.0	-2.6
Acquisitions & deferred consideration	-2.8	-2.8	-5.6	-308.3
Capitalised development	-5.9	-12.1	-18.0	-8.7
Investing cash flow	**-12.2**	**-20.4**	**-32.6**	**-319.6**
Net proceeds from share issues	0.0	112.0	112.0	115.3
Net proceeds from issue of CNs	0.0	7.2	7.2	105.3
Net borrowings	28.1	-85.8	-57.7	15.5
Interest paid	-14.1	-11.6	-25.7	-66.4
Contract funding payments	-7.5	-30.1	-37.6	-24.0
Finance lease principal payments	-0.4	-0.2	-0.7	0.0
Financing cash flow	**6.1**	**-8.5**	**-2.4**	**145.6**
Net increase in cash including foreign exchange	-10.1	41.6	31.5	-98.3
Cash at start of period	54.2	44.1	54.2	152.5
Cash at end of period	**44.1**	**85.7**	**85.7**	**54.2**

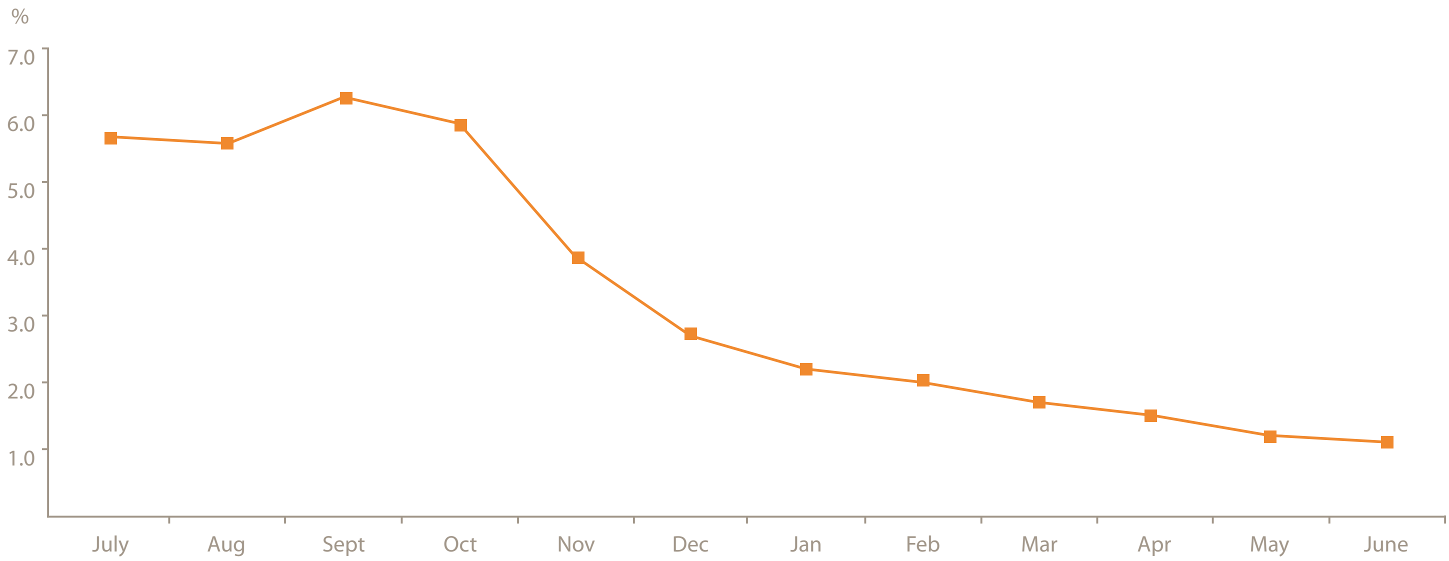
Group Finance Director's report cont'd

Borrowings

We repaid $126million of gross debt in the fiscal year, primarily in the second half and drew $31.2million, primarily in the first half, resulting in a significant net reduction in gross debt of $96.9m in the year. The proceeds of the capital raising were used to retire the Equity Bridge Loan to AEP (now OCP) of $60million, and $29million, which includes $9million from HSBC, of the revolving component of the senior facility with RBS (these funds can be redrawn). Net debt was reduced by $128.5million. In June the senior facility was syndicated with Barclays and Westpac entering the facility. This has provided us with two further partners and adds flexibility and breadth to our funding options. Interest on the senior facility is set at UK LIBOR plus a margin. The LIBOR reduced significantly at the end of the first half and has stayed low during the second half and this, coupled with the repayment of the AEP loan, contract funding and part of the senior facilities, resulted in considerably lower interest costs in the second half, and significantly lower costs than in the prior year. Going forward, interest and associated costs at the current levels of LIBOR, will be substantially lower than recorded in the current year.

	Currency	Jun '09 $m	Jun '08 $m	Available 30-Jun-09	Maturity	Interest rate
Borrowings						
Senior secured term borrowings	GBP	123.1	124.5		31-Jul-11	LIBOR plus 375bps
Senior secured revolving borrowings	GBP	67.1	70.8	30.4	31-Jul-11	LIBOR plus 375bps
Secured revolving bank facilities HSBC	AUD	0.0	9.0		31-Jul-09	Repaid June 2009
Subordinated secured borrowings	AUD	0.0	57.6		30-Jun-09	Repaid March 2009
Convertible notes payable	AUD	29.4	26.9		31-Oct-12	9% imputed, only dividends distributed
Contract funding[2]	GBP, EUR, AUD	38.3	65.8		to 2012	6.9%
Other borrowings		0.4	-			
Finance lease liability		1.1	1.7			
Total borrowings		**259.4**	**356.3**	**30.4**		
Cash		85.7	54.2			
Total net debt		**173.6**	**302.1**			
Total net debt *(excluding sub & convertible debt)*		144.2	217.6			
Equity (incl sub & convertible debt)		**768.3**	**660.0**			

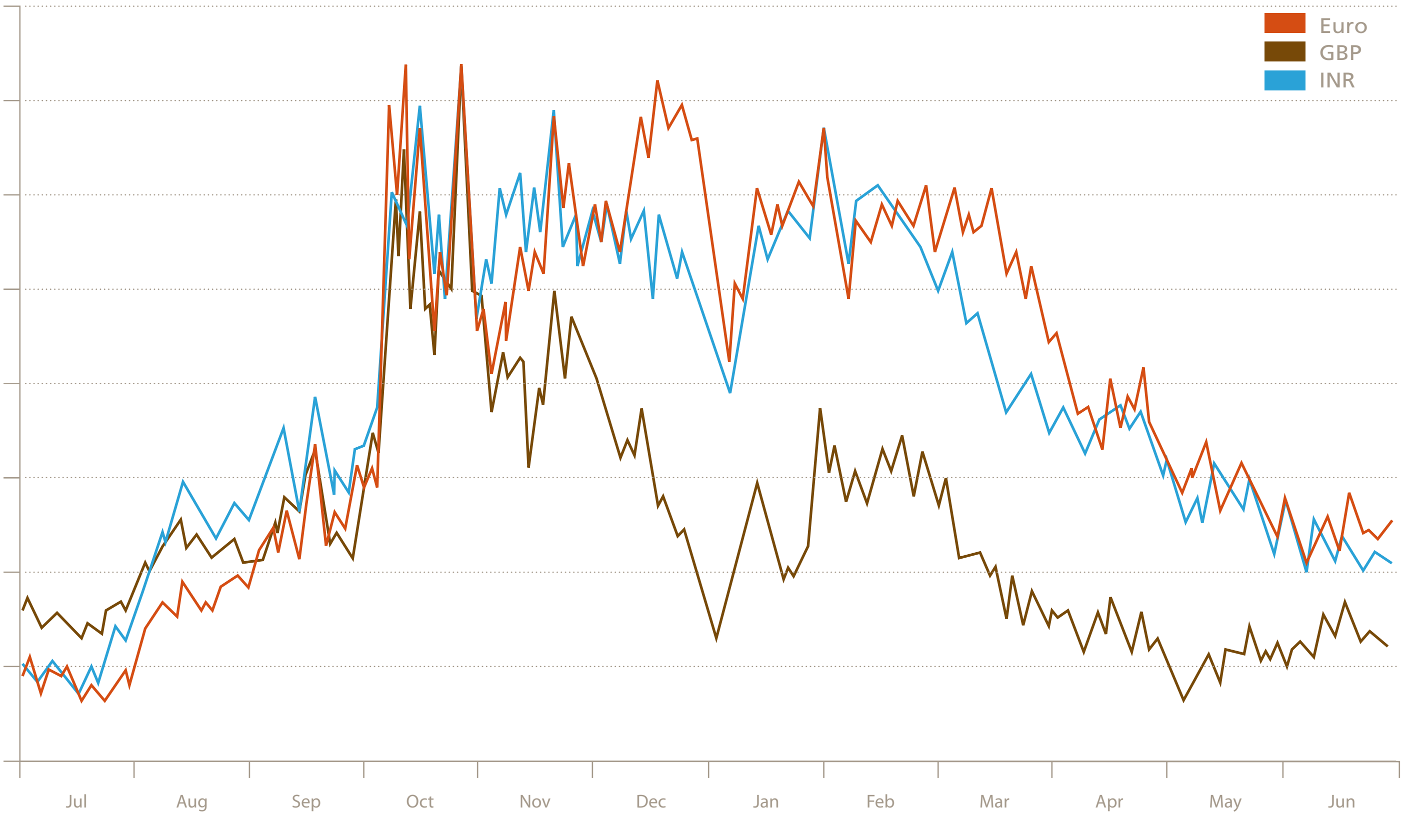
UK LIBOR Rate, trend to June 30 2009



Foreign currency

Over 50% of the Groups revenues are in GBP and approximately 25% are in Euros with some 12% in AUD. Our operations are naturally hedged in these regions as our costs are in the same currencies. Operating foreign exchange exposure exists in our Indian operations (Development Centre) which has costs in INR. We use net cash inflows in GBP to fund the net cash outflows in INR and since December 2008 we have placed monthly forward contracts on the GBP/INR through to June 2009. The year saw significant changes in the key exchange rates, particularly the AUD/GBP rate which fell significantly from the first half to the second impacting the reported results.

Foreign Exchange currency trend: GBP, EUR and INR relative to the AUD



Share capital

Shares on issue have increased from 776million at June 2008 to 1,014million at the reporting date. The increase in shares on issue resulted predominately from the fully subscribed rights issue conducted in March/April 2009 at 55cents per share which raised $123million of new capital. The funds raised have been applied principally to reduce debt. Weighted average number of ordinary shares at FY09 was 816,034,299, up from 651,615,106 in FY08. Earnings per share increased from 2.08cents to 4.30cents.

Acquisitions

Hatrix was acquired in May 2009 for consideration amounting to $1.2million. Additional earn-out can be earned over three years to a maximum of $13million.

Dividends

As foreshadowed in our guidance for the FY the Board is pleased to announce that it intends to pay an unfranked dividend to shareholders of 1cent per share for the past fiscal year.

Group Finance Director's report cont'd

Balance sheet

Assets	Jun '09 $m	%	Jun '08 $m	%
Cash and cash equivalents	85.7	7%	54.2	4%
Total current assets	**250.1**	**19%**	**206.4**	**16%**
Intangible assets (incl DTA)	1,012.9	78%	1,032.5	81%
Total non-current assets	**1,051.1**	**81%**	**1,073.0**	**84%**
Total assets	**1,301.2**	100%	**1,279.4**	**100%**

Liabilities and equity	Jun '09 $m	%	Jun '08 $m	%
Borrowings	55.8	4%	98.1	8%
Total current liabilities	**239.4**	18%	316.0	25%
Borrowings	186.4	14%	231.3	18%
Total non-current liabilities	**322.9**	**25%**	**387.9**	**30%**
Total liabilities	**562.3**	**43%**	**703.9**	**55%**
Total equity	**738.9**	**57%**	**575.5**	**45%**

Key ratios:	Jun '09 $m	%	Jun '08 $m	%
Gearing ratio	21%		48%	
Leverage ratio	1.3x		3.1x	
Interest cover ratio				
Gearing ratio is net debt/equity	3.9x		3.2x	
Leverage ratio is net debt/EBITDA				
Interest cover ratio is EBITDA/finance costs				

Intangible assets were $1,012.8million at the year end. The bulk of these relate to goodwill on the U.K acquisition and the allocation of the purchase price across other intangible assets of the acquired company. The goodwill is allocated to Cash Generating Units across the Consolidated Entity. Goodwill impairment testing was conducted in June as per the Company's policy and no impairment was identified. Software development which is not covered by NPfIT programme or a specific development contract is capitalised and $18million was capitalised in the year. The capitalised development cost is amortised over the useful life of the software. The balance of capitalised software at year end was $30million. Deferred tax assets and deferred tax liabilities reflect in the main the tax on acquired assets and represent probable tax outcomes borrowings relate to contract funding, convertible notes and secured bank loans. The term of the Bank facility expires in July 2011.

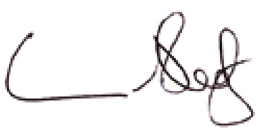
Taxation

The Group has substantial tax losses in the UK, which will be used over the coming years as well as losses carried forward in Australia, which are restricted by the loss recoupment factor that restricts the timeliness of loss offset as a result of the issuance of equity.

Subsequent Events

On 12 August 2009, the Consolidated Entity obtained control through acquiring 100% of the issued share capital and voting rights of BridgeForward, Inc., a company that is registered and domiciled in Boston, Massachusetts, USA. The initial consideration amounts to US$4.2 million and there is further earn-out which is capped at US$10 million payable over 5 years.

No other matters or circumstances have arisen since 30 June 2009 that has significantly affected, or may significantly affect the Consolidated Entity's operations in future financial years, the results of those operations in future financial years, or the Consolidated Entity's state of affairs in future financial years.



Martin Deda
Group Finance Director

Understanding the Healthcare IT marketplace

"Transformation is inevitable as the healthcare industry turns to available technology to resolve inefficiencies and find more effective ways of meeting the increased demands for better quality care."

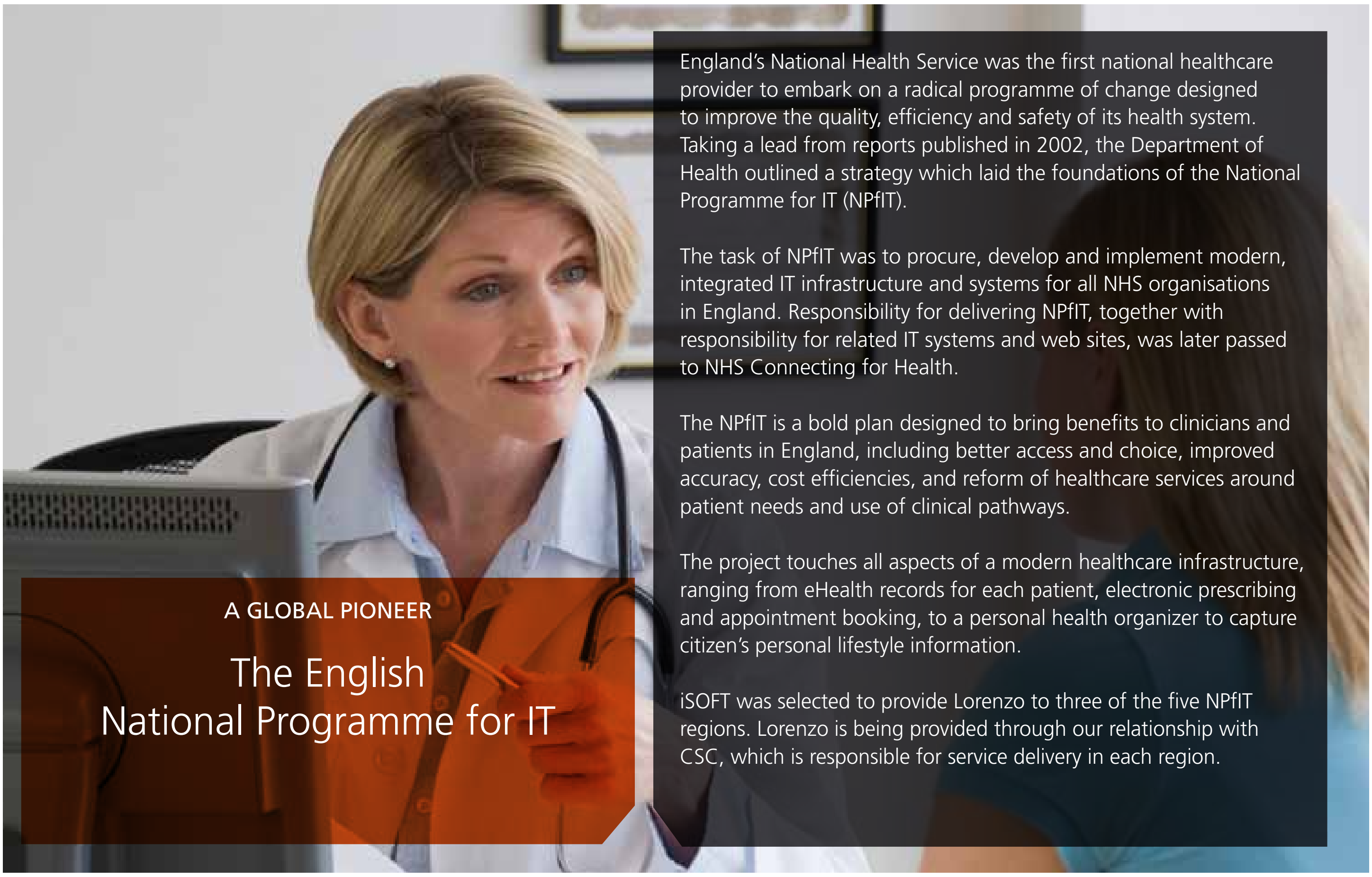
Understanding the Healthcare IT marketplace

As the world's population ages, healthcare systems are straining under the weight of spiralling costs and burgeoning demand for better care. At the same time, the healthcare sector has been slow to transform itself to meet the challenges of a changing world.

Strong foundations

The economic and social impact may be unsustainable. Almost every developed economy is facing hikes in health spending. Organisation for Economic Cooperation and Development (OECD) nations are set to triple spending on healthcare to more than US$10 trillion by 2020, an average 16% of GDP. In the U.S, which already has the world's most expensive care, health is forecast to consume almost 20% of GDP by 2017, compared with 13% in 2000.

Healthcare professionals, burdened with legacy administration and clinical systems, have less time to focus on growing queues of patients who are demanding a higher level of care. Inefficiencies are stifling healthcare budgets, and medical and administrative errors are now the third-largest cause of death in several modern economies.



A GLOBAL PIONEER

The English National Programme for IT

England's National Health Service was the first national healthcare provider to embark on a radical programme of change designed to improve the quality, efficiency and safety of its health system. Taking a lead from reports published in 2002, the Department of Health outlined a strategy which laid the foundations of the National Programme for IT (NPfIT).

The task of NPfIT was to procure, develop and implement modern, integrated IT infrastructure and systems for all NHS organisations in England. Responsibility for delivering NPfIT, together with responsibility for related IT systems and web sites, was later passed to NHS Connecting for Health.

The NPfIT is a bold plan designed to bring benefits to clinicians and patients in England, including better access and choice, improved accuracy, cost efficiencies, and reform of healthcare services around patient needs and use of clinical pathways.

The project touches all aspects of a modern healthcare infrastructure, ranging from eHealth records for each patient, electronic prescribing and appointment booking, to a personal health organizer to capture citizen's personal lifestyle information.

iSOFT was selected to provide Lorenzo to three of the five NPfIT regions. Lorenzo is being provided through our relationship with CSC, which is responsible for service delivery in each region.

In the past 25 years healthcare information systems have focused on automating tasks, mainly in patient administration. They have improved the efficiency of individual healthcare providers, but to date have not connected providers together.

Consumers, used to an electronically connected lifestyle at work and in the home, expect a higher quality of service from healthcare providers, as well as greater control over their care. Transformation is inevitable as the healthcare industry turns to available technology to resolve inefficiencies and find more effective ways of meeting the increased demand for better-quality care.

The future is about connecting care between providers and even empowering individuals to take more responsibility for their own health and records to prevent problems before they require costly interventions.

Governments around the world are boosting funding for technology that will digitise, connect and mobilise patient information on a national scale. Major public sector funding programmes are underway in an effort to halt the economic and social issues caused by the logjam in healthcare.

The evidence and recognition that the application of interoperable solutions across the health system is reducing costs and alleviating errors is driving major overhauls of current health models. iSOFT, with its large and diverse geographic footprint, is well placed to create value for shareholders as a leading supplier of intellectual property in electronically connecting health records across the entire spectrum of care provision.

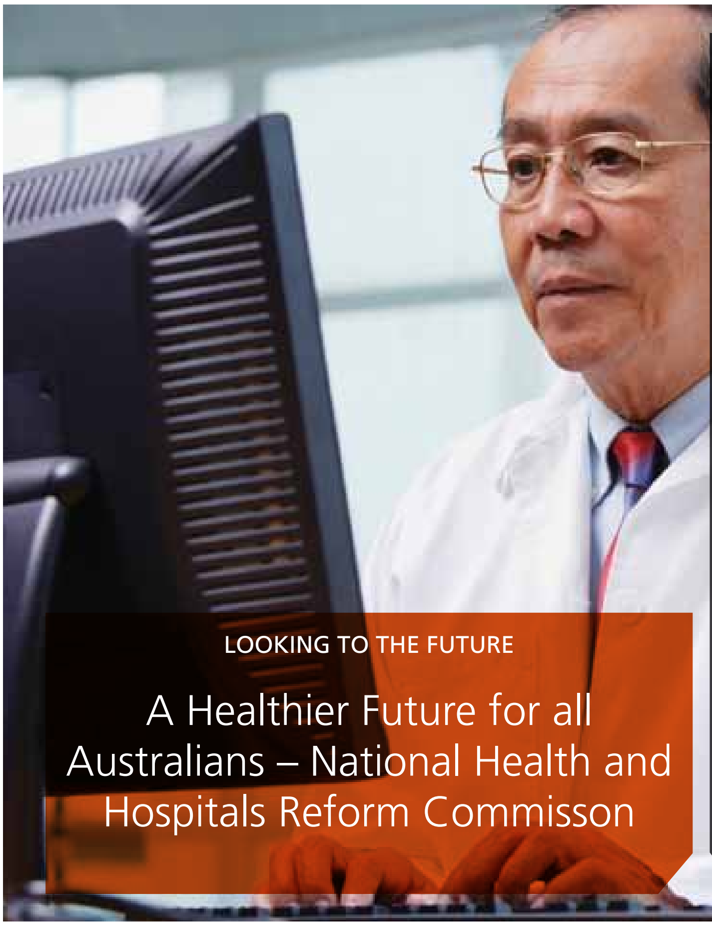
The case for transforming healthcare

A confluence of powerful global trends is threatening to cripple the healthcare systems of the world's developed economies. The statistics are grim.

Despite being the most expensive in the world, the U.S healthcare system was the worst-ranked for quality among the 19 developed economies surveyed by Commonwealth Fund in 2008. The majority of healthcare providers are still reliant on legacy administration and clinical technologies, or worse, on paper-based systems. The administrative burden on hospitals is responsible for 80% of errors. *(source: Enterprise Records Management: a Healthcare Perspective; Frost & Sullivan, 2008)*.

Medical mistakes are costing billions of dollars. In the U.K, medical errors kill 40,000 patients a year, while 280,000 suffer from nonfatal drug prescription errors at a cost of £730 million. *(source: Imperial College study)* About 5% of the 8.5 million patients admitted to hospitals in England and Wales each year experience preventable adverse events, costing some £1 billion.

In Australia, the State of Victoria's auditor general last year estimated 10% of public hospital patients were victims of medical errors. In the U.S, medical malpractice follows heart disease and cancer as a leading cause of death.



LOOKING TO THE FUTURE

A Healthier Future for all Australians – National Health and Hospitals Reform Commisson

Australia's National Health and Hospital Reform Commission (NHHRC) put the country's eHealth strategy to the top of the Government's agenda. Through its recently published report, A Healthier Future for All Australians, the NHHRC has highlighted the fundamental demographic issues, combined with the rise of chronic lifestyle diseases and backdrop of cost pressures.

The report contains over 100 recommendations designed to re-organise the Australian health system into a more equitable, more accessible system that is better positioned to respond to current and future challenges. The themes of better connected and better integrated healthcare run throughout the report. If, as proposed, health services are to be re-designed around people, information technology will become a key enabler of this far reaching transition.

More specifically the report advocates the smart use of data, information and communication to help build an agile, self-improving health system. Recommendations include a person controlled eHealth record for each individual by 2012; extensive provision of broadband for access to services such as remote medical advice; that clinicians and healthcare providers reject paper for modern, standards-based information systems.

These changes will need increased investment. As the reports states: "But a healthy population and an efficient and effective healthcare system are essential to maximising the wellbeing of our nation, and the productivity of our economy and workforce."

Understanding the Healthcare IT marketplace cont'd

iSOFT's global role in transforming healthcare

iSOFT, has unique experience in working with governments in transforming healthcare systems on a national scale.

Italy and Spain have been slow adopters of integrated healthcare IT systems. However, their investments are expected to grow by at least 10% between 2008 and 2012.

Source: Frost & Sullivan

A more connected healthcare system

The world is increasingly connected and healthcare, although slower to embrace new technology, is no exception. The advent of the Electronic Health Record (EHR) is enabling the breakdown of the traditional provider-centric system where patients visited their local hospital or clinic for most of their needs.

Today, better-informed consumers require greater control over the care they want, where they get it, and how much they are prepared to pay for it. The trend is away from institutionalised care in hospitals to community-based care at a lower cost.

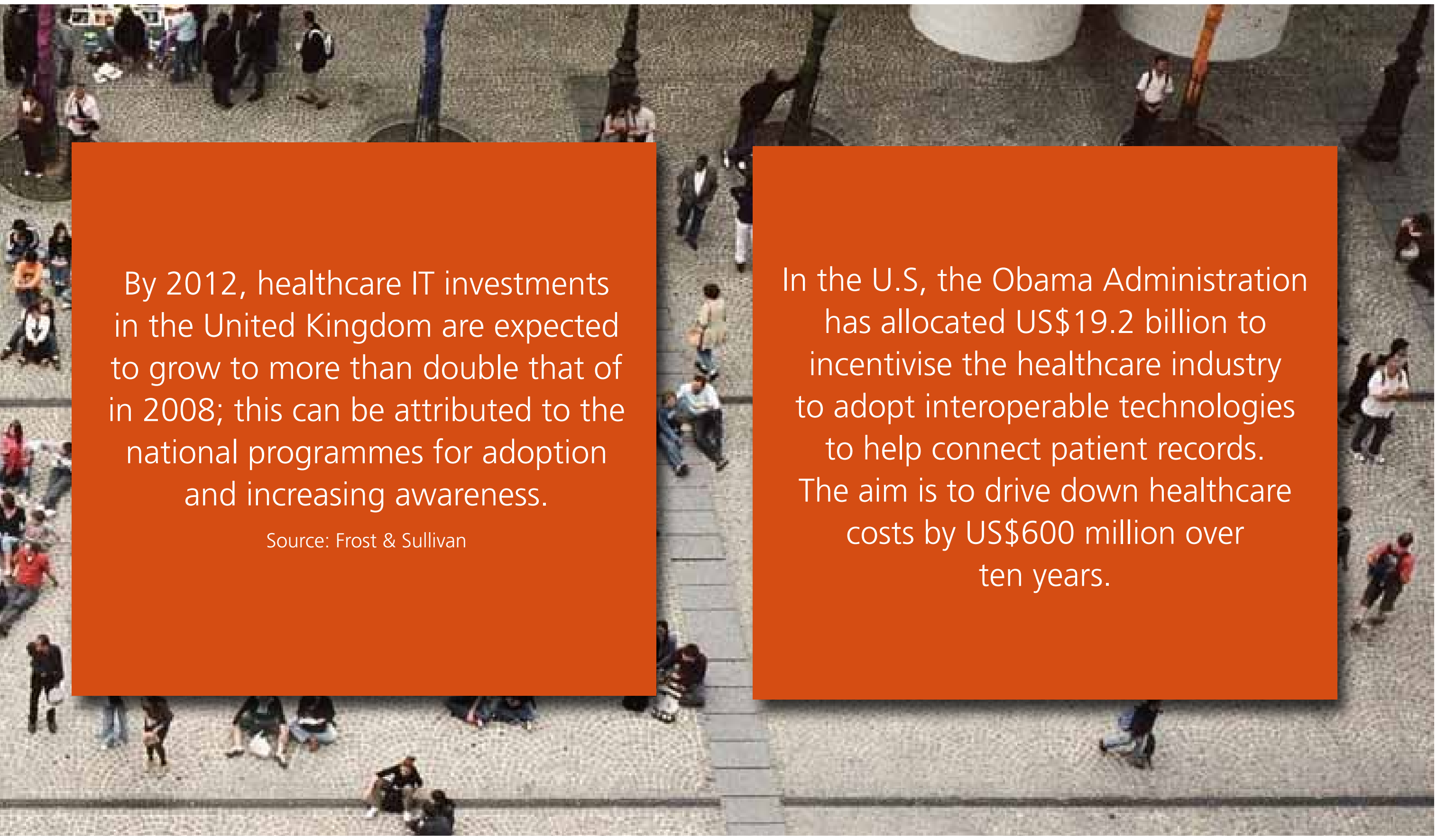
Many patients are prepared to travel further to get the healthcare they need at a more affordable price, giving rise to major new industries such as health tourism. More still, are simply not prepared to travel at all, demanding access to communications technology, including the internet and video conferencing that will bring the doctor to them in their homes. This is due partly to the rising cost and diminished effectiveness of care in some hospitals but also because of the ability to now conduct routine procedures and treatment in the community.

Most providers have been slow to recognise this trend towards a more patient focused healthcare model. Centralised healthcare systems, traditionally structured around GPs, clinics, hospitals and community services, are ill-equipped to cope with the demands of a rapidly evolving marketplace.

Effective care in the community demands information. Improved information management for coordinated care across the community is now a key driver of healthcare reform. Digitisation of patient's information can facilitate that process and ensure the smooth flow of data to ensure care is coordinated.

Healthcare providers will look for ways to boost efficiencies and manage costs through information technology. EHRs eliminate wasted time managing paper records, while Picture Archiving and Communications Systems (PACS) capture radiology images electronically, speeding up the processing of documents.

Once EHRs are common throughout the healthcare system, clinical interoperability will enable EHRs to be shared between care providers, thereby delivering connected care. iSOFT is already enabling connected care through integrated solutions based around EHRs.



By 2012, healthcare IT investments in the United Kingdom are expected to grow to more than double that of in 2008; this can be attributed to the national programmes for adoption and increasing awareness.

Source: Frost & Sullivan

In the U.S, the Obama Administration has allocated US$19.2 billion to incentivise the healthcare industry to adopt interoperable technologies to help connect patient records. The aim is to drive down healthcare costs by US$600 million over ten years.

This will result in care being dispensed across different settings, an evolutionary step from the traditional silo-driven model. This will mean a hospital will have to collaborate with others in the healthcare supply chain: GPs, specialists, radiologists and other hospitals. Hospitals will also need collaborate across departmental, regional and international borders.

The EHR allows individuals to take ownership of their personal electronic healthcare records. Individuals will be able to share the information with any provider at any time. They will be used to provide statistical data that will make diagnoses more accurate and even predict events such as swine flu.

Once EHRs are connected, the transformation will enter a second phase in which healthcare will move out of its traditional premises, hospitals, clinics, etc., and into patients' homes where the increased mobility of data can be better used in preventative care. Wireless technology, Internet Protocol TV and mobile phones will communicate data direct to patients' EHRs in the community, accessible by their GP and helping to alleviate the burden on hospitals.

The commitment to electronically connecting healthcare

Connecting healthcare across traditional boundaries requires collaboration on a national scale to provide the infrastructure to enable patient data to mobilise between providers.

Neither hospitals, nor groups of healthcare providers, have the resources to build the networks. More often than not, it is the governments who are funding the commitment – either in the form of vast `information highways' along which patient data will flow between providers on a national scale, or incentivising interoperable technologies that connect its fragmented and highly privatised healthcare system.

"Breaking down silos will require a collaborative environment, which puts the patient within a pathway of care services that will leap traditional boundaries."

Understanding the Healthcare IT marketplace cont'd

In the U.S, as part of the US$787 billion American Recovery and Reinvestment Act, the government allocated US$19.2 billion to help connect patient records, with the aim of driving down healthcare costs by US$600 million over ten years.

Gartner estimates global spending on healthcare information technology grew 2.2% in 2009 compared with a 6.6% contraction for all other IT industries. It forecast 2.1% compound annual growth rate for health IT spending between 2008 and 2013, outpacing the average 1.7% expected for all other IT industries.

iSOFT aspires to be an enabler for the future vision of healthcare, providing the technology to transform healthcare. The Company is focused on developing tools that allow care providers to create EHRs for their patients, and enable clinical interoperability by connecting healthcare systems.

The Company has the global presence, expertise and leading intellectual property in its Lorenzo next-generation software to meet the demand for a scalable, interoperable and flexible solution for digitising patient records across the entire spectrum of healthcare globally. iSOFT, with its public sector focus and experience in working with governments, has a role to play in advising on and influencing healthcare policies.

iSOFT is dedicated to supporting the global healthcare industry to address the challenges it faces and to seize opportunities offered by new generations of technology.

Gartner details opportunities for better use of healthcare resources

Technology strategy consultants, Gartner Inc, undertook a public study of six EU states on behalf of the Swedish Ministry of Health. The purpose of the study, *eHealth for eHealthier Europe!* was to understand how improvements in healthcare can be supported by technology to achieve national political goals. The study models five political goals, 11 technologies and 37 benefits from 60 clinical studies undertaken in the United Kingdom, Spain, France, the Netherlands, Sweden and the Czech Republic.

CHALLENGES

The cost issue

Healthcare spending is growing faster than GDP in most EU countries.

It has risen from 3.1% in 1960 to 8.8% in 2006 (for the six countries in this study).

Healthcare spending potentially could rise to 15% by 2020.

The increase in costs is fuelled by increased demand amid ageing populations and lifestyle changes.

ACTIONS

A Eurobarometer study concluded healthcare is more important than taxation, housing and education. So how can governments improve care provision?

Political goals

Five important aspects of healthcare that needed to be focused on:

- Availability (equal access, reduced waiting times and better utilisation of resources)
- Continuity of care (coordination of activities and information sharing among care providers)
- Empowerment (patient-centricity, influence and direct involvement in the patient's own care)
- Patient safety (evidence based healthcare, reduced risk of patient harm)
- Quality of care (patient satisfaction, effectiveness and efficiency of care service provision)

There is, in addition, a need to manage and mitigate new large-scale risks such as pandemics, bioterrorism and health consequences of climate change.

IT initiatives, correctly implemented, have the potential to significantly improve the effectiveness of healthcare organizations.

Solutions

Seven issues that need to be managed for eHealth strategies to be effective:

- Complexity: Managing complex dependencies between infrastructure, applications and integration
- Governance: ensuing alignment between initiatives and governance
- Local conditions
- Stakeholder engagement
- Vendor engagement: contracts with clear responsibilities and liabilities
- Adaptability
- Measurement: agree on success metrics

The potential for eHealth to support achievement of political goals, through investment, adoption and usage are significant.

Technologies

Eleven readily available technologies which will improve healthcare outcomes:

- Computer-based Patient Records and Electronic Medical Records
- Electronic Health Records
- Electronic Appointment Booking
- Computerised Physician Order Entry
- Electronic Transfer of Prescription
- Picture Archiving and Communications Systems
- Personal Health Record
- Patient Portals
- Telemedicine
- Business Intelligence – for detecting hospital infection patterns
- Radio Frequency identification and Barcoding

A conservative technology adoption rate of less than 30% was assumed in pursuit of the five political goals.

The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) data, research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact.

"iSOFT aspires to be an enabler for the future vision of healthcare, providing the technology to transform healthcare. The company is focused on developing tools that allow care providers to create EHRs for their patients, and enable clinical interoperability by connecting healthcare systems."

Although limited in geographic scope to the six participating EU states, Gartner's study offers a compelling and authoritative argument in favour of investments in eHealth technologies. As a result the study clearly illustrates the potential benefits to be realised by nation states in other regions around the world.
For more information see www.gartner.com

BENEFITS

The benefits reported in case studies were extrapolated and applied to clinical metrics from the six EU member states to calculate the quantified potential of technology in each member state. the benefits were then scaled accross all the participant states to derive aggregated benefit figures.

The 37 benefits documented

- 10.3% reduction in Hospital Acquired Infections
- 17% reduction in Adverse Drug Events
- Up to 83% achievement in the generic compliance rate with recommended drug orders
- 84% reduction in missing dose medication errors
- 60 % reduction in potential adverse drug events
- 7% decrease in number of GP appointments replaced by telephone contacts
- 22% gain in clinical staff productivity
- Reduction of 816 inappropriate referrals to secondary care per year per primary care unit
- 33% reduction of Did Not Attends
- 16% reduction in waiting times for first outpatient appointment
- 41% reduction in drug interaction errors
- 39% increase in formulary drug compliance
- 7.2% reductions in cost per prescription as a result of increase in generic fill rates
- 15% reduction in prescription error
- 10% increase in number of patients seen by GP
- 9% reduction in the growth rate of acute admissions
- 32% reduction in diabetic death
- 52% rise in patients with documented self management goals
- 83% reduction in 90 day readmission rate for Congestive Heart Failure patients
- 7% reduction in average length of stay in hospital
- 48% reduction in duplicate laboratory/chemistry tests
- 25% reduction in average number of bed days for admissions for chronic conditions.
- 25% reduction in prescribed medication costs
- 19% reduction in hospital admissions for chronic conditions
- 55% reduction in hospital admissions for Congestive Heart Failure
- 46.5% increase in volumes of tests (increase in throughput)
- 88% reduction of film costs
- 60% improvement in radiologist productivity measured in number of tests read per radiologist
- 99% reduction in lost images
- 99% reduction in number of repeat imaging tests
- 9.7% reduction in number of GP appointments
- 50% reduction in admin staff time spent filing and managing forms
- 14% reduction in healthcare costs of smokers
- 35% reduction in number of redundant tests
- 83% reduction in medication errors due to mistaken identity
- 75% reduction in cases of medicines running out where RFID is used for stock control and inventory management
- 20% increase in the number of patients discharged by noon.

OUTCOMES

Collective benefits

5 million outpatient prescription errors could be avoided every year through Electronic Transfer of Prescriptions.

100,000 inpatient adverse drug events could be avoided every year through Computerised Physician Order Entry and Clinical Decision Support, freeing up 700,000 bed-days at a saving of €300 million.

9 million bed days could be freed up through Computer-Based Patient Records, saving €3.7 billion.

Each Gartner Report speaks as of its original publication date (and not as of the date of this Prospectus) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

Senior management

Gary Cohen
Executive Chairman & CEO

Gary was appointed Chairman in September 1999, following a two-year period as CEO. Prior to this Gary was a leading legal practitioner and a principal of an Australian investment bank. He also has extensive expertise working in the IT industry.

This diverse expertise makes Gary ideally placed to execute iSOFT's growth strategy. This year Gary has focused his efforts on building the management team, strengthening customer relationships, and developing ties with stakeholders, as well as exploring ways to add new geographies or complementary product capabilities to iSOFT's portfolio.

An irrepressible Australian, Gary relocated to the UK to drive the integration of the business and to forge an expanded management team. With the team in place, Gary is back in Sydney. He travels frequently to meet prospective customers, and other influential participants in the healthcare technology arena.

Stephen Garrington
Director, Group Business Development and Strategy

Steve has been with iSOFT since 2004. Previously he was Chief Executive Officer of Torex Health, a division of Torex Plc, a FTSE 250 company. Prior to that, he was Managing Director of ACT Medisys, a subsidiary of Misys PLC, a FTSE 100 company. With more than 25 years experience in health information systems in a number of international markets including Australia, New Zealand, United Kingdom, continental Europe, Africa, Middle East and South East Asia, Steve is now leading the development of iSOFT's strategy and entry into new markets.

This brief includes selected target acquisitions and moving existing solution offerings between our established territories. Steve is also managing iSOFT's entry into new product sectors and market geographies. He is responsible for the overall management of relationships with iSOFT's strategic global technology partners.
A UK national, Steve is now based in Sydney but by virtue of his role and natural inclination, travels extensively to explore new business development opportunities that enhance Group-wide growth potential.

Brian Cohen
Chief Technology Officer

With 30 years of experience in developing systems for the healthcare market, Brian is based at our main development centre in Chennai where he is responsible for the design and delivery of all IT products across all development locations.

Brian's involvement with healthcare IT started early in his career when he began writing software for GPs and pharmacists after obtaining his PhD. At around the same time he was building a global reputation as a lecturer in artificial intelligence and healthcare IT applications. Brian's interest in healthcare technology grew with his move to Singapore, which has pioneered the most advanced initiatives in Asian healthcare. Partnering with his brother Gary in 1995, Brian then formed the foundations of today's iSOFT businesses.

Brian holds a Bachelor of Computer Science (Hons) and University Medal UNSW, and Doctor of Philosophy UNSW.

Andrea Fiumicelli
Chief Operating Officer

An Italian national, Andrea joined iSOFT from Agfa where he was responsible for leading R&D, sales and service in Europe and more than 20 international subsidiaries. A doctor in physics, Andrea started his career in artificial intelligence research working in projects with the Massachusetts Institute of Technology. Andrea then joined 3M in Europe, experiencing many roles including R&D, service, marketing and business management.

He is now based at iSOFT's Banbury office in the UK. Andrea has extensive experience to draw on as he drives our global operations, having worked in the USA, Germany, Belgium and Italy.

As COO, Andrea is focused on building an organisation capable of flawless execution of processes and quality in pursuit of customer satisfaction.

Martin Deda
Group Finance Director

Martin joined iSOFT in July 2008, when he moved back to Sydney after 17 years in Europe. A fluent German speaker, he held senior finance roles at TNT and Storagetek in EMEA before taking up a regional finance position with CSC in central and eastern Europe.

His career started with the Royal Australian Navy, where he served as a commissioned officer for 12 years specialising in finance, supply, logistics and administration. From iSOFT's office in Darling Park, Martin can see HMAS Vampire, one of the ships in service during his naval career.

Martin moved into management consulting at PA Consulting Group, where he led projects in Australia, UK, Netherlands and Germany, focused on M&A, performance improvement and re-engineering. Martin studied Economics and Accounting at the University of WA and at the Australian National University. He holds a BSc from the University of NSW and an MBA from the University of Sydney.

Michael Dahlweid
Chief Medical Officer and Global Product Director

Michael's background as a practicing doctor in Accident Emergency and Trauma, along with his qualifications in Medical Informatics, gives him the ideal mixture of technology insight combined with practical medical experience. He has undertaken advisory roles for European governments, and lectured in Healthcare Information Management at universities around the world.

Prior to joining iSOFT he held senior management roles at Agfa, including heading the product management team responsible for products and strategies for enterprise IT in Europe, progressing to become a member of the Executive Committee and Chief Medical Officer of Agfa HealthCare IT. He was also the CIO at a German hospital group.

As a German, based in the UK, Michael as our CMO has responsibility to maximise patient safety for new and existing applications, ensuring iSOFT's solutions support clinicians in providing better, safer patient care.

Martin Wilkinson
Chief Information Officer

A biomedical scientist by training, Martin Wilkinson first became involved in healthcare IT while working as a Haematology and Blood Transfusion specialist within the NHS. Martin later worked for healthcare solutions vendors Silicon Lab, ACT Medisys, Torex and Clinisys.

Within these roles Martin was responsible for implementation of large scale healthcare deployments in the UK and South Africa including the successful delivery of technically complex and critical patient care healthcare systems.

Martin's deep understanding of both healthcare and IT, together with his experience in deploying and operating large scale IT systems, give him the expertise to build the global IT infrastructure needed to support our growing business. A UK national, Martin joined iSOFT in 2004 and moved to Sydney.

Board of directors

From left to right:

Ian Tsicalas
Non-executive Director

Gary Cohen
Executive Chairman &
Chief Executive Officer

Dr James Fox
Non-executive Director

Prof. Claire Jackson
Non-executive Director

Robert Moran
Non-executive Director

Peter Wise
Non-executive Director

Stephen Garrington
Executive Director

Howard Edelman
General Counsel and
Company Secretary

Anthony Sherlock
Non-executive Director

Corporate Governance Statement

iSOFT Group Limited ("iSOFT" or "Company") and the Board are committed to achieving and demonstrating the highest standards of corporate governance, consistent with the size and nature of the Company. This Statement outlines the Company's main corporate governance practices as at 30 June 2009. All these practices, unless otherwise stated, were in place for the entire year.

The Company considers that it has substantially met the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003 and as subsequently amended. ("ASX Recommendations"). In those circumstances where the Company has not followed an ASX Recommendation, the Company considers that the recommendation is not appropriate for a company of iSOFT Group Limited's size and nature. This Statement also provides additional explanation as to why the Company has departed from particular ASX Recommendations.

Board responsibilities and objectives

The objective of the Board is to increase shareholder value within an appropriate framework that ensures the Company's affairs are properly managed and controlled. The Board sets the strategic business direction to be followed and is responsible for the overall corporate governance of the Company. The Board has also established a framework of controls and a set of procedures and delegations of authority to the Chief Executive Officer and other Senior Executives.

The Board operates in accordance with the Company's Constitution. The powers reserved to the Board include the following:

- the selection, appointment and, if necessary, the replacement of the Chief Executive;
- establishment of the control environment to provide for meaningful and timely information;
- facilitate a communication capability to all stakeholders in accordance with the continuous disclosure provisions and to comply with relevant legal obligations;
- reviewing and ratifying systems of risk management;
- establishing a basis for approvals of capital expenditure, acquisitions and divestment; and
- the review and oversight of the Company's strategic plan.

With the exception of the powers reserved for the Board, all other powers are delegated to management. through the Chief Executive and the management team.

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 eight directors of the Company, six of whom are non-executive directors and four are considered "Independent" in terms of the ASX Recommendations. There is also one other director who acts as an alternate to two of the non-executive OCP nominated directors.

The term of office, the skills, experience and expertise relevant to the position of director held by each director in office at the date of this report are set out on pages 38 to 39.

The Chairman (Mr Cohen) and three other members of the Board (Messrs Garrington, Moran and Tsicalas) are not considered "independent" directors.

Mr Cohen, or interests associated with him, is a "substantial shareholder" of the Company. In addition Mr Cohen is employed in an executive capacity by the Company.

Mr Garrington is employed in an executive capacity by the Company.

Messrs Moran and Tsicalas are representative directors of OCP. As OCP is a "substantial shareholder", they are not considered independent under the ASX Recommendations.

Mr Sherlock is considered "independent" in terms of the ASX Recommendations (he holds only a nominal amount of options, details of which are set out on page 39 of this report). Dr. Fox, Professor Jackson and Mr. Wise are also independent in terms of the ASX Recommendations.

OCP has a substantial shareholding in the Company. It has a significant interest in the Company's continued success. They are entitled to appoint two directors to the Company resulting from their capital contributions to the Company. Therefore it is appropriate that OCP be well represented on the Board. In addition, the Board believes that Mr Cohen is an appropriate person to be Chairman due to his extensive knowledge of the activities of the Company and its business and the industry sector in which the Company operates.

The Company recognises that the ASX Recommendations recommend that a listed company should have a majority of directors who are independent and that the Chairman should be an independent director. The Board as currently comprised, does not comply with these recommendations. Notwithstanding the ASX Recommendation that the majority of the Board should be independent directors and the Chairman should be an independent director, the Board considers that, the independence of directors is reflected by their commitment and intent to put the best interests of the Company and its shareholders ahead of all other interests, and that they are capable of exercising objective, independent judgment. In addition, the recent appointment of Dr. Fox has increased the number of independent directors such that the Board is 50% comprised of independent directors.

iSOFT believes the Board, as currently composed, has the necessary skill and motivation to ensure that the Company continues to perform strongly, notwithstanding that its overall composition does not meet the ASX Recommendations.

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 has also agreed with the Company to comply with the Company's established policy on dealing in shares in iSOFT and the relevant disclosure requirements.

Directors' independent advice and access to Company information
With the consent of the Chairman, directors or committees of the Board may seek external professional advice, as considered necessary, at the Company's expense. Each director also has the right of access to all relevant Company information and to the Company's executives.

Board Committees

The Board has established three committees of directors, the Audit and Compliance Committee, the Remuneration Committee and the Nomination Committee, to carry out certain tasks. Each committee has a documented charter approved by the Board, copies of which can be found in the Company's website, www.isofthealth.com.

The Board does not believe that additional committees are appropriate or necessary for iSOFT in its current form.

The Board does not have a formal risk management committee as the Board believes risk management is a significant responsibility of the entire Board and, in the first instance, risk management policies and procedures are specifically included in the charter and are dealt with by the Audit and Compliance Committee.

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 Ian Tsicalas
Mr Peter Wise
Mr Lachlan MacGregor (Alternate Director)

The primary objective of the Audit and Compliance Committee is to assist the Board of iSOFT in discharging the Board's responsibilities as they relate to:

- financial reporting and audit practices;
- accounting policies;
- the management of compliance; and
- adequacy and effectiveness of internal controls;
- monitoring and recommending appropriate risk management practices.

The Committee's role is to make appropriate recommendations and/or determine any matter delegated or referred to it by the Board, either specifically, or as contained within its Charter.

In addition, the Committee will:

- oversee and appraise the quality of the audits conducted by external auditors;
- provide, through regular meetings, a forum for communication between the Board, senior management and both the internal and external auditors;
- review financial information prior to approval by the Board for presentation to shareholders and/or release to regulatory bodies;
- oversee and determine the adequacy of iSOFT's operating and accounting controls;
- oversee and determine the adequacy of iSOFT's compliance management strategies, policies, systems and procedures;
- review for consistency, wherever appropriate and practical, with the policies and procedures of iSOFT and facilitate the proper discharge of iSOFT's financial reporting requirements and responsibilities; and
- assist in the preparation of the governance statements and policies for incorporation on the Company's website, public documents and financial statements.

The Committee meets at least four times each year and reports to the Board following each meeting. The member attendance at meetings of the Committee during the year is set out on page 41.

The Company's external auditors PKF are invited to attend the meetings of the Audit and Compliance Committee as is the Chief Executive Officer, Finance Director and certain other finance executives. All directors are permitted to attend meetings of the Audit and Compliance Committee if they so wish.

Financial reporting

The Chief Executive Officer and the Group Finance Director provide the Board with written confirmation that the Company's financial reports are in compliance with Australian Accounting Standards (including Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements, and give a true and fair view of the Company's and Consolidated Entity's financial position and there are reasonable grounds to believe that the Company will be able to pay their debts as and when they become due and payable. The Company adopted this reporting structure for the year ended 30 June 2009.

Corporate Governance Statement CONTINUED

Remuneration Committee

The Remuneration Committee consists, at the date of this report, of the following directors:

Mr Robert Moran (Chairman)
Mr Ian Tsicalas
Mr Peter Wise
Dr James Fox

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

- review arrangements for and make recommendations to the Board on:
  - 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;
  - human resource strategy and policy;
  - the Charter of the Committee;
  - review changes in best practice, legislation and market trends in respect of employment and remuneration matters on which the Committee makes determinations or makes recommendations to the Board; 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 management's interests more closely with those of the Company's shareholders through growth in shareholder returns. Further details regarding the structure of Directors' and Executives' remuneration are contained in the Directors' Report. Non-executive directors are remunerated by way of fees and currently do not participate in schemes designed for the remuneration of executives other than options. They do not receive bonus payments.

The Committee meets at least twice per annum and reports to the Board following each meeting. The member attendance at meetings of the Committee during the year is set out on page 41 of the Remuneration Report.

Nomination Committee

The Nomination Committee was recently established by the Board. All Directors are members of the Committee.

The Role and focus of the Committee is to assist in ensuring the Board is comprised of individuals who are best able to discharge the responsibilities of a director, having regard to the highest standards of governance. It does so by critically reviewing:

- the corporate governance procedures of the Company;
- the performance of the Board; and
- the composition and effectiveness of the Board and, in the course there of:
  - devise criteria for board membership;
  - review size and membership of the Company's Board;
  - when necessary, propose candidates for consideration by the Company's Board; and
  - review Chief Executive Officer succession planning and advise the Board of progress.

Risk assessment and management

Management of risk is an essential element of the Company's strategy. The identification and management of risk is central to achieving the objective of delivering long-term value to shareholders. Each year, the Board reviews and considers the risk profile for the whole business. This risk profile covers both operational and strategic risks. 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 iSOFT, including reporting to the Board on the risk management issues. The Company is responsible for implementing policies and procedures to manage those risks.

Management reports to the Audit and Compliance Committee on the Company's key risks and the extent to which it believes these risks are being managed. This is performed on a six monthly basis, or more frequently, as required by the Board. A standardised approach to risk assessment is used across the Group to ensure risks are consistently assessed and reported to an appropriate level of management, and to the Board if required. Strategic and operational risks are reviewed at least annually by all operating divisions as part of the annual strategic planning, business planning, forecasting and budgeting process.

Detailed internal control questionnaires are completed by all major business units and key finance managers in relation to financial and other reporting on a six monthly basis. These are reviewed by our senior finance team and our external auditors as part of our half yearly reporting to the market and to achieve compliance with section 295A of the Corporations Act and Recommendation 7.3 of the ASX Corporate Governance Council's Corporate Governance Principles and recommendations.

The Chief Executive Officer and Group Finance Director provide the Board with written confirmation that:

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

The Company adopted this reporting structure for the year ended 30 June 2009.

Code of conduct

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

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

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

Share trading policy

Since 2001 the Company has had a formal share trading policy in place applicable to directors, both executive and non-executive, to senior managers and to trading by their family members and associates. The policy restricts directors and senior managers from acting on price sensitive information which is not generally available to the market. In addition to this requirement, the Company prohibits directors and senior managers from engaging in short term trading.

The share trading policy excludes trading from the end of the applicable reporting period (i.e. 30 June or 31 December) until three days after the announcement of the full year and half year results. Exclusions are also implemented prior to the Annual General Meeting. Subject always to the share trading policy, directors and senior managers may trade in the Company's shares at other times.

Continuous disclosure and communication with shareholders

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

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

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

- the Annual Report which is distributed to all shareholders (unless specifically requested otherwise);
- the Half-Year Report;
- other correspondence regarding matters impacting on shareholders as required; and
- the engagement partner of the Company's external auditor PKF has been requested to attend the Company's Annual General Meeting and is available to answer questions from shareholders about the external audit.

Financial Report - Contents

This financial report covers the Directors' Report and both the separate financial statements of iSOFT Group Limited (formerly known as IBA Health Group Limited) as an individual entity and ultimate parent of the iSOFT Group as well as the consolidated financial statements of the Consolidated Entity consisting of iSOFT Group Limited, its subsidiaries and interests in jointly controlled entities for the year ended 30 June 2009. The financial report is presented in Australian currency.

iSOFT Group Limited is an ASX listed public company (ASX code: ISF) limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Darling Park, Tower 2
Level 27
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 review of operations and activities on pages 10 to 13 and is not part of this financial report.

The financial report was authorised for issue by the Directors on 18 August 2009. The Directors have the power to amend and reissue the financial report.

Through the use of internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Investor Relations centre on our website: **www.isofthealth.com.**

Directors' Report

The Directors present their report together with the financial report of the Consolidated Entity, comprising iSOFT Group Limited ("the Company" or "iSOFT") and its controlled entities (together "the Consolidated Entity" or "the Group") and jointly controlled entities for the year ended 30 June 2009 and the Auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Gary Cohen	Executive Chairman and Chief Executive Officer
James Fox	Independent, Appointed on 6 July 2009
Stephen Garrington	Director, Group Business Development and Strategy
Claire Jackson	Independent
Robert Moran	Non-executive Director, Appointed on 6 November 2008
Anthony Sherlock	Independent
Ian Tsicalas	Non-executive Director
Peter Wise	Independent

Former Director

Donald Conway	Non-executive Director, Resigned at 6 November 2008

Alternate Director

Lachlan MacGregor	Non-executive Director, Appointed 9 January 2009 as Alternate Director to Robert Moran and Ian Tsicalas

Principal Activities

The principal activity of the Consolidated Entity during the course of the current and prior periods was the development and licensing of computer software and the supply of services to the health industry. There were no significant changes in the nature of the Consolidated Entity's principal activities during the financial year.

Operating and Financial Review

The operating profit after tax for the year was $34,731,000 (2008: $14,655,000). Further information is contained in the Executive Chairman's Report, Chief Operating Officer's Report and Group Finance Director's Report. The prior period profit includes 8 months of iSOFT Group plc earnings, following the acquisition on 31 October 2007.

Dividends

During the reporting period, the Directors did not declare or pay any dividend. The Directors have declared a dividend for the year ended 30 June 2009 of 1 cent per share unfranked.

Significant changes in the state of affairs

On 5 May 2009, the Company changed its name from IBA Health Group Limited to iSOFT Group Limited.

Events subsequent to reporting date

In August 2009, the Consolidated Entity obtained control through acquiring 100% of the issued share capital and voting rights of Bridgeforward, Inc., a company that is registered and domiciled in Boston, Massachusetts, USA. The initial consideration amounts to USD4.2million and there is further earn-out which is capped at USD10 million payable over 5 years.

No other matter or circumstance has arisen since 30 June 2009 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations or the state of affairs of the Consolidated Entity in future financial years.

Likely developments and prospects

Information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this annual report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental regulation

The Consolidated Entity is not subject to any significant environmental regulations under the laws of the Commonwealth, States or other territories.

Information on Directors

Gary Michael Cohen BCom LLB LLM (Hons)
Executive Chairman and Chief Executive Officer
Mr Gary Cohen was appointed Chairman in September 1999 and CEO in October 2007 following the acquisition of iSOFT Group Plc. He was a leading legal practitioner and a principal of an Australian investment bank. He has extensive expertise in the IT industry.
Other current public company directorships: Director of Tag Pacific Limited.
Former public company directorships (in last 3 years): None.
Special responsibilities: Former member of the Remuneration Committee, Member of the Nomination Committee.
Interests in shares: 67,034,876 ordinary shares (Does not include pre-emption rights held with Oceania Healthcare Technology Investments Pty Limited. Refer to Remuneration Report for further details.)

Dr James Charles Fox BE MEngSci PhD
Non-executive Director
Dr James Fox was appointed a Director on 6 July 2009. He has more than 25 years' experience as a public company director, and a track record of building technology-based companies in international markets. He is Chairman and Non-Executive Director at Biota Holdings Limited, Non-Executive Director and Deputy Chairman at Elders Limited; and Non-Executive Director at: Air New Zealand Ltd, MS Research Australia and TTP Group (U.K).
Dr. Fox was Managing Director at Vision Systems Limited from 1993 to 2006, which developed, manufactured and sold cancer diagnostic

systems to healthcare markets in Australia, North America, Europe and Asia Pacific.
Other current public company directorships: None.
Former public company directorships (in last 3 years): None.
Special responsibilities: Member of the Remuneration Committee, Member of the Nomination Committee.
Interests in shares: None.

Stephen John Garrington
Director, Group Business Development and Strategy
Mr Stephen Garrington was appointed as Director of Group Business Development and Strategy in January 2008 and has been a Director of iSOFT since August 2004. He was Chief Executive Officer of IBA Health Limited prior to the acquisition of iSOFT Group Plc and led the business through its international expansion into the emerging markets. Prior to that, Mr Garrington held two senior positions in the Health IT industry. He was Chief Executive Officer of Torex Health, a division of Torex Plc and prior to that the Managing Director of ACT Medisys a subsidiary of Misys Plc. He has over 25 years experience in health information systems in a number of international markets including the UK, continental Europe, Africa, Middle East and South East Asia and is now leading iSOFT's entry into new market sectors within our established territories and market entry in new geographies.
Other current public company directorships: None.
Former public company directorships (in last 3 years): None.
Special responsibilities: Member of the Nomination Committee.
Interests in shares: 5,841,542 ordinary shares.

Prof. Claire Louise Jackson MBBS (Uni of Qld) MPH (UQ) CertHEcon (Monash) GradCert Management (QUT) MD (UQ) FRACGP GAICD
Non-executive Director
Professor Claire Jackson was appointed a Director in November 2004. Professor Jackson has been active in general practice undergraduate and postgraduate education and research for many years, and has been extensively involved in health services research and reform since the early 90s. She was last year appointed to the 12 member National Primary Care Strategy Expert Reference Group and provided a commissioned paper for the National Health and Hospital Reform Commission on new models in primary care. As Director of the University of Queensland Field Support Service, she was heavily involved in the development of Australian Divisions of General Practice in the mid 90s. She has been a member of Queensland's General Practice Advisory Council, is immediate past Chair of the Royal Australian College of General Practitioners (Qld Faculty), past Chair of the RACGP national College Council, served as a member of the Brisbane Inner South Division of General Practice and South East Alliance of General Practice Boards between 1999 and 2007, and was a member of the Management Committee of the Brisbane South Centre for Health Service Integration. Professor Jackson is also an active clinician in part-time general practice in Brisbane.
Other current public company directorships: None.
Former public company directorships (in last 3 years): None.
Special responsibilities: Member of the Nomination Committee.
Interests in shares: 39,620 ordinary shares.

Robert Bernard Moran LLB, B.Ec, MAICD
Non-executive Director and Alternate Director to Ian Tsicalas
Mr Robert Moran was appointed a Director in November 2008, having acted as an Alternate Director since May 2008. Mr Moran is the Managing Director of Oceania Capital Partners Limited, the Company's largest shareholder. He has been involved as a principal investor for over 10 years, being involved at a Board and strategic level in a variety of businesses and sectors, taking an active involvement in the underlying businesses. Robert has a long involvement in the heath IT sector, having been involved with IBA Health before its initial IPO. He is experienced in investment banking activities, including financings, capital raisings and mergers and acquisitions and has practiced corporate and commercial law at a senior level. He was responsible for the private equity business within the Allco Group. Mr Moran is also a director of Trans Tasman Collections Holdings Pty Limited, Krispy Kreme Group and Chairman of Signature Security Group.
Other current public company directorships: Oceania Capital Partners Limited, AWA Limited, Tag Pacific Limited.
Former public company directorships (in last 3 years): None.
Special responsibilities: Chairman of the Remuneration Committee, Member of the Nomination Committee.
Interests in shares: 580,937 ordinary shares.

Anthony Gardiner Sherlock B.Ec FCA
Non-executive Director
Mr Anthony Sherlock was appointed a Director of iSOFT Group Limited in February 2000. He is a former senior partner of Coopers and Lybrand (now PricewaterhouseCoopers), with over 25 years experience in providing strategic and risk management advice to companies in a variety of industries. Mr Sherlock has been appointed by both the Federal and State Governments to a number of industry committees.
Other current public company directorships: Director of Stockland Capital Partners Limited, Export Finance Insurance Corporation Limited.
Former public company directorships (in last 3 years): Chairman, Equatorial Mining Limited (2001 – 2007); Director, Sydney Attractions Group Ltd (formerly Sydney Aquarium Ltd) (1997 – 2008).
Special responsibilities: Chairman of the Audit and Compliance Committee, Former member of the Remuneration Committee, Member of the Nomination Committee.
Interests in shares: None.
Options: 100,000 options over ordinary shares.

Ian Tsicalas BA, B.Com
Non-executive Director
Mr Ian Tsicalas was appointed a Director in May 2008. Mr Tsicalas has significant operational experience having managed both public and private companies. He was Managing Director of Australian Discount Retail Pty Limited until May 2007. Prior to this he was Chief Executive of the Warehouse Group Australia and a director of The Warehouse Group Limited. Mr Tsicalas was also previously Managing Director of Commander Communications Limited and Howard Smith Limited.
Other current public company directorships: Independent Chairman of Oceania Capital Partners Limited, Independent Director of STW

Directors' Report CONTINUED

Communications Group Limited, Independent Chairman of Allco Managed Investment Funds Limited.
Former public company directorships (in last 3 years): None.
Special responsibilities: Member of the Remuneration Committee, Member of Audit and Compliance Committee, Member of the Nomination Committee.
Interests in shares: None.

Peter Harry Wise DipID
Non-executive Director
Mr Peter Wise was appointed a Director of iSOFT in September 1999. In association with directorships within the Tag Pacific Group, he has been actively involved in a large number of Australian and New Zealand industries and business sectors. His broad business experience in both executive and non-executive capacities in public and private companies spans a period of over 35 years.
Other current public company directorships: Chairman of Tag Pacific Limited.
Former public company directorships (in last 3 years): None.
Special responsibilities: Member of the Audit and Compliance Committee, Member of the Remuneration Committee, Chairman of the Nomination Committee.
Interests in shares: 11,516,913 ordinary shares.

Alternate Director

Lachlan MacGregor BCom
Alternate Director to Robert Moran and Ian Tsicalas
Mr Lachlan MacGregor was appointed as Alternate Director of iSOFT on 9 January 2009. He is a director in the investment management team for Oceania Capital Partners Limited (OCP) having joined in 2006. Mr MacGregor has extensive experience in the investment banking and private equity industries having spent 8 years at UBS Investment Bank prior to joining OCP. At UBS he was a director focused on advising the private equity industry on mergers and acquisitions, equity capital markets and leveraged finance.
Mr MacGregor is also a director of Trans Tasman Collections Holdings Pty Limited.
Other current public company directorships: None.
Former public company directorships (in last 3 years): None.
Special responsibilities: Member of the Audit and Compliance Committee.
Interest in shares: None.

General Counsel and Company Secretary

Howard T. Edelman BA JD
Mr Howard Edelman joined iSOFT in November 2006 as General Counsel and was appointed Company Secretary in August 2007. He has extensive experience in financings, mergers and acquisitions and general corporate law. Prior to joining iSOFT, Mr. Edelman was a senior lawyer at Allens Arthur Robinson in their Corporate and Commercial Department. Prior to that, he worked in the Regulatory Policy Branch of ASIC. In addition to being an Australian qualified solicitor, Mr Edelman is a U.S. qualified attorney and was a partner at Pillsbury Winthrop in Sydney and prior to that spent 7 years with Skadden Arps in Sydney, New York and Hong Kong.

Meetings of Directors

The following table sets out the number of Directors' meetings (including meetings of Board committees) held during the year and the number of meetings attended by each Director:

	Full Board			Audit and Compliance Committee		Remuneration Committee		Rights Issue Due Diligence Committee [1]	
	A	B	C	A	B	A	B	A	B
Gary Cohen	25	23	2	-	-	5	5	2	2
Stephen Garrington	25	25	-	-	-	-	-	2	2
Claire Jackson	25	21	-	-	-	-	-	-	-
Robert Moran [2]	16	13	3	-	-	5	5	2	2
Anthony Sherlock	25	25	-	10	10	5	5	2	2
Ian Tsicalas	25	20	4	5	5	5	5	-	-
Peter Wise	25	25	-	10	10	5	5	-	-
Former Director									
Donald Conway [3]	9	8	1	4	4	-	-	-	-
Alternate Director									
Lachlan MacGregor [4]	-	-	-	5	5	-	-	-	-

Notes:

(A) = Number of meetings eligible to attend.

(B) = Number of meetings attended.

(C) = Number of meetings not attended due to a declared conflict of interest.

1. The Rights Issue Due Diligence Committee was established as a special purpose Board committee in March 2009.
2. Robert Moran appointed a full member of the Board on 6 November 2008.
3. Donald Conway resigned as a Director on 6 November 2008.
4. Lachlan MacGregor was appointed as an Alternate Director and member of the Audit and Compliance Committee on 9 January 2009.

Directors' Report CONTINUED

Shares under option

Unissued ordinary shares of iSOFT Group Limited under option at the date of this report are as follows:

Grant date	Expiry date	Issue price of shares	Number under option
4 November 2004	4 November 2009	$0.72	100,000
31 July 2006	26 July 2009	$0.85	5,000,000
20 February 2007	9 November 2010	$1.00	300,000
20 February 2007	9 November 2011	$1.00	300,000
24 September 2008	4 September 2013	$0.7297	13,200,000

Insurance of officers

The constitution of the Company provides an indemnity (to the maximum extent permitted by law) in favour of current and past Directors, Company Secretaries, 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 each Company Secretary for all liabilities, including legal costs, that may arise as a result of the Director or Company Secretary acting in that capacity to the full extent permitted by law. The indemnities are subject to certain exceptions, including if the person did not act in good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors of the Company in line with the constitution. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Remuneration Report

The Remuneration Report is set out on pages 43 to 60 and forms part of the Directors' Report for the year ended 30 June 2009.

Non-audit services

Details of amounts paid or payable to the auditors for non-audit services provided during the financial year by the auditors are outlined in Note 32 in the financial report.

The Directors are of the opinion that the provision of non-audit services as disclosed in Note 32 in the financial report does not compromise the external auditor's independence as outlined in the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics of Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 61 and forms part of the Directors' Report for the year ended 30 June 2009.

Rounding-off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian Dollars in the interim financial report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the Directors.

Gary Cohen Director	**Anthony Sherlock** Director

Dated at Sydney, 18 August 2009

Remuneration Report (audited)

This remuneration report outlines the Director and executive remuneration arrangements of the Company and the Consolidated Entity in accordance with the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Consolidated Entity are defined as those persons having authority and management responsibility for planning, directing, and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company, and includes the five executives in the Company and the Consolidated Entity receiving the highest remuneration. KMP are defined as including:

- Non-executive Directors;
- Executive Directors; and
- Group Executives.

Key Management Personnel

Non-executive Directors

James Fox	Independent, Appointed on 6 July 2009
Claire Jackson	Independent
Robert Moran	Appointed on 6 November 2008
Anthony Sherlock	Independent
Ian Tsicalas	
Peter Wise	Independent
Lachlan MacGregor	Alternate to Robert Moran and Ian Tsicalas, Appointed on 9 January 2009

Executive Directors

Gary Cohen	Executive Chairman and Chief Executive Officer
Stephen Garrington	Director, Group Business Development and Strategy

Other Key Management Personnel (Executives)

Andrea Fiumicelli	Chief Operating Officer
Brian Cohen	Chief Technology Officer
Martin Deda	Group Finance Director, Appointed on 14 July 2008

Other Executives [1]

Peter Herrmann	Managing Director – Continental Europe
Wim Botermans	Managing Director – Asia Region

1. Denotes two of the five highest paid executives of the Consolidated Entity as required to be disclosed under the *Corporations Act 2001*

Former Key Management Personnel

The following executive ceased to be a member of Key Management Personnel during the financial year ended 30 June 2009:

Non-executive Director

Donald Conway	Ceased as at 6 November 2008

The following executive ceased to be a member of Key Management Personnel during the financial year ended 30 June 2009 (continues to be employed):

Executive

Gordon Mackay	Chief Financial Officer Ceased as at 13 July 2008

Remuneration Governance

The Board has delegated oversight of the Consolidated Entity's human resource and remuneration policies and practices to the Remuneration Committee. The responsibilities and membership of the Remuneration Committee are set out in the Corporate Governance Statement.

Executive remuneration and other terms of employment are reviewed by the Remuneration Committee, having regard to overall Consolidated Entity and individual performance, relevant external comparative information for the regions, industries and professions in which the Consolidated Entity operates and competes, and independent expert advice on market terms, conditions and compensation levels.

As part of its ongoing responsibility for reviewing the remuneration framework, this financial year the Remuneration Committee has overseen:

- a review of performance conditions and allocation of awards under the Consolidated Entity's Long-Term Incentive Schemes (LTI's) for the 2009 financial year;
- the development of an appropriate remuneration philosophy to make awards for the year ended 30 June 2009 and later years;
- an independent review of the Consolidated Entity's remuneration framework, to determine the most effective structure to retain and incentivise employees to build value in a manner that is in the best interest of shareholders;
- strategic changes to the structure of the Remuneration Committee to ensure only Non-executive Directors are members and may vote on the setting of remuneration strategy, mix and quantum for executives;
- a review of the Remuneration Committee Charter; and
- a review of the Chief Executive Officer's employment services agreement in consultation with external remuneration consultants and legal practitioners.

Remuneration Report (audited) CONTINUED

Executive Remuneration

Executive Remuneration Philosophy

The objectives of the Consolidated Entity's executive remuneration philosophy are to:

1. Promote alignment of executive interests with shareholder interests;
2. Attract, motivate and retain talent to lead the Consolidated Entity's operations and execute the strategy;
3. Focus executives on the outcomes and behaviours required to deliver business results;
4. Pay for performance and contribution to value building; and
5. Create a sense of ownership in iSOFT with a focus on building Long-Term value.

The principles guiding the remuneration framework to deliver these objectives are:

1. Total Remuneration (TR) including both fixed and "at risk", is market competitive;
2. Remuneration is differentiated for performance;
3. Proportion of remuneration "at risk" increases with the level of impact on strategic direction and business results; and
4. Remuneration policies are flexible, simple, relevant and transparent.

Performance Linked "At Risk" Remuneration

Fundamental to the Consolidated Entity's remuneration philosophy is the principle that a significant amount of an executive's remuneration is at risk and focused on the Long-Term.

The Remuneration Committee believes that in order to deliver the principle of aligning executive interests with the interests of shareholders and investors, it is essential that a significant proportion of the executive team's remuneration continues to be dependent upon the Consolidated Entity's performance as well as the individual's relative performance and contribution to these outcomes.

The combination of a Short Term Incentive and a Long Term Incentive is designed to meet three ends:

- reward executives for meeting or exceeding their financial and non-financial objectives;
- retain executives within the business to provide for consistent organisation performance; and
- to encourage behaviours that will enable shareholder wealth creation.

The objectives and guiding principles for executive remuneration have been reviewed and considered appropriate by external remuneration consultants during 2009 financial year.

The close alignment of the interests of the executive team and other employees with the interests of our shareholders continues to underpin the executive remuneration strategy. To this end, the composition of our executive remuneration has evolved with the implementation of the Consolidated Entity's LTI option scheme in 2008 to drive a greater emphasis for long-term outcomes.

The remuneration strategy aims to ensure executive remuneration is structured in a manner that focuses and reinforces effort on the delivery of our business strategy. The Remuneration Committee recognises that it is only through the attraction, retention and commitment of talented executives and employees that the Consolidated Entity is able to realise its strategy and achieved sustained Long-Term improvement in performance for the benefit of shareholders.

Executive Remuneration Approach

Objective

The Consolidated Entity aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Consolidated Entity so as to:

- Reward executives for Consolidated Entity, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders; and
- Ensure Total Remuneration is competitive by market standards.

Structure

The Consolidated Entity's remuneration policies are achieved through a combination of three core elements which when combined form Total Remuneration:

1. Total Fixed Remuneration (such as base salary, pension, superannuation and non-monetary benefits);
2. Variable Remuneration – Short-Term Incentives (such as cash, deferred equity plans); and
3. Variable Remuneration – Long-Term Incentives (such as share/option equity based plans).

Both STI and LTI are performance linked or "at risk" remuneration and are designed to deliver the majority of an executive's potential Total Remuneration opportunity in line with business and individual results.

Total Fixed Remuneration (TFR)

Objective

TFR consists of base remuneration, calculated on a total cost to company including non-monetary employee benefits and the cost of employer contributions to superannuation, pension or national social security funds.

TFR is reviewed annually by the Remuneration Committee, with adjustment taking effect from 1 July each year. The amount of TFR takes into consideration:

- an executive's role;
- career experience, skills acquired and qualifications;
- business and individual performance; and
- industry conditions and market practice for roles of similar scope both internally and externally.

Structure
Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of the payment chosen will be optimal for the recipient without creating any additional cost for the Consolidated Entity.

Variable Remuneration – "At Risk" Short-Term Incentives (STI)

Objective
The determination of bonuses has historically been subject to overall Consolidated Entity performance, relative divisional performance, and individual achievement of agreed objectives set for each performance year. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational objectives and such that the cost to the Consolidated Entity is reasonable in the circumstances.

Structure
Actual STI payments granted to each executive depend upon the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of Key Performance Indicators (KPIs) covering financial and non-financial, Consolidated Entity, Regional Business Unit and individual measures of performance. Typically included are measures such as:

- Revenue;
- Consolidated Entity/Regional Business Unit EBITDA;
- Cashflow;
- Pipeline of future work; and
- Leadership and team contribution.

These measures were chosen as they represent the key drivers of the short-term success of the Consolidated Entity and provide a framework for delivering Long-Term value.

The Consolidated Entity has predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, after consideration of performance against KPIs, the Remuneration Committee, in line with their responsibilities, determines the amount, if any, of the STI to be paid to each executive. The process usually occurs within 3 months after the reporting date.

As a means to reward and align key talent with that of the interest of shareholders the Employee Deferred Incentive Plan (EDIP) was utilised during the year. The EDIP operated as follows:

- Participation is limited to executives that are considered key talent, high performers or high potential;
- Shares are allocated in lieu of cash bonuses and sign-on bonuses; and
- Executives hold a vested interest in the Company and align their interest with shareholders.

The aggregate of annual STI payments available for executives is subject to the approval of the Remuneration Committee. Payments made are delivered to executives in the following reporting period.

Variable Remuneration – Long-Term Incentive (LTI)

Objective
The objective of the LTI plans is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth, align the long-term interest of Group executives with shareholders and to facilitate the retention of talent.

Structure
LTI grants to executives are delivered in the form of shares or options under the:

1. Employee Loan Plan (ELP 15 month) shares with vesting over 15 months;
2. Employee Loan Plan (ELP 3 years) shares with vesting over a period of three years subject to meeting performance hurdles, with no opportunity to retest; or
3. Employee Incentive Plan (EIP) options with vesting over a period of three years subject to meeting performance hurdles, with no opportunity to retest. Executives are able to exercise options for up to two years after vesting before the options lapse.

All ELP and EIP grants are subject to Remuneration Committee approval.

Employee Loan Plan (ELP)
The ELP was last approved by shareholders on 6 November 2008 for the purpose of providing incentives and is a limited recourse loan share plan. The ELP is managed by iSOFT Group ESP Managers Pty Limited, as trustee of the iSOFT Group ELP Trust under which employees of the Consolidated Entity may acquire an interest in the Company's shares. It was established to provide equity incentives to selected employees including Executive Directors and is used as an LTI. Non-executive Directors are not eligible to participate in the ELP. The Remuneration Committee determines the maximum amount of equity under the program to be issued with the allocation to individual executives broadly in line with their past contribution and potential.

Remuneration Report (audited) CONTINUED

Limited recourse loans are provided interest free under the ELP to employees selected by the Remuneration Committee to enable them to acquire the shares. Subject to satisfying any relevant performance or vesting conditions specified by the Remuneration Committee, the employee may direct that the trustee sell the shares and, after applying the proceeds to repaying the loan, the employee may direct that the shares be transferred to them.

The Trustee will either subscribe for a new issue of shares or purchase shares on the ASX. Shares will be held on trust until the participant withdraws from the ELP. Shares will either be purchased on-market at the prevailing market value or issued by the Company at the weighted average price at which the shares were traded on the ASX during the one week period up to and including the date of issue or such other basis as the Remuneration Committee determines.

Shares issued under the ELP carry full shareholder rights such as in relation to rights and bonus issues, voting and dividends but will not participate in any dividend reinvestment plan. Participants in the ELP must not enter into transactions or arrangements, including by way of derivatives or similar financial products, which limit the economic risk of holding unvested awards.

In total, the Consolidated Entity granted 5,531,017 shares under the ELP during the 2009 financial year.

In 2006 the Consolidated Entity granted 2.9 million shares to select executives under the ELP on 9 November 2006 (grant price of $1.0184). Given the Earnings Per Share (EPS) and Share Price Growth (SPG) hurdles at the time only 25% of these shares will vest. Consistent with the commitment to ensure alignment of executive and shareholder wealth creation, the Remuneration Committee has decided it will not alter the terms of the ELP, allocate more shares or restructure the performance hurdles, to make them more beneficial for executives. As a result, select executives have experienced a significant reduction in the value of their potential remuneration in light of the non-vesting of 75% of the grant.

The structure and details of shares or options issued to employees under the Plan are summarised in the following tables:

ELP – 15 Month Shares	
Nature	Each ELP share entitles the participant to one share in the Company upon vesting subject to payment of the limited recourse note.
Grant frequency	Quarterly/Annual grant based upon contractual obligations and performance of employees.
Eligibility criteria	Selected executives, broadly in line with performance and future potential.
Exercise price	5-day VWAP preceding grant date.
Performance hurdles	Time based vesting.
Vesting period	Fifteen months.
Exercise period and expiry	Exercisable upon vesting with no lapse restriction.
Right to Dividends	Right to dividend.

ELP – 3 Year Shares	
Nature	Each ELP Share entitles the participant to one share in the Company upon vesting subject to payment of the limited recourse note.
Grant frequency	Annual Grant and ad-hoc on commencement of employment and future potential grants.
Eligibility criteria	Selected executives, broadly in line with past contribution and future potential.
Exercise price	5-day VWAP preceding grant date.
Performance hurdles	**Earnings Per Share (EPS) – 50% of ELP Share grant** Based on the average annual compound EPS growth over a three year measurement period against a comparator group (15 comparable ASX 200 organisations): • Below Median (50th percentile) of comparator group – 0% of shares vest; • Median of comparator group – 25% of shares vest • 62.5nd percentile of comparator group – 50% of shares vest; • 75th percentile of comparator group – 75% of shares vest; • 80th percentile of comparator group – 100% of shares vest; and • Share vesting levels are interpolated between each percentile above. **Share Price Growth (SPG) – 50% of ELP Share grant** Based on relative SPG performance over a three year measurement period against a comparator group (15 comparable ASX 200 organisations): • Below Median (50th percentile) of comparator group – 0% of shares vest; • Median of comparator group – 25% of shares vest • 62.5nd percentile of comparator group – 50% of shares vest; • 75th percentile of comparator group – 75% of shares vest; • 80th percentile of comparator group – 100% of shares vest; and • Share vesting levels are interpolated between each percentile above.
Vesting period	Three years from grant date. No retesting.
Exercise period and expiry	Exercisable upon vesting with no lapse restriction.
Right to Dividends	Right to dividends.

Remuneration Report (audited) CONTINUED

Employee Incentive Plan (EIP)

The Remuneration Committee approved a new LTI plan in 2008 under which LTIs may be issued in the form of options (EIP).

The EIP was established to provide incentives to selected employees. Awards granted under the EIP may include options, performance rights, cash rights and stock appreciation rights. Since inception of the EIP, only options have been granted and no performance rights, cash rights and stock appreciation rights. It was established to provide equity incentives to executives including Executive Directors. The Remuneration Committee determines the maximum amount of equity under the program to be issued with the allocation to executives broadly in line with their potential (as a sign-on award) or past contribution (as a performance reward/retention tool).

The EIP was approved for use by the Remuneration Committee whereby options were granted to executives with hurdles that apply as follows:

1. 50% of the EIP grant is subject to an Earnings Per Share (EPS) hurdle; and
2. 50% of the EIP grant is subject to a Share Price Growth (SPG) hurdle.

The use of two performance hurdles weighted equally is consistent with market practice. The hurdles motivate executives with a clear line of sight to the outcome through the combination of an internal (EPS) and external (SPG) measure. A comparator group of 15 ASX listed companies was adopted and vesting of options is based on iSOFT's performance compared to the comparator group.

Participants in the EIP must not enter into transactions or arrangements, including by way of derivatives or similar financial products, which limit the economic risk of holding unvested awards.

In total, the Consolidated Entity granted 13.9m options during the year under the EIP.

The structure and details of EIP Options issued to executives on 4 September 2008 under the Plan are summarised in the following table:

Note: For future issues, the Board reserves the right to review the composition of the comparator group and hurdles to ensure it is appropriate as a relative measure of performance of the Company.

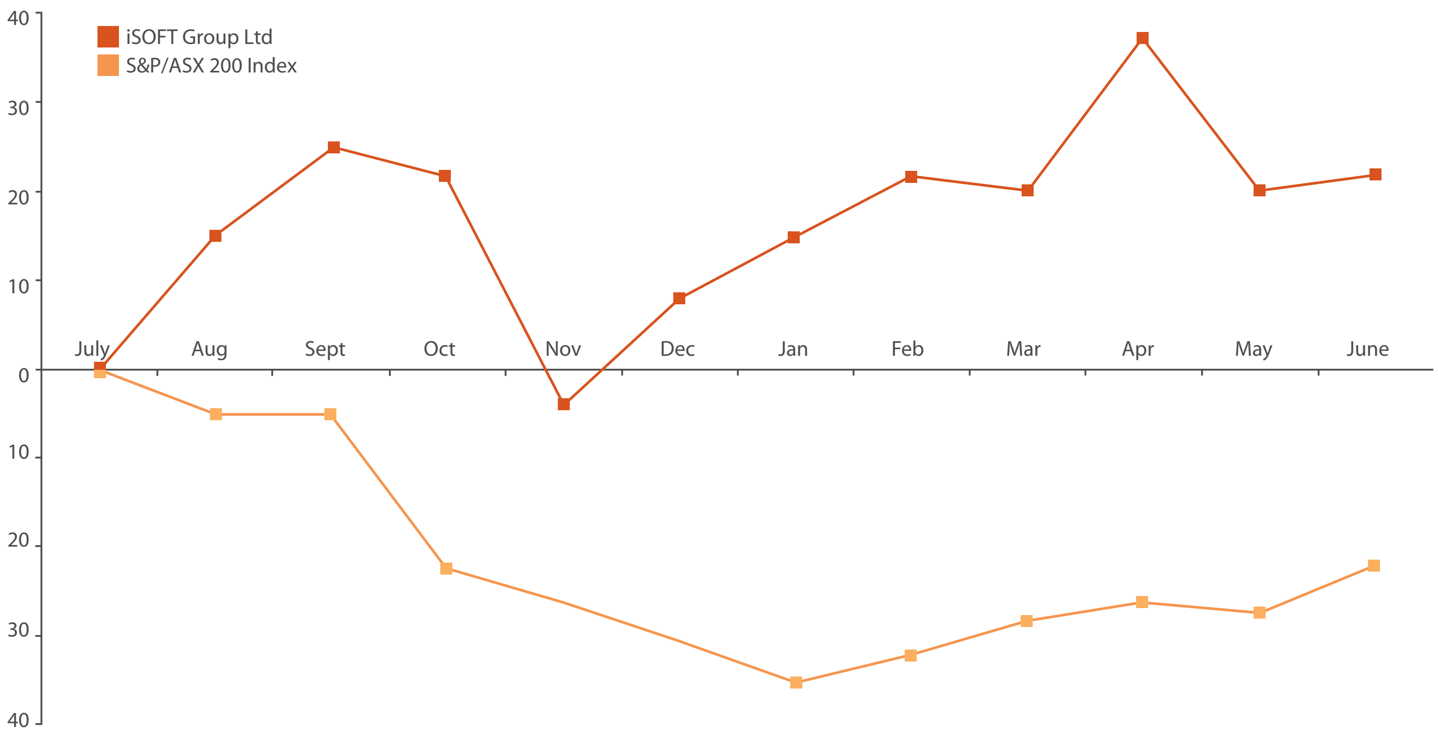
EIP Options	
Nature	Each EIP option entitles the participant to one share in the Company upon vesting subject to payment of an exercise price.
Grant frequency	Annual Grant and ad-hoc on commencement of employment and future potential grants.
Eligibility criteria	Selected executives, broadly in line with past contribution and future potential.
Exercise price	5-day VWAP preceding grant date.
Performance hurdles	**Earnings Per Share (EPS) – 50% of EIP Option grant** Based on the average annual compound EPS growth over a three year measurement period against a comparator group (15 comparable ASX 200 organisations): • Below Median (50th percentile) of comparator group – 0% of options vest; • Median of comparator group – 25% of options vest • 62.5nd percentile of comparator group – 50% of options vest; • 75th percentile of comparator group – 75% of options vest; • 80th percentile of comparator group – 100% of options vest; and • Option vesting levels are interpolated between each percentile above. **Share Price Growth (SPG) – 50% of option grant** Based on relative SPG performance over a three year measurement period against a comparator group (15 comparable ASX 200 organisations): • Below Median (50th percentile) of comparator group – 0% of options vest; • Median of comparator group – 25% of options vest • 62.5nd percentile of comparator group – 50% of options vest; • 75th percentile of comparator group – 75% of options vest; • 80th percentile of comparator group – 100% of options vest; and • Option vesting levels are interpolated between each percentile above.
Vesting period	Three years from grant date. No retesting.
Exercise period and expiry	Exercisable upon vesting and lapse 5 years after grant date.
Right to Dividends	No dividend rights until exercised.

Relationship with Company Performance

Year-on-year performance

	2009	2008	2007	2006	2005
Revenue ($millions)	540.1	360.9	74.8	59.2	42.4
Net Profit After Tax (NPAT) attributable to ordinary equity holders ($millions)	35.1	14.4	22.9	14.5	14.5
Earnings Per Share (cents)	4.26	2.08	6.76	5.5	3.6
Dividends Per Share (cents)	1.0	-	1.0	1.0	0.5
Share Price Growth (%)	18.8	(47.8)	57.8	50.1	n/a
Share price as at 30 June ($)	0.645	0.543	1.04	0.659	0.439

Comparative Performance ASX 200 vs iSOFT for the period 1 July 2008 to 30 June 2009



Remuneration Report (audited) CONTINUED

Development of Executive Remuneration

Mercer a global remuneration consultancy firm was engaged by the Remuneration Committee to assist in the development of the executive remuneration structure, with the aim that the framework will:

- Provide a best practice strategy and structure for Total Remuneration;
- Consider future Consolidated Entity needs given changing organisation and economic conditions;
- Retain and motivate business critical executives to build future value in the business;
- Deliver competitive compensation for performance and contribution to the strategy; and
- Align executive interests with those of the Consolidated Entity's shareholders.

The Remuneration Committee has been able to consider strategically the approach to remuneration and determine the:

- Appropriate peer group to compare iSOFT's executive pay;
- Agreed target market positioning of Group executives based upon performance of the executive;
- Agreed standards of performance that trigger incentive payments;
- Appropriate level of fixed and variable pay; and
- Extent to which the executives share in the organisations' success.

In future, Total Remuneration will comprise:

1. Total Fixed Remuneration (Base Salary, Superannuation) – to reflect capabilities and expertise;
2. Short-term incentives – Rewards achievement and balances organisation/individual performance;
3. Long-term incentive – Aligns reward with key medium and long-term performance outcomes; and provides for ad hoc attraction and retention through share/option grants for business critical executives.

This new structure will provide iSOFT the flexibility to offer and reward executives with the optimally efficient and effective market competitive package.

Growth and Expansion in the Business Platform

The Remuneration Committee and management will continue to review the Consolidated Entity's remuneration structure to ensure that the business has the capacity to engage the required talent in the competitive marketplace.

Total Remuneration will remain at levels considered fair, reasonable and consistent with market practice, and will continue to be driven by individual performance and contribution.

Executive Remuneration Details and other Disclosures

Executive Directors and Executives Contractual Entitlements and Termination Arrangements

Remuneration and other terms of employment for all Key Management Personnel are formalised in Employment Service Agreements (ESA). As well as base salary, remuneration arrangements include superannuation, pension and social security obligations, termination entitlements and fringe benefits. Unless the ESA has provisions to the contrary, Key Management Personnel are eligible to participate in Short Term (bonus) and Long-Term (equity) incentive schemes. Other major provisions of the agreements of Executive Directors and other executives relating to remuneration as at 30 June 2009 are set out below:

Name	Term of Agreement	Annualised Base Remuneration [1] (effective from 1 July 2008) [2]	Special Arrangements [2,3]	Termination of Employment
Gary Cohen Executive Chairman & Chief Executive Officer	Open ended commencing 1 July 2000	$659,229	• Other non-monetary benefits $10,708 p.a.	• 12 months notice by either party • Company may elect term of Garden Leave during which it is obliged to pay ongoing remuneration entitlements including short term incentives to the extent time worked • Non-solicitation and non-competition clauses
Stephen Garrington Director Group Business Development and Strategy	Open ended commencing 12 July 2004	$420,385	• Other non-monetary benefits $51,315 p.a. • EDIP Participation $25,000 p.a. • ELP (15 Month) Participation $25,000 p.a.	• 6 months notice by either party • Non-solicitation and non-competition clauses
Andrea Fiumicelli Chief Operating Officer	Open ended commencing 7 April 2008	$333,794	• Other non-monetary benefits $399,414 p.a.	• Company may elect term of Garden Leave during which it is obliged to pay ongoing remuneration entitlements excluding bonus and LTI payments • Non-solicitation and non-competition clauses
Brian Cohen Chief Technology Officer	Open ended commencing 15 February 2000	$374,000	• Other non-monetary benefits $97,257 p.a. • EDIP Participation $38,000 p.a. • ELP (15 month) Participation $38,000 p.a.	• Three months notice by either party • Non-solicitation and non-competition clauses
Martin Deda Group Finance Director	Open ended commencing 14 July 2008	$563,745	• Other non-monetary benefits $43,169 p.a.	• Six months notice by either party • Company may elect to pay six months in lieu of notice • Non-solicitation and non-competition clauses
Peter Herrmann Central Europe Managing Director	3 year contract from 1 May 2006 with the option for the company to extend a further 2 years. Contract extended to 1 May 2011	$496,220	• Other non-monetary benefits $126,046 p.a.	• Non-compete 12 months following termination with Company discretion to give 3 months notice in advance to cease non compete clause early • Non-compete indemnity payment equal to 50% of remuneration, bonuses and fringe benefits received reduced by amounts received by employment elsewhere (or maliciously fails to earn) • Employment contract ceases at age 66 years
Wim Botermans ASIA Managing Director	Open ended commencing 15 August 2000	$466,471	• Other non-monetary benefits $392,200 p.a.	• Voluntary termination 3 months notice • Involuntary termination 5 months severance pay

1. Annualised Base Remuneration in respect of the 12 months ending 30 June 2009 and is inclusive of statutory superannuation for Australian based employees.
2. All Australian Dollar equivalent amounts.
3. Non-monetary benefits may include car parking/allowance, health/life/salary continuance insurance, pension scheme contributions, and various standard expatriate benefits as appropriate.

Remuneration Report (audited) CONTINUED

Remuneration of Executive Directors and other Executives

		Short-term employee benefits			Share-based payments[1]		Post - employment			
AUD dollars		Base Salary and Fees	Cash Bonus [7]	Non-Monetary Benefits [6]	ELP Shares [8]	EIP Options	Superan-nuation	Total	% Remuneration Performance related	% Remuneration that consists of options
Executive Directors										
Gary Cohen	2009	645,484	645,000	10,708	(201,365)	-	13,745	1,113,572	39.9%	0.0%
	2008	645,484	330,000	239,750	402,730	-	13,189	1,631,153	44.9%	0.0%
Stephen Garrington	2009	431,640	282,000	51,315	(110,444)	-	13,745	668,256	25.8%	0.0%
	2008	431,000	250,000	3,650	198,923	-	13,189	896,762	50.1%	0.0%
Other Key Management Personnel										
Andrea Fiumicelli [4]	2009	333,794	431,500	399,414	-	73,552	-	1,238,260	40.8%	5.9%
	2008	110,544	-	27,985	-	-	-	138,529	0.0%	0.0%
Brian Cohen [4]	2009	416,208	280,000	97,257	50,332	-	-	843,797	39.1%	0.0%
	2008	339,333	80,000	58,697	42,979	-	-	521,009	23.6%	0.0%
Martin Deda [2/4]	2009	533,780	412,000	43,169	36,776	-	13,745	1,039,470	43.2%	0.0%
	2008	-	-	-	-	-	-	-	-	-
Ceased to be a KMP during the year:										
Other Key Management Personnel										
Gordon Mackay [3]	2009	9,973	-	712	3,618	-	490	14,793	24.5%	0.0%
	2008	300,000	100,000	93,119	88,199	-	13,189	594,507	31.7%	0.0%
Other Executives										
Peter Herrmann [4]	2009	496,220	387,448	126,046	-	29,421	-	1,039,135	40.1%	2.9%
	2008	-	-	-	-	-	-	-	-	-
Wim Botermans [4]	2009	466,471	-	392,200	-	36,776	-	895,447	4.1%	4.1%
	2008	-	-	-	-	-	-	-	-	-

1. The fair value of equity grants for each individual are measured at the grant dates and recognised evenly over the vesting period. The expense recognised in the income Statement and disclosed in the remuneration tables is not adjusted in the event the equity grants do not vest due to failure to meet a market condition. Similarly, the amount is not reversed to reflect the ultimate value (if any) provided to KMP. However, if it is considered probable that a KMP will not meet a service condition or probable that a non-market condition will no longer be satisfied, the expense is adjusted.
2. Under the Employee Loan Plan (ELP), share grants would be transferred to the participant provided a limited recourse loan is paid. ELP shares are in substance options and are separately disclosed from Employee Incentive Plan option grants.
3. Gordon Mackay was a KMP for the period 1 July 2008 to 13 July 2008 and continues to be employed by the Group.
4. Denotes one of the five highest paid executives of the Group as required to be disclosed under the Corporations Act 2001.
5. Remuneration in the form of ELP shares includes negative amounts for share grants for which it is no longer probable that a non-market condition will be satisfied.
6. Non-monetary benefits may include car parking/allowance, health/life/salary continuance insurance, pension scheme contributions, and various standard expatriate benefits as appropriate.
7. Short-term incentives payable in cash awarded under iSOFT's annual discretionary bonus scheme is funded from the bonus pool and based on the Consolidated Entity's performance and relevant RBU performance where applicable based on achievement of agreed objectives set at the beginning of the performance year.
8. The reversal of previous expense reported reflects the revised probability of not meeting a non-market condition.

Equity Based Compensation of Executive Directors and other Executives

Employee Loan Plan 2009

For the period ending 30 June 2009

	Balance of unvested ELP shares at the start of the year	Granted as compensation during the year	Forfeited during the year	Vested during the year	Transferred out during the year	Balance of unvested ELP shares at end of the year	Fair value[1] of unvested shares at end of the year
Executive Directors							
Gary Cohen	3,304,347	-	(375,000)	(375,000)	-	2,554,347	-
Stephen Garrington	1,804,049	48,652	(250,000)	(282,661)	-	1,320,040	-
Executives							
Brian Cohen	49,645	573,952	-	(49,645)	-	573,952	-
Martin Deda	-	500,000	-	-	-	500,000	-
Ceased to be a KMP during the year:							
Executives							
Gordon Mackay[2]	728,152	-	-	-	(728,152)	-	-
Total	5,886,193	622,604	(625,000)	(707,306)	(728,152)	4,448,339	-

1. Fair value is determined by taking the market value of the Company shares as at 30 June 2009 and reducing them by the outstanding note at that date.
2. Transferred out does not mean that the individual has left the Consolidated Entity, or that the grants have vested or been exercised.

Employee Loan Plan 2008

For the period ending 30 June 2008

	Balance of unvested ELP shares at the start of the year	Granted as compensation during the year	Vested during the year	Balance of unvested ELP shares at end of the year	Fair value[3] of unvested shares at end of the year
Executive Directors					
Gary Cohen	1,500,000	1,804,347	-	3,304,347	-
Stephen Garrington	1,023,597	804,049	(23,597)	1,804,049	-
Executives					
Brian Cohen	35,869	49,645	(35,869)	49,645	-
Gordon Mackay	414,159	328,152	(14,159)	728,152	-
Total	**2,973,625**	**2,986,193**	**(73,625)**	**5,886,193**	**-**

3. Fair value is determined by taking the market value of the Company shares as at 30 June 2009 and reducing them by the outstanding note at that date.

Remuneration Report (audited) CONTINUED

Employee Incentive Plan 2009

For the period ending 30 June 2009

	Balance of unvested EIP options at the start of the year	Granted as compensation during the year	Forfeited during the year	Vested during the year	Exercised during the year	Balance of unvested EIP options at the end of the year
Executive Directors						
Andrea Fiumicelli	-	1,000,000	-	-	-	1,000,000
Wim Botermans	-	500,000	-	-	-	500,000
Peter Herrmann	-	400,000	-	-	-	400,000
Total	-	1,900,000	-	-	-	1,900,000

Note: The EIP commenced operation from July 2008

EIP Option Holdings of Key Management Personnel and other Executives

For the period ending 30 June 2009

	Plan type [1]	Hurdle type [2]	Grant date fair value [3] per option	Option exercise price ($) [4]	Balance of options at the start of the year	Granted during the year	Balance of unvested options at the end of the year
Executives							
Andrea Fiumicelli	EIP	EPS	0.3016	0.7297	-	500,000	500,000
		SPG	0.2703	0.7297	-	500,000	500,000
Wim Botermans	EIP	EPS	0.3016	0.7297	-	250,000	250,000
		SPG	0.2703	0.7297	-	250,000	250,000
Peter Herrmann	EIP	EPS	0.3016	0.7297	-	200,000	200,000
		SPG	0.2703	0.7297	-	200,000	200,000
Total					**-**	**1,900,000**	**1,900,000**

1. For plan types, refer structure and details of Long-Term incentive plans in earlier section of this Remuneration Report.
2. For performance hurdles, refer structure and details of EIP options in earlier section of this Remuneration Report.
3. Grant dated fair value. For details of EIP option remuneration values, please refer to earlier section of this Remuneration Report.
4. Option exercise price. For details of individual option exercise prices, please refer earlier section of this Remuneration Report.

ELP Option Holdings of Executive Directors and other Executives

For the period ending 30 June 2009

	Plan type [1]	Hurdle type [2]	Grant-date fair value [3] per option	Option exercise price ($) [4]	Balance of vested and unvested options at the start of the year	Granted during the year	Lapsed or forfeited during the year	Transferred out during the year [5]	Balance of vested and unvested options at the end of the year
Executive Directors									
Gary Cohen	ELP	EPS	0.3705	0.7914	1,652,174	-	-	-	1,652,174
		SPG	0.2962	0.8137	2,652,173	-	(375,000)	-	2,277,173
		Other	0.2974	0.6686	1,000,000	-	-	-	1,000,000
Stephen Garrington	ELP	EPS	0.4064	0.8374	885,694	-	-	-	885,694
		SPG	0.3412	0.6903	1,885,694	-	(250,000)	-	1,635,694
		Other	0.4301	0.3500	3,000,000	-	-	-	3,000,000
	ELP 15m	n/a	0.2343	0.7000	143,237	48,652	-	-	191,889
Executives									
Brian Cohen	ELP	EPS	0.3016	0.7297	-	250,000	-	-	250,000
		SPG	0.2703	0.7297	-	250,000	-	-	250,000
		Other	0.1810	0.3885	777,110	-	-	-	777,110
	ELP 15m	n/a	0.1460	0.4300	501,200	73,952	-	-	575,152
Martin Deda	ELP	EPS	0.3016	0.7297	-	250,000	-	-	250,000
		SPG	0.2703	0.7297	-	250,000	-	-	250,000
						-	-		
Ceased to be a KMP during the year:									
Executives									
Gordon Mackay	ELP	EPS	0.4064	0.8374	354,278	-	-	(354,278)	-
		SPG	0.4560	1.1667	354,277	-	-	(354,277)	-
		Other	-	-	-	-	-	-	-
	ELP 15m	n/a	0.2095	0.6000	312,284	-	-	(312,284)	-
Total					**13,518,121**	**1,122,604**	**(625,000)**	**(1,020,839)**	**12,994,886**

1. For plan types, refer structure and details of Long-Term Incentive plans in earlier section of this Remuneration Report. The ELP Shares are granted with a limited recourse loan of which the outstanding amount can be determined by multiplying the number of vested and unvested shares with the ELP exercise price. As such, ELP Shares are in substance options.
2. For performance hurdles, refer structure and details of options in earlier section of this Remuneration Report.
3. Grant date fair value. For details of individual option fair values, refer to earlier section of this Remuneration Report.
4. ELP exercise price reflects the amount payable in relation to the limited recourse loan attached to the ELP Share grant. For details of individual ELP Share exercise prices please refer earlier section of this Remuneration Report.
5. Shares sold or transferred out of the ELP Plan. Transferred out does not mean that the individual has left the Consolidated Entity.

Remuneration Report (audited) CONTINUED

ELP Option Holdings of Executive Directors and other Executives

For the period ending 30 June 2008

	Plan type [1]	Hurdle type [2]	Grant date fair value [3] per option ($)	Option exercise price ($) [4]	Balance of vested and unvested options at the start of the year	Granted during the year	Balance of vested and unvested options at the end of the year
Executive Directors							
Gary Cohen	ELP	EPS	0.3705	0.7914	750,000	902,174	1,652,174
		SPG	0.2543	0.6987	1,750,000	902,173	2,652,173
		Other	0.2974	0.6686	1,000,000	-	1,000,000
Stephen Garrington	ELP	EPS	0.4064	0.8374	500,000	385,694	885,694
		SPG	0.2959	0.5988	1,500,000	385,694	1,885,694
		Other	0.4301	0.3500	3,000,000	-	3,000,000
	ELP 15m	n/a	0.2413	0.70	110,576	32,661	143,237
Executives							
Brian Cohen		Other	0.1810	0.3885	777,110	-	777,110
	ELP 15m	n/a	0.1360	0.40	451,555	49,645	501,200
Gordon Mackay	ELP	EPS	0.4064	0.8374	200,000	154,278	354,278
		SPG	0.3273	0.8374	200,000	154,277	354,277
	ELP 15m	n/a	0.2091	0.60	292,687	19,597	312,284
Total					**10,531,928**	**2,986,193**	**13,518,121**

Note: Vested ELP grants are also included in this table. The exercise period is unlimited.

1. For plan types, refer structure and details of Long-Term Incentive plans in earlier section of this Remuneration Report. The ELP Shares are granted with a limited recourse loan of which the outstanding amount can be determined by multiplying the number of vested and unvested shares with the ELP exercise price. As such, ELP Shares are in substance options.
2. For performance hurdles, refer structure and details of options in earlier section of this Remuneration Report.
3. Grant date fair value. For details of individual option fair values, refer to earlier section of this Remuneration Report.
4. ELP exercise price reflects the amount payable in relation to the limited recourse loan attached to the ELP Share grant. For details of individual ELP Share exercise prices please refer earlier section of this Remuneration Report.

Loans to Executive Directors and other Executives

Employee Loan Plans

Under the ELP plans, the trustee of the ELP provides participants with a limited recourse loan (non-interest bearing). The loans are limited in their recourse to the underlying shares granted and the trustee of the ELP plans has the option of taking ownership of the shares and using them to satisfy other share awards in the event of forfeiture/non-vesting by the Executive. ELP shares are in substance options, refer to equity based compensation earlier in the remuneration report.

Other Transactions with Executive Directors and other Executives

There are no other transactions with Executive Directors and other executives.

Non-executive Director Remuneration Framework

The remuneration arrangements for Non-executive Directors aims to attract and retain suitably qualified Non-executive Directors, and appropriately reward them for their role and commitment in providing sound governance and representing the interests of shareholders.

The Non-executive Director remuneration framework comprises Director fees paid in cash and statutory superannuation contributions.

In order to maintain their independence and impartiality, the remuneration of the Non-executive Directors by the Company is not linked to the performance of the Consolidated Entity. As a result they do not receive any performance related bonus or participate in any Short-Term or Long-Term incentive scheme from the Company.

iSOFT does not provide termination benefits or operate a retirement scheme for Non-executive Directors other than compulsory superannuation contributions comprising part of their remuneration.

Director Fees

Non-executive Directors receive annual fees that are reviewed periodically by the Board taking into account:

- advice from independent external remuneration consultants on competitive market practice;
- experience and responsibilities of the Directors and the Board committees; and
- demands placed on Non-executive Directors in light of the size and complexity of the Consolidated Entity.

Fee Structure

Director Fees are set within an aggregate maximum pool determined by Shareholders and for 2009 the total was $1,000,000.

The schedule of fees (inclusive of statutory superannuation where appropriate) for the Board and Board Committees for the 2009 financial year was as follows:

		Board $	Board Audit and Compliance Committee $	Board Remuneration Committee $
Chairman	2010	-	30,000	25,000
	2009	-	21,800	21,800
Member	2010	85,000	15,000	15,000
	2009	76,300	10,900	10,900

Remuneration Report (audited) CONTINUED

Non-executive Directors Remuneration and other Disclosures

Remuneration Entitlements and Termination Arrangements

Remuneration is viewed as a total package, comprising fees paid in cash and statutory superannuation contributions (where appropriate). Non-executive Directors do not receive performance- related cash bonuses or termination payments. The remuneration arrangements of Non-executive Directors relating to remuneration are set out below:

		Short-term base salary and fees $	Post-employment superannuation $	Total $
Non-Executive Directors				
Claire Jackson	2009	70,417	6,337	76,754
	2008	60,833	6,083	66,916
Lachlan MacGregor [1]	2009	6,493	-	6,493
	2008	-	-	-
Robert Moran [1]	2009	55,452	-	55,452
	2008	1,250	-	1,250
Anthony Sherlock [2]	2009	90,000	8,100	98,100
	2008	98,333	9,833	108,166
Ian Tsicalas	2009	87,897	7,911	95,808
	2008	6,667	-	6,667
Peter Wise	2009	90,000	8,100	98,100
	2008	71,667	7,167	78,834
Ceased to be a KMP:				
Donald Conway [1]	2009	28,055	-	28,055
	2008	48,125	-	48,125
Marcus Derwin	2009	-	-	-
	2008	30,208	-	30,208

1. Robert Moran, Donald Conway and Lachlan MacGregor have their remuneration paid to an employer entity.
2. On 9 November 2004, 100,000 options were granted and approved by Shareholders, with an exercise price of $0.72 and an expiry date of 4 November 2009. These options have all vested and remain currently exercisable.

2009 Relevant interest in ordinary shares of the Directors and other Executives

The movement during the reporting period in the number of ordinary securities in the Company held directly, indirectly or beneficially, by each Key Management Person, including their related parties is as follows:

	Balance at the start of the year [A]	Pro-rata entitlement Apr-09	Acquired during the year	Disposed during the year	Transferred out during the year	Balance at the end of the year	Balance at 18-Aug-09
Executive Directors							
Gary Cohen [B]	72,546,550	3,514,285	8,226,669	(14,435,620)	(375,000)	69,476,884	69,476,884
Stephen Garrington	6,463,594	-	227,948	(600,000)	(250,000)	5,841,542	5,841,542
Non-executive Directors							
Claire Jackson	39,620	-	-	-	-	39,620	39,620
Robert Moran [1]	672,773	140,000	-	-	(231,836)	580,937	580,937
Anthony Sherlock	10,000	-	-	-	-	10,000	10,000
Ian Tsicalas	-	-	-	-	-	-	-
Peter Wise	12,688,443	1,100,000	-	(2,271,530)	-	11,516,913	11,516,913
Donald Conway [2]	250,000	-	-	-	(250,000)	-	-
Alternate Director							
Lachlan MacGregor [3]	-	-	-	-	-	-	-
Key Management Personnel							
Wim Botermans	-	-	209,525	-	-	209,525	209,525
Brian Cohen [B]	71,362,526	3,514,285	3,605,765	(11,032,900)	(375,000)	67,074,676	67,074,676
Martin Deda [4]	-	27,273	500,000	-	-	527,273	527,273
Andrea Fiumicelli	-	-	78,222	(15,442)	-	62,780	62,780
Peter Herrmann	-	-	-	-	-	-	-
Gordon Mackay [5]	437,829	-	-	-	(437,829)	-	-

1. Robert Moran was appointed a full Director on 6 November 2008.
2. Donald Conway resigned on 6 November 2008.
3. Lachlan MacGregor was appointed as an Alternate Director on 9 January 2009.
4. Martin Deda became a Key Management Person as at 14 July 2009.
5. Gordon Mackay ceased to be a Key Management Person as at 13 July 2009 but remains employed by the Group.

A All the shares are inclusive of vested and unvested shares under the iSOFT Employee Loan Plan where applicable. The balance of vested and unvested shares held by individuals is disclosed in the Employee Loan Plan section of this report.

B This amount includes the relevant interest in securities of the RJL Investments Pty Limited Group of Companies, of which Brian Cohen and Gary Cohen each have a 50% stake of 60,330,299 shares. This amount also includes the relevant interest in vested and unvested shares under the share award plans for Gary Cohen and Brian Cohen. This amount does not include the relevant interests pursuant to a Pre-emption Deed under which RJL Investments Pty Ltd and Oceania Healthcare Technology Investments Pty Limited each grant pre-emptive rights over their shares in the Company in favour of the other. Pre-emptive rights do not attach to more shares than the number which, when added to the person's existing voting power, equals 19.9%.

Remuneration Report (audited) CONTINUED

2008 Relevant interest in ordinary shares of the Directors and other Executives

The movement during the comparative period in the number of ordinary securities in the Company held directly, indirectly or beneficially, by each Key Management Person, including their related parties as follows:

	Balance at the start of the year [A]	Acquired during the year	Disposed during the year	Transferred during the year	Balance at the end of the year	Balance at 24-Sep-08
Executive Directors						
Gary Cohen [B]	70,447,211	2,099,339	-	-	72,546,550	72,546,550
Stephen Garrington	5,498,018	965,576	-	-	6,463,594	6,463,594
Non-executive Directors						
Donald Conway	-	250,000	-	-	250,000	250,000
Claire Jackson	39,620	-	-	-	39,620	39,620
Anthony Sherlock	60,000	-	(50,000)	-	10,000	10,000
Ian Tsicalas	-	-	-	-	-	-
Peter Wise	12,688,443	-	-	-	12,688,443	12,688,443
Alternate Director						
Robert Moran	-	672,773	-	-	672,773	672,773
Key Management Personnel						
Brian Cohen [B]	69,263,187	2,099,339	-	-	71,362,526	71,362,526
Andrea Fiumicelli	-	-	-	-	-	-
Gordon Mackay	38,534	399,295	-	-	437,829	437,829

A All the shares are inclusive of vested and unvested shares under the iSOFT Employee Loan Plan where applicable. The balance of vested and unvested shares held by individuals is disclosed in the Employee Loan Plan section of this report.

B This amount includes the relevant interest in securities of the RJL Investments Pty Limited group of Companies, of which Brian Cohen and Gary Cohen each have a 50% stake of 55,456,545 shares. This amount also includes the relevant interest in vested and unvested shares under the share award plans for Gary Cohen and Brian Cohen. This amount does not include the relevant interests pursuant to a Pre-emption Deed under which RJL Investments Pty Ltd and Oceania Healthcare Technology Investments Pty Limited each grant pre-emptive rights over their shares in the Company in favour of the other. Pre-emptive rights do not attach to more shares than the number which, when added to the person's existing voting power, equals 19.9%.

Auditor's independence declaration

PKF

Chartered Accountants
& Business Advisers

To: **The Directors**
iSOFT Group Limited

As lead auditor for the audit of iSOFT Group Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of iSOFT Group Limited and the entities it controlled during the year.

PKF

Bruce Gordon
Partner
Sydney
Dated this 18th day of August 2009

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DX 10173 | Sydney Stock Exchange | New South Wales

Financial statements

Income Statements FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Sales revenue		538,851	358,003	9,267	12,317
Other revenue		1,273	2,940	69,911	12,806
Revenue	4	540,124	360,943	79,178	25,123
Expenses excluding finance costs, depreciation, amortisation and impairment	5	(407,736)	(264,567)	(56,747)	(24,954)
EBITDA	**7**	**132,388**	**96,376**	**22,431**	**169**
Depreciation	16	(8,351)	(6,287)	(727)	(375)
Amortisation of intangible assets	17	(45,612)	(30,324)	(562)	(556)
Impairment of intangible assets	17	-	(5,179)	-	-
Finance costs	6	(34,006)	(30,498)	(9,923)	(9,336)
Earnings before income tax expense		**44,419**	**24,088**	**11,219**	**(10,098)**
Income tax expense	8	(9,688)	(9,433)	3,038	(332)
Profit/(loss) for the year		**34,731**	**14,655**	**14,257**	**(10,430)**
Attributable to:					
Equity holders of the parent entity		35,086	14,436	14,257	(10,430)
Minority interest		(355)	219	-	-
Profit/(loss) for the year		**34,731**	**14,655**	**14,257**	**(10,430)**

		Cents	Cents
Basic earnings per share attributable to ordinary equity holders	40	4.30	2.08
Diluted earnings per share attributable to ordinary equity holders	40	4.26	2.06

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheets AS AT 30 JUNE 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Current Assets					
Cash and cash equivalents	9	85,737	54,218	7,268	1,275
Trade and other receivables	10	73,884	77,188	80,086	44,270
Inventories	11	192	350	-	-
Income tax receivable	18	2,007	784	-	-
Accrued revenue	12	73,220	58,700	983	1,454
Other current assets	13	15,019	15,209	12,761	8,341
Total Current Assets		**250,059**	**206,449**	**101,098**	**55,340**
Non-Current Assets					
Property, plant and equipment	16	24,461	19,961	7,665	1,858
Intangible assets	17	920,484	933,050	3,852	4,422
Loan assets held at amortised cost	14	-	-	148,531	133,186
Investments	15	-	-	474,761	407,780
Deferred tax assets	18	92,370	99,435	2,252	1,906
Accrued revenue	19	13,815	20,525	4,403	4,521
Total Non-Current Assets		**1,051,130**	**1,072,971**	**641,464**	**553,673**
Total Assets		**1,301,189**	**1,279,420**	**742,562**	**609,013**
Current Liabilities					
Trade and other payables	20	112,060	132,610	11,718	6,683
Borrowings	21	55,788	98,123	-	9,000
Income tax liabilities	18	2,028	-	1,530	50
Provisions	22	1,615	3,178	1,381	862
Deferred income	23	67,898	82,063	1,694	1,506
Total Current Liabilities		**239,389**	**315,974**	**16,323**	**18,101**
Non-Current Liabilities					
Trade and other payables	26	6,700	7,601	-	-
Borrowings	24	186,382	231,258	29,445	34,800
Deferred tax liabilities	18	99,894	116,744	5,166	7,594
Provisions	22	831	508	630	508
Retirement benefit obligations	25	29,123	31,020	-	-
Other non-current liabilities	27	-	800	-	800
Total Non-Current Liabilities		**322,930**	**387,931**	**35,241**	**43,702**
Total Liabilities		**562,319**	**703,905**	**51,564**	**61,803**
Net Assets		**738,870**	**575,515**	**690,998**	**547,210**
Equity					
Contributed equity	28	728,960	602,328	728,960	602,328
Reserves	29	(4,478)	(6,470)	22,026	19,127
Retained earnings/accumulated losses	29	14,393	(20,693)	(59,988)	(74,245)
Total equity attributable to equity holders of the parent entity		**738,875**	**575,165**	**690,998**	**547,210**
Minority interest	29	(5)	350	-	-
Total Equity		**738,870**	**575,515**	**690,998**	**547,210**

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of Recognised Income and Expense FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Defined benefit plan actuarial gains/(losses), net of tax	29	1,245	(9,115)	-	-
Irrecoverable element of minimum funding requirement, net of tax	25	(1,433)	(1,181)	-	-
Foreign currency translation differences, net of tax	29	2,867	(441)	28	(51)
Equity component of convertible notes, net of tax	29	-	10,273	-	10,273
Net income recognised directly in equity		2,679	(464)	28	10,222
Profit/(loss) for the period		34,731	14,655	14,257	(10,430)
Total recognised income and expense for the period		**37,410**	**14,191**	**14,285**	**(208)**
Total recognised income and expense for the period is attributable to:					
Equityholders of the parent entity		37,765	13,972	14,285	(208)
Minority interest	29	(355)	219	-	-
Total recognised income and expense for the period		**37,410**	**14,191**	**14,285**	**(208)**
Effect of changes in accounting policy:					
Change in accounting policy on the adoption of IFRIC 14					
Irrecoverable element of minimum funding requirement, net of tax	25	(1,433)	(1,181)	-	-
Attributable to:					
Equity holders of the parent entity		(1,433)	(1,181)	-	-

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

Cash Flow Statements FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		The Company	
	Notes	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		589,461	351,699	12,979	14,973
Payments to suppliers and employees (inclusive of GST)		(516,320)	(271,884)	(42,068)	(23,647)
Interest received		1,619	2,332	242	1,751
Income tax paid		(10,509)	(5,943)	(71)	-
Net cash from operating activities	**38**	**64,251**	**76,204**	**(28,918)**	**(6,923)**
Cash flows from investing activities					
Payment for purchase of property, plant and equipment	16	(9,216)	(2,610)	(2,877)	(492)
Payment for acquisition of business entity, net of cash	35	(4,696)	(306,943)	(4,262)	(302,221)
Payment for development expenditure	17	(17,989)	(8,699)	(221)	(236)
Payment for deferred consideration		(918)	(1,390)	(188)	(223)
Loans to wholly owned subsidiaries		-	-	2,793	(66,411)
Proceeds from sales of property, plant and equipment		202	-	-	-
Net cash from investing activities		**(32,617)**	**(319,642)**	**(4,755)**	**(369,583)**
Cash flows from financing activities					
Proceeds from issue of shares	28	116,448	132,000	116,448	132,000
Proceeds from issue of convertible notes	24	7,224	105,292	7,224	105,292
Share issue costs		(4,490)	(16,717)	(4,490)	(16,717)
Proceeds from borrowings		31,210	247,698	-	10,837
Repayment of borrowings		(88,910)	(232,165)	(76,851)	(380)
Finance costs paid		(25,660)	(66,428)	(2,665)	(945)
Repayment of contract funding and other funding		(37,552)	(24,044)	-	-
Finance lease principal repayments		(677)	-	-	-
Dividends paid		-	(19)	-	(19)
Net cash from financing activities		**(2,407)**	**145,617**	**39,666**	**230,068**
Net increase/(decrease) in cash and cash equivalents		29,227	(97,821)	5,993	(146,438)
Cash and cash equivalents held at 1 July	9	54,218	152,528	1,275	149,046
Effect of exchange rate changes on cash and cash equivalents		2,292	(489)	-	(1,333)
Cash and cash equivalents held at 30 June	**9**	**85,737**	**54,218**	**7,268**	**1,275**

The above cashflow statements should be read in conjunction with the accompanying notes.

Contents

Notes to the Financial Statements

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied by the Consolidated Entity and the Company to all the years presented, unless otherwise stated.

This financial report covers both the separate financial statements of iSOFT Group Limited (formerly known as IBA Health Group Limited) as an individual entity and ultimate parent of the iSOFT Group ("the Company" or "iSOFT") as well as the consolidated financial statements of the Consolidated Entity consisting of iSOFT Group Limited and its subsidiaries (together referred to as the "Consolidated Entity" or "Group") and interests in jointly controlled entities for the year ended 30 June 2009.

(a) Basis of preparation

(i) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The consolidated financial report of the Consolidated Entity and financial report of the Company also comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(ii) Rounding of amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian Dollars in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(iii) Adoption of new Standards and Interpretations, reclassifications and corrections of errors

The Consolidated Entity and the Company have applied the pronouncements to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The following items in the financial statements had to be restated as a result of the applying this standard:

	30 June 2008 $'000	Increase/ (Decrease) $'000	Consolidated 1 July 2008 (Restated) $'000
Balance Sheet (extract)			
Other current assets	27,137	(11,928)	15,209
Other assets	1,264,211	-	1,264,211
Total Assets	**1,291,348**	**(11,928)**	**1,279,420**
Retirement benefit obligation [1]	29,380	1,640	31,020
Borrowings – non-current	235,174	(3,916)	231,258
Deferred tax liabilities	115,837	907	116,744
Other liabilities	324,883	-	324,883
Total liabilities	**705,274**	**(1,369)**	**703,905**
Net assets	**586,074**	**(10,559)**	**575,515**
Contributed equity	602,328	-	602,328
Reserves	1,984	(8,454)	(6,470)
Retained earnings	(18,588)	(2,105)	(20,693)
Minority interest	350	-	350
Total equity	**586,074**	**(10,559)**	**575,515**

1. Opening balance after reclassifications

Notes to the Financial Statements CONTINUED

The Consolidated Entity has made an adjustment following the adoption of IFRIC 14 as follows:
IFRIC 14, AASB 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. This interpretation sets out when refunds or reductions in future contributions to a defined benefit scheme should be regarded as available in accordance with AASB 119 *Employee Benefits*, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability. The Consolidated Entity has adopted IFRIC 14 with effect from 1 July 2008 and comparative information has been restated accordingly. This has resulted in the recognition of an additional liability for the irrecoverable element of minimum funding requirements to the SMS Staff Benefits Plan at 30 June 2008 and 30 June 2009. In accordance with the Consolidated Entity's accounting policy for defined benefit plans under AASB 119, the movement in the irrecoverable element of the minimum funding requirement is taken directly to the consolidated statement of recognised income and expense.

The net pension liability of AUD $29.4 million at 30 June 2008 has been restated by an increase in liability of AUD $1.6 million. The additional liability recognised at 30 June 2009 is AUD $4.0 million. The corresponding movement recognised in the consolidated statement of recognised income and expenditure in the year ended 30 June 2008 is AUD $1.1 million and AUD $3.6 million in the year ended 30 June 2009. A further detail of the impact of this change in accounting policy is given on the face of the consolidated statement of recognised income and expense and in Note 25. Also refer Note 1 (y) (iv).

The Consolidated Entity has restated prior period equity amounting to $9.8 million for a deduction of 16.5 million treasury shares that are held by an employee benefit trust which has been retrospectively consolidated as the substance of the relationship is that the trust is controlled by the Consolidated Entity (refer Note 1 (b), 1 (aa) and 29). The opening balance of prior period equity at 1 July 2007 has been restated by $7.9 million for a deduction of 13.7 million treasury shares (refer Note 29). The opening balance of prior period equity at 1 July 2007 has been restated by $7.9 million for a deduction of 13.7 million treasury shares (refer Note 29). Consequently, basic earnings per share for the comparative period have been restated to exclude treasury shares (refer Note 40).

The Consolidated Entity has restated prior period retained earnings by $2.1 million in relation to an error with regard to accounting for jointly controlled entities. This has resulted in a reduction of other current assets and retained earnings amounting to $2.1 million (refer Note 29).

The Consolidated Entity and the Company have restated the liability and equity components of convertible notes as well as related deferred tax liabilities in the prior period which has resulted in a reclassification from debt to equity amounting to $3.9 million and restatement of deferred tax liabilities amounting to $1.4 million as at 30 June 2008 (refer Note 24).

The Company

	2008 $'000	Increase/ (Decrease) $'000	2008 (Restated) $'000
Income Statement (extract)			
Revenue	20,980	4,143	25,123
Expenses	(24,954)	-	(24,954)
EBITDA	**(3,974)**	**4,143**	**169**
Depreciation and amortisation	(931)	-	(931)
Finance costs	(3,234)	(6,102)	(9,336)
Earnings before income tax expense	**(8,139)**	**(1,959)**	**(10,098)**
Income tax expanse	(332)	-	(332)
Profit/(loss) for the period	**(8,471)**	**(1,959)**	**(10,430)**

The Company

	30 June 2008 $'000	Increase/ (Decrease) $'000	1 July 2008 (Restated) $'000
Balance sheet (extract)			
Loan assets held at amortised cost	135,145	(1,959)	133,186
Other assets	475,827	-	475,827
Total assets	**610,972**	**(1,959)**	**609,013**
Deferred tax liabilities	6,228	1,366	7,594
Borrowings – non-current	38,716	(3,916)	34,800
Other liabilities	19,409	-	19,409
Total liabilities	**64,353**	**(2,550)**	**61,803**
Net assets	**546,619**	**591**	**547,210**
Contributed equity	602,328	-	602,328
Reserves	16,577	2,550	19,127
Retained earnings	(72,286)	(1,959)	(74,245)
Total equity	**546,619**	**591**	**547,210**

The Company has restated prior period finance costs and loan assets held at amortised cost for impairment of loan receivable from a controlled entity amounting to $6.1 million. The Company has further restated loan assets held at amortised cost in relation to $4.1 million of additional interest income from controlled entities previously not recognised (refer Note 14).

The Consolidated Entity and the Company have made reclassifications in prior year comparatives in order to align with the presentation in this financial report. In particular, in the Cash Flow Statement the Consolidated Entity and the Company have reclassified interest paid from operating activities to financing activities and software development capitalisation from operating activities to investing activities.

(iv) Historical cost convention
This financial report has been prepared under the historical cost convention, as modified where applicable by the revaluation of financial instruments.

(v) Critical accounting estimates
The preparation of this financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial report are disclosed in Note 2.

Notes to the Financial Statements CONTINUED

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of the Company as at 30 June 2009 and 30 June 2008, and the results and cash flows of all subsidiaries for the years then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases. The accounting policies of the new subsidiaries have been amended where necessary to match those of the Consolidated Entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Entity (refer Note 1(cc)).

Minority interests in the results and equity of subsidiaries are shown separately in the income statement and balance sheet of the Consolidated Entity.

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

(ii) iSOFT Group Employee Loan Plan

The Consolidated Entity has formed iSOFT Group ELP Trust to administer the Consolidated Entity's employee loan plan (ELP). The trust was retrospectively consolidated from the commencement of the comparative period presented, as the substance of the relationship is that the trust is controlled by the Consolidated Entity (refer Note 29 and Note 42).

Shares held by the trust are disclosed as treasury shares and deducted from equity.

(iii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Consolidated Entity has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Jointly controlled entities are accounted for in the consolidated financial statements using the proportional consolidation method and are carried at cost by the parent entity. Under the proportional consolidation method, the proportionate beneficial interest in the individual assets, liabilities and equity reserves are recognised in the balance sheet and the proportionate beneficial interest in revenues and expenses are recognised in the income statement.

(iv) Transactions eliminated on consolidation

Inter-company transactions, balances and unrealised gains on transactions between subsidiaries in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Profits and losses on transactions establishing jointly controlled entities and transactions with the jointly controlled entities are eliminated to the extent of the Consolidated Entity's ownership interest until such time as they are realised by the jointly controlled entities on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

(d) Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each of the Consolidated Entity's subsidiaries and jointly controlled entities are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Australian Dollars, which is the Company's functional and presentation currency.

ii. Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on assets and liabilities carried at fair value are reported as part of their fair value gain or loss.

iii. Group companies

The results and the financial position of all subsidiaries and jointly controlled entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting foreign exchange differences are recognised in the foreign currency translation reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition
Revenue represents the fair value of consideration received or receivable from clients for goods and services provided by the Consolidated Entity, net of discounts and sales taxes.

Revenue from system sales is recognised when a signed contract exists, delivery to a customer has occurred with no significant vendor obligations remaining and where the collection of the resulting receivable is considered probable. In instances where a significant vendor obligation exists, revenue recognition is delayed until the obligation has been satisfied.

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

The National Programme for IT contract in the UK consists of a product development contract with additional development services, implementation and maintenance services. Revenue for product development is booked as earned and on a percentage of completion basis, as licence revenue. Revenue for additional development services and implementation is booked as earned and maintenance services will be booked on a straight line basis over the life of the maintenance and support component of the contract.

The Consolidated Entity enters into certain arrangements involving the delivery and implementation of a given software product against predetermined milestones and anticipated future maintenance and support. In arrangements where the revenue from the sale of product software licences is not clearly separable from the revenue for installation and services, then the revenue is recognised on a percentage completion basis over the period of installation with due regard for future anticipated costs. Support revenues in such cases are recognised from implementation over the remaining period of the arrangement. Where a loss is expected to occur it is recognised immediately and a provision is made in relation to any future work or delivery of goods.

The Consolidated Entity also enters into bundled service arrangements whereby it agrees to make certain software applications available for the duration of the arrangement. As the fair values of the services deliverable and maintenance and support to be provided under such supply arrangements are not clearly separable from the software supply, total revenue in relation to the supply arrangements is recognised on a percentage of completion basis over the period of the arrangement.

Interest income is recognised on a time proportion basis using the effective interest method, including amortisation of any discount or premium. When a receivable is impaired, the Consolidated Entity reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instruments, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Other revenue, including dividends, is recognised when it is received or when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax (GST), value added tax (VAT) and any other similar taxes in the respective countries.

(f) Government grants
Grants from governments are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Consolidated Entity will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the Income Statement on a straight line basis over the expected lives of the related assets.

(g) Income tax
The income tax expense or credit for the period is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses where applicable.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the Financial Statements CONTINUED

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(i) Tax consolidation
The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is iSOFT Group Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(ii) Nature of tax funding and tax sharing arrangements
The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/ (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(h) Cash and cash equivalents
For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(i) Trade receivables
All trade debtors are recognised at the amounts receivable as they are due for settlement by no more than 90 days, except where extended terms have been agreed.

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

(j) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. The carrying amount of loans and receivables is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer note 1 (s)).

(k) Inventories
Finished goods are stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

(l) Derivative financial instruments
The Consolidated Entity has used derivative financial instruments to hedge its foreign currency exposures and may hedge its interest rate exposures in the foreseeable future. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value. Attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below in sections (m) and (n).

(m) Cash flow hedges
The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity through the statement of recognised income and expense. The ineffective portion is recognised in profit or loss.

When the forecast transaction results in the recognition of a non-financial asset or a non-financial liability (or a firm commitment to acquire or assume such an asset or liability) the associated gains or losses are either:

- reclassified from equity during the period the asset is acquired or the liability assumed affects profit or loss. Any portion not expected to be recovered in future periods is reclassified to profit or loss; or
- removed from equity and included in the carrying amount of the asset or liability.

(n) Fair value hedges
The gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss. The gain or loss on the hedged item adjusts the carrying amount of the item and is also recognised in profit or loss.

(o) Investments and other financial assets
Investments and other financial assets are stated at the lower of their carrying amount and fair value less costs to sell. The fair values of quoted investments are based on current bid prices. For unlisted investments, the Consolidated Entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models. The carrying amount of investments and other financial assets is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer note 1 (s)).

(p) Property, plant and equipment
Each class of property, plant and equipment is carried at cost or, if acquired through a business combination, at fair value less any accumulated depreciation. The carrying amount of property, plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer note 1 (s)).

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 over its expected useful life to the Consolidated Entity. The expected useful life of buildings is three to twenty years and purchased plant and equipment is two to twelve years. 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 now relate.

(q) Leases
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 finance costs.

The leased asset is depreciated on a straight line basis over the term of the lease, or where it is likely that the Consolidated Entity will obtain ownership of the asset, the life of the asset.

Other operating lease payments are charged to the income statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(r) Intangible assets
(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the entity's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Capitalised development
Expenditure on research activities, undertaken with the prospect of obtaining new or scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Development activities involve the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use. The bulk of the development activity of the Consolidated Entity relates to the development of software.

Notes to the Financial Statements CONTINUED

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Consolidated Entity intends to and has adequate resources to complete development and to use or sell the asset. The expenditure capitalised comprises all costs, including costs of materials, services and direct labour costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the income statement as expense incurred. Capitalised development expenditure stated at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight line method to allocate cost over the period of the expected benefit, which varies from 4 to 7 years.

(iii) Intellectual property
Intellectual property is recognised at the cost on acquisition and has a finite useful life. Intellectual property is carried at cost less any accumulated amortisation and impairment losses. Amortisation is charged on a straight line basis over its useful life ranging from 5 to 20 years.

(iv) Customer contracts and relationships
Customer contracts and relationships are recognised at cost on acquisition and have a finite useful life. Customer contracts and relationships are carried at cost less any accumulated amortisation and impairment losses. Amortisation is charged on a straight line basis over their useful lives from 7 to 20 years.

(v) Patents and trademarks
Patents and trademarks are recognised at cost on acquisition and have a finite useful life. Patents and trademarks are carried at cost less any accumulated amortisation and impairment losses. Amortisation is charged on a straight line basis over their useful lives of 5 years.

(s) Impairment of assets
(i) Non financial assets
The carrying amounts of the Consolidated Entity's non financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

Goodwill and intangible assets that have an indefinite useful life or that are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in the circumstances indicate that they might be impaired. The recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows form continuing use that are large independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(ii) Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effect interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(t) Trade and other payables
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.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using effective interest method. Fees paid on establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility. Borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(v) Compound financial instruments

Compound financial instruments issued by the Consolidated Entity comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. This is recognised and included in equity, net of income tax effects. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carry amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method until extinguished on conversion or upon the instruments reaching maturity. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Distributions to the convertible note holders are recognised against equity, net of any tax benefit, as the distributions are discretionary in nature on the basis that these are payable only when a dividend is paid to ordinary shareholders. Convertible notes do not have a mandatory conversion feature and are therefore excluded from basic EPS; this is irrespective of the accounting treatment of distribution payments to be applied against the equity portion of the compound instrument.

(w) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred, except where fees or charges are prepaid, in which case they are amortised over the period they relate to. Finance costs include interest on:

• short term and long term borrowings
• finance leases

(x) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Restructuring

A provision for restructuring is recognised when the Consolidated Entity has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(iii) *Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Consolidated Entity from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Consolidated Entity recognises any impairment loss on the assets associated with that contract.

(y) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, 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. Liability for annual leave is included in other payables.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Consolidated Entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Consolidated Entity has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iii) 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

Notes to the Financial Statements CONTINUED

employee benefits and is measured at the amounts expected to be paid when the liabilities are settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the long-term 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.

(iv) Retirement and post-employment benefit obligations

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Consolidated Entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bond that have maturity dates approximating the terms of the Consolidated Entity's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Consolidated Entity, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Consolidated Entity if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Past service costs are recognised immediately in income, unless the changes to the pension fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, outside profit or loss directly in the statement of recognised income and expense.

The Consolidated Entity has made an adjustment following the adoption of IFRIC 14, AASB 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. This interpretation sets out when refunds or reductions in future contributions to a defined benefit scheme should be regarded as available in accordance with AASB 119 *Employee Benefits*, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability. The Consolidated Entity has adopted IFRIC 14 with effect from 1 July 2008 and comparative information has been restated accordingly. In accordance with the Consolidated Entity's accounting policy for defined benefit plans under AASB 119, the movement in the irrecoverable element of the minimum funding requirement is taken directly to the consolidated statement of recognised income and expense (refer Note 1 (a) (iii) and Note 25).

(v) Other post-employment defined benefit plans

The Consolidated Entity's net obligation in respect of other long-term post-employment employee benefits other than retirement defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discounted rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Consolidated Entity's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in the consolidated statement of recognised income and expense (refer Note 25).

(vi) Share-based payments

Share-based compensation benefits are equity settled and are provided to employees via the iSOFT Group Employee Loan Plan and Employee Incentive Plan (refer Note 42).

The fair value of shares and options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares.

The fair value at grant date is independently determined using option pricing models that takes into account the exercise price, the term of the share, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the share, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share.

At each reporting date, the Consolidated Entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the options reserve.

(vii) Bonus plans
The Consolidated Entity recognises a liability and expense for bonuses on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. Such obligations are measured on an undiscounted basis and are expensed as the related service is provided. The Consolidated Entity recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(z) Contributed equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the acquisition of a business are included in the cost of the acquisition as part of the purchase consideration.

(aa) Treasury shares
Own equity instruments which are purchased and held by the iSOFT Group ELP Trust to meet future distributions to employees under the Consolidated Entity's share option and share award schemes are deducted from equity. In the Company's financial report the transactions of the Company sponsored employee share plan trust are treated as being executed directly by the Trust.

When share capital recognised as equity is purchased by the employee share plan trust, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Purchased shares are classified as treasury shares and are presented as a deduction from contributed equity. When treasury shares are sold subsequently, the amount received is recognised as an increase in contributed equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings. No gain or loss on the purchase, sale, issue or cancellation of the Consolidated Entity's own equity instruments is recognised.

(bb) Dividends
Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the financial year but not distributed at balance date.

(cc) Business combinations
The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measures initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Consolidated Entity's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1), If the cost of acquisition is less than the consolidate entity's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after reassessment of the identification and measurement of the net assets acquired.

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 exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Acquisitions from entities under common control
Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Consolidated Entity are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Consolidated Entity's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Consolidated Entity equity. Any cash paid for the acquisition is recognised directly in equity.

(dd) Earnings per share
(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (refer Note 40).

(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 that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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(ee) Goods and Services Tax (GST/VAT)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authorities. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, taxation authorities is included in other receivables or other payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to taxation authorities, are presented as operating cash flows.

(ff) Determination of fair value

A number of the Consolidated Entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

(i) Intangibles

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets including goodwill is based on the discounted cash flows expected to be derived from the use or in rare occasion eventual sale of the assets.

(ii) Inventories

The fair value of inventories is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iii) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, but including service concession receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(iv) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates of a similar instrument at the measurement date.

(v) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(vi) Share-based payment transactions

The fair value of employee stock options is measured using a binomial lattice model for EPS hurdled options and using the Monte Carlo simulation model for SPG hurdled options (refer Note 42). The same valuation techniques have been used in determining grant date fair value of in substance options such as shares granted under the limited recourse loan plan. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(vii) Financial guarantees

For financial guarantee contract liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. This method takes into account the probability of default by the guaranteed party over the term of the contract, the loss given default (being the proportion of the exposure that is not expected to be recovered in the event of default) and exposure at default (being the maximum loss at the time of default).

(gg) New accounting standards and interpretation not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Consolidated Entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report.

- Revised AASB 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Consolidated Entity's operations:
  - The definition of a business has been broadened, which is likely to

result in more acquisitions being treated as business combinations
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
- Transaction costs, other than share and debt issue costs, will be expenses as incurred
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised AASB 3, which becomes mandatory for the Consolidated Entity's 30 June 2010 financial report, will be applied prospectively and therefore there will be no impact on prior periods in the Consolidated Entity's 2010 consolidated financial report.

- Amended AASB 127 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Consolidated Entity in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Consolidated Entity loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Consolidated Entity's 30 June 2010 financial report, are not expected to have a significant impact on the consolidated financial report.
- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Consolidated Entity's 30 June 2010 financial report, will require a change in the presentation on and disclosure of segment information based on the internal reports regularly reviewed by the Consolidated Entity's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Consolidated Entity presents segment information of its geographical segments (refer Note 3). Under the management approach, the Consolidated Entity is not expected to significantly change its segment information.
- Revised AASB 101 *Presentation of Financial Statement* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Consolidated Entity's 30 June 2010 financial report, is expected to have a significant impact on the presentation of the consolidated financial report. The Consolidated Entity plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial report.
- Revised AASB 123 *Borrowing Cost* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Consolidated Entity's 30 June 2010 financial report and will not constitute a change in accounting policy for the Consolidated Entity.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Consolidated Entity's 30 June 2010 financial report, with retrospective application. The Consolidated Entity has not yet determined the potential effect of the amendment.
- AASB 2008-5 *Amendment to Australian Accounting Standards arising from the Annual Improvements Process* and 2005-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Consolidated Entity's 30 June 2010 financial report, are not expected to have any impact on the financial report.
- AASB 2008-7 *Amendments to Accounting Standards – Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial report. The amendment becomes mandatory for the Consolidated Entity's 30 June 2010 financial report. The Consolidated Entity has not yet determined the potential effect of the amendments.
- AASB 2008-8 *Amendment to Australian Accounting Standard – Eligible Hedged Items* clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged. The amendments become mandatory for the Consolidated Entity's 30 June 2010 financial statements, with retrospective application. The amendments, which become mandatory for the Consolidated Entity's 30 June 2010 financial report, are not expected to have any impact on the financial report.
- AI 16 Hedges of a Net Investment in a Foreign Operation clarifies that net investment hedging can only be applied when the net assets of the foreign operation are recognised in the entity's consolidated financial report. AI 16 will become mandatory for the Consolidated Entity's 30 June 2010 financial report. The Interpretation, which becomes mandatory for the Consolidated Entity's 30 June 2010 financial report, is not expected to have any impact on the financial report.
- AI 17 *Distributions of Non-Cash Assets to Owners* provides guidance in respect of measuring the value of distributions of non-cash assets to owners. AI 17 will become mandatory for the Consolidated Entity's 30 June 2010 consolidated financial report. The Interpretation, which becomes mandatory for the Consolidated Entity's 30 June 2010 financial report, is not expected to have any impact on the financial report.

Notes to the Financial Statements CONTINUED

- AI 18 *Transfer of Assets from Customers* provides guidance on the accounting for contributions from customers in the form of transfer of property, plant and equipment (or cash to acquire or construct it). AI 18 will become mandatory for the Consolidated Entity's 30 June 2010 consolidated financial report. The Interpretation, which becomes mandatory for the Consolidated Entity's 30 June 2010 financial report, is not expected to have any impact on the financial report.

Note 2. Critical accounting estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors, including expectations of future events that may have a financial impact on the Consolidated Entity or the Company and that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The Consolidated Entity and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. In preparing this consolidated financial report of the Consolidated Entity and financial report of the Company, the significant judgments made by Management in applying accounting policies were the same as those that applied to the financial report for the comparative period.

The Consolidated Entity and the Company assess impairment at each reporting date by evaluating conditions specific to the Consolidated Entity or the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Should the projected turnover figures differ significantly from the budgeted figures incorporated in the value in use calculations then an impairment loss would be recognised, up to the maximum carrying value of goodwill and intangibles at 30 June 2009.

Accrued revenue represents earned revenue which has been calculated on a percentage of completion basis and which has not yet been invoiced. The calculation of revenue recognised on a percentage of completion basis over the period of installation, implementation and provision of services requires accurate forecasts of costs to completion which are generally difficult to ascertain and are therefore subject to judgement.

The Consolidated Entity's largest customer contract is the Computer Sciences Corporation (CSC) Contract in relation to the deployment of the National Programme for IT (NPfIT) for the National Health Service (NHS) in England. The contract with CSC consists of a product development contract with additional development services, implementation and maintenance services. Revenue for product development is booked as earned and on a percentage of completion basis, as licence revenue. Revenue for additional development services and implementation is booked as earned and maintenance services will be booked on a straight line basis over the life of the maintenance and support component of the contract. Refer accounting policy Note 1 (e). The CSC Contract contributed approximately 23.5% (2008: 19%) to the Consolidated Entity's total revenue in the year to 30 June 2009. The CSC Contract is primarily a time and materials contract with a set of arrangements regarding the timing and delivery of Lorenzo modules. The revenue recognised is based on estimation of future cost to expected completion and inflation rates have been assumed for the relevant period. If CSC were to terminate the CSC Contract for failure of the Consolidated Entity to meet material obligations under the CSC Contract or if there were material disputes regarding obligations, including scope of delivery or payments, these could have an adverse effect on the Consolidated Entity's operating and financial performance.

Note 3. Segment information

Primary reporting – geographical segments

Segment information is presented in respect of the Consolidated Entity's geographical segments, which are the primary basis of segment reporting. The geographical segment reporting is based on the Consolidated Entity's management and internal reporting structure. Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arm's length basis and are eliminated on consolidation. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Revenue and results are derived from the sales and maintenance of computer software to the healthcare industry in the business segments highlighted below.

2009	United Kingdom and Ireland $'000	Continental Europe $'000	Australia and New Zealand $'000	Asia, Middle East and Africa $'000	Intersegment eliminations /unallocated $'000	Consolidated $'000
Sales to external customers	305,328	142,812	62,997	27,714	-	538,851
Other income	191	450	452	180	-	1,273
Total segment revenue	**305,519**	**143,262**	**63,449**	**27,894**	**-**	**540,124**
RBU contribution	163,339	45,412	25,630	6,125	11,460	251,966
Group R&D allocated [1]	(46,392)	(3,314)	(6,627)	(9,941)	-	(66,274)
Group Costs allocated [2]	(30,203)	(14,127)	(6,232)	(2,742)	-	(53,304)
Segment EBITDA	**86,744**	**27,971**	**12,771**	**(6,558)**	**11,460**	**132,388**
Depreciation	(3,695)	(892)	(1,312)	(2,452)	-	(8,351)
Amortisation [3]	(24,380)	(11,013)	(6,655)	(3,564)	-	(45,612)
Segment result	58,669	16,066	4,804	(12,574)	11,460	78,425
Finance costs						(34,006)
Income tax expense						(9,688)
Profit for the year						34,731
Segment assets	**582,835**	**378,779**	**208,885**	**138,968**	**(10,499)**	**1,301,189**
Segment laibilities	**(385,692)**	**(71,365)**	**(81,058)**	**(27,149)**	**2,945**	**(562,319)**
Capital expenditure	2,180	2,384	7,843	1,678	-	14,085
Software development capitalisation	10,548	2,769	1,567	3,105	-	17,989

1. Research and development costs expensed during the period.

2. Group costs include Corporate Head Office and other global costs.

3. Amortisation includes acquired intangibles amortisation arising from acquisitions and other intangibles.

Notes to the Financial Statements CONTINUED

Note 3. Segment information *continued*

2008	United Kingdom and Ireland $'000	Continental Europe $'000	Australia and New Zealand $'000	Asia, Middle East and Africa $'000	Intersegment eliminations /unallocated $'000	Consolidated $'000
Sales to external customers	198,070	85,166	53,167	21,600	-	358,003
Other income	763	194	1,895	88	-	2,940
Total segment revenue	**198,833**	**85,360**	**55,062**	**21,688**	**-**	**360,943**
RBU contribution	122,063	27,787	25,159	1,007	663	176,679
Group R&D allocated [1]	(15,064)	(235)	(3,531)	(4,708)	-	(23,538)
Group Costs allocated [2]	(31,406)	(13,504)	(8,430)	(3,425)	-	(56,765)
Segment EBITDA	**75,593**	**14,048**	**13,198**	**(7,126)**	**663**	**96,376**
Depreciation	(2,782)	(672)	(988)	(1,845)	-	(6,287)
Amortisation [3]	(16,208)	(7,322)	(4,424)	(2,369)	-	(30,324)
Impairment	-	-	-	(5,179)	-	(5,179)
Segment result	56,603	6,054	7,786	(16,519)	663	(54,586)
Finance costs						(30,498)
Income tax expense						(9,433)
Profit for the year						14,655
Segment assets	**577,299**	**327,252**	**230,269**	**144,600**	**-**	**1,279,420**
Segment laibilities	**532,816**	**50,353**	**106,077**	**14,659**	**-**	**703,905**
Capital expenditure	1,305	261	783	261	-	2,610
Acquisition of other non-current assets	373,539	299,344	165,502	31,348	-	869,733

1 Research and development costs expensed during the period.

2 Group costs include Corporate Head Office and other global costs.

3 Amortisation includes acquired intangibles amortisation arising from acquisitions and other intangibles.

Note 4. Revenue

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Sales Revenue				
Licences	185,925	123,475	676	6,192
Implementation	106,109	64,721	3,490	1,467
Maintenance and Support	215,761	152,400	4,715	4,359
Third party hardware	16,577	10,698	11	12
Third party software	10,529	5,019	375	-
Other	3,950	1,690	-	287
	538,851	358,003	9,267	12,317
Other revenue (refer Note 43)				
Management fees revenue	-	-	28,871	6,912
Dividends revenue	-	-	32,500	-
Interest revenue	1,273	2,940	8,540	5,894
	1,273	2,940	69,911	12,806
Total revenue	**540,124**	**360,943**	**79,178**	**25,123**

The prior period includes 8 months of iSOFT Group plc and 12 months of IBA Health Group Limited revenues (refer Note 35).

Note 5. Expenses

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Expenses excluding finance costs, amortisation, depreciation and impairment is comprised as follows:				
Consultancy, insurance and professional fees	23,499	10,683	4,370	3,273
Consumables	66,861	40,524	499	155
Doubtful debts	973	2,442	(149)	(288)
Employee benefits expense	247,823	165,142	22,395	12,596
Marketing	6,619	3,121	2,242	362
Occupancy	21,649	12,480	3,080	1,481
Telecommunications	7,509	4,411	1,951	1,014
Travel	22,797	14,294	1,792	1,353
Other	10,006	11,470	20,567	5,008
	407,736	**264,567**	**56,747**	**24,954**
Employee Benefit Expenses				
Salaries and bonuses	231,499	152,399	19,707	11,292
Termination benefits	1,498	1,065	22	-
Associated personnel expenses	8,565	6,022	-	-
Defined contribution superannuation contributions	7,280	5,060	1,242	657
Defined benefit superannuation contributions (refer Note 25)	(2,443)	(51)	-	-
Share-based payments expense	1,424	647	1,424	647
	247,823	**165,142**	**22,395**	**12,596**
Bad and doubtful debt expense	1,019	2,442	-	-
Rental expense relating to operating leases				
Minimum lease payments	12,556	8,298	2,333	1,481

Notes to the Financial Statements CONTINUED

Note 6. Finance Costs

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Finance costs				
Interest and finance charges paid/payable				
Senior secured borrowings	20,027	18,147	1,166	724
Subordinated secured borrowings	8,517	4,094	5,962	-
Convertible notes	2,527	1,876	2,527	1,876
Contract Funding	3,242	3,840	-	-
Impairment of loan to controlled entities (refer Note 43)	-	-	-	6,102
Ineffective portion of cash flow hedge	-	2,400	-	-
Finance lease interest	1,532	1,673	-	-
Other	3,509	2,147	240	-
	39,354	34,177	9,895	8,702
Net foreign exchange (gains)/losses - realised	(10,688)	(3,679)	150	634
Net foreign exchange (gains)/losses - unrealised	5,340	-	(122)	-
	34,006	**30,498**	**9,923**	**9,336**

Note 7. EBITDA Calculation

The Consolidated Entity has reported EBITDA, calculated as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Profit/ (loss) before tax	44,419	24,088	11,219	(10,098)
Amortisation of intangible assets	45,612	30,324	562	556
Impairment of intangible assets	-	5,179	-	-
Depreciation	8,351	6,287	727	375
Finance costs	34,006	30,498	9,923	9,336
	132,388	**96,376**	**22,431**	**169**

EBITDA is earnings before income tax, finance costs, depreciation, amortisation and impairment expense.

Note 8. Income tax expense

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
a) Income tax expense recognised in the income statement				
Current tax	14,903	11,834	(141)	-
Deferred tax	(845)	(1,683)	(2,897)	379
Under/(over) provision in prior years	(4,370)	(718)	-	(47)
Aggregate income tax expense	**9,688**	**9,433**	**(3,038)**	**332**
Deferred income tax expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (note 18)	8,325	(2,277)	(346)	(554)
(Decrease)/increase in deferred tax liabilities (note 18)	(9,170)	594	(2,551)	933
	(845)	**(1,683)**	**(2,897)**	**379**
b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(loss) before income tax expense	44,419	24,088	11,219	(10,098)
Tax at the Australian tax rate of 30%	13,325	7,226	3,366	(3,029)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Non-deductible depreciation and amortisation	37	559	-	1
Non-deductible entertainment and legal	499	30	187	58
Other non-deductible/(non-assessable) items	6,679	1,620	(5,451)	1,693
	20,540	9,435	(1,898)	(1,277)
Under/(over) provision in prior years	(4,370)	(718)	-	(47)
Current year tax losses not recognised	1,427	3,816	-	2,171
Prior year tax losses not recognised now recouped	(1,388)	(135)	-	-
Prior year temporary differences not recognised now recognised	(717)	1,148	(1,140)	634
Difference in overseas tax rates	(5,942)	(2,964)	-	-
Temporary differences not brought to account	138	(1,149)	-	(1,149)
Income tax expense	**9,688**	**9,433**	**(3,038)**	**332**
c) Amounts recognised directly in equity				
The aggregate current and deferred tax arising in the period and not recognised in net profit or loss but directly debited or credited to equity is as follows:				
Current Tax	-	-	-	-
Deferred tax	(8,033)	16,390	-	-
	(8,033)	**16,390**	**-**	**-**
d) Tax losses not recognised				
Unused tax losses for which no deferred tax asset has been recognised	217,544	280,917	32,926	30,373
Potential tax benefit at regional rates between 15% and 30%	62,920	76,430	9,878	9,112

Notes to the Financial Statements CONTINUED

Note 9. Cash and cash equivalents

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Cash at bank	82,786	54,218	7,268	1,275
Cash on deposit	2,951	-	-	-
	85,737	**54,218**	**7,268**	**1,275**

Included in cash is an amount of $2.3 million which serves as collateral for bank guarantees (2008: $2.0 million).

In the cash flow statement, opening cash in the comparative period included cash held on deposit at 30 June 2007 of $144.5 million raised from a rights issue. The funds were used to acquire iSOFT Group plc on 31 October 2007 (refer Note 35).

Note 10. Trade and other receivables – Current

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Trade receivables	84,951	89,858	2,608	2,444
Less: Provision for doubtful debts	(11,067)	(12,670)	(150)	(343)
	73,884	77,188	2,458	2,101
Loans to wholly owned subsidiaries (refer Note 43)	-	-	93,323	57,469
Provision for impairment	-	-	(15,695)	(15,300)
	73,884	77,188	77,628	42,169
	73,884	**77,188**	**80,086**	**44,270**

Bad and doubtful trade receivables

The Consolidated Entity has recognised a loss of $1.0 million (2008: $2.4 million) in respect of bad and doubtful trade receivables during the year ended 30 June 2009. The loss has been included in "other expenses" in the income statement. The Consolidated Entity utilised $0.6 million of provisions (2008: $5.2 million).

The majority of customers are government related entities and therefore management considers that the overall credit risk is low. For all customers, management have in place credit terms and conditions and procedures to monitor outstanding balances, on a regular basis, to identify credit risks.

Note 11. Inventories

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Finished goods – carried at cost	192	350	-	-
	192	**350**	**-**	**-**

Note 12. Accrued Revenue – current

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Accrued revenue	**73,220**	**58,700**	**983**	**1,454**

Accrued revenue represents the current portion of revenue recognised but not yet invoiced (refer Note 1 (e) and 2).

Note 13. Other assets – current

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Prepayments and sundry debtors	15,019	15,209	1,451	502
Employee loan plan	-	-	11,310	7,839
	15,019	**15,209**	**12,761**	**8,341**

Note 14. Loan assets held at amortised cost – non-current

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Loans to controlled entities (refer Note 43)	**-**	**-**	**148,531**	**133,186**

Note 15. Investments – non-current

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Shares in subsidiaries – at cost (refer Note 36)	**-**	**-**	**474,761**	**407,780**

Notes to the Financial Statements CONTINUED

Note 16. Property, plant and equipment

				Consolidated
	Land & Buildings $'000	Plant & Equipment $'000	Leased Plant & Equipment $'000	Total $'000
Opening balance at 1 July 2007				
Cost	398	10,131	5,500	16,029
Accumulated depreciation	(100)	(6,494)	(5,500)	(12,094)
Accumulated currency translation adjustments	-	-	-	-
Net carrying amount	**298**	**3,637**	**-**	**3,935**
Movement during the year ended 30 June 2008				
Additions	178	2,432	-	2,610
Fair value recognised from business combinations	8,524	8,242	3,101	19,867
Depreciation	(714)	(4,581)	(992)	(6,287)
Disposals – cost	-	(12)	-	(12)
Effect of foreign exchange movements	(927)	775	-	(152)
	7,061	**6,856**	**2,109**	**16,026**
Balance at 1 July 2008				
Cost	9,100	20,793	8,601	38,494
Accumulated depreciation	(814)	(11,075)	(6,492)	(18,381)
Accumulated currency translation adjustments	(927)	775	-	(152)
Net carrying amount	**7,359**	**10,493**	**2,109**	**19,961**
Movement during the year ended 30 June 2009				
Additions	7,647	4,348	2,090	14,085
Depreciation	(918)	(7,041)	(392)	(8,351)
Disposals – cost	-	(2,923)	-	(2,923)
Disposals – accumulated depreciation	-	1,175	-	1,175
Effect of foreign exchange movements	51	648	(185)	514
	6,780	**(3,793)**	**1,513**	**4,500**
Balance at 30 June 2009				
Cost	16,747	23,393	10,691	50,831
Accumulated depreciation	(1,732)	(18,116)	(6,884)	(26,732)
Accumulated currency translation adjustments	(876)	1,423	(185)	362
Net carrying amount	**14,139**	**6,700**	**3,622**	**24,461**

The reconciliation between additions and the cash outflow in respect of property plant and equipment is set out below:	
Property, plant and equipment additions	14,085
Property, plant and equipment from lease incentive	(3,200)
Acquired for but not yet paid at the reporting date	(1,669)
Cash outflow in respect of property, plant and equipment	**9,216**

Note 16. Property, plant and equipment

				The Company
	Land & Buildings $'000	Plant & Equipment $'000	Leased Plant & Equipment $'000	Total $'000
Opening balance at 1 July 2007				
Cost	-	4,944	-	4,944
Accumulated depreciation	-	(3,203)	-	(3,203)
Net carrying amount	**-**	**1,741**	**-**	**1,741**
Movement during the year ended 30 June 2008				
Additions	-	492	-	492
Depreciation	-	(375)	-	(375)
	-	**117**	**-**	**117**
Balance at 1 July 2008				
Cost	-	5,436	-	5,436
Accumulated depreciation	-	(3,578)	-	(3,578)
Net carrying amount	**-**	**1,858**	**-**	**1,858**
Movement during the year ended 30 June 2009				
Additions	-	7,683	-	7,683
Depreciation	-	(727)	-	(727)
Disposals – cost	-	(1,972)	-	(1,972)
Disposals – accumulated depreciation	-	823	-	823
	-	**5,807**	**-**	**5,807**
Balance at 30 June 2009				
Cost	-	11,147	-	11,147
Accumulated depreciation	-	(3,482)	-	(3,482)
Net carrying amount	**-**	**7,665**	**-**	**7,665**

The reconciliation between additions above and the cash outflow in respect of property plant and equipment is set out below:	
Property, plant and equipment additions	7,683
Property, plant and equipment from lease incentive	(3,200)
Acquired for but not yet paid at the reporting date	(1,606)
Cash outflow in respect of property, plant and equipment	**2,877**

Notes to the Financial Statements CONTINUED

Note 17. Intangible assets

Intangible assets include goodwill, capitalised software development, intellectual property, customer contracts and patents and trademarks. Goodwill and intangibles are recognised in the relevant functional currencies of the each subsidiary and cash generating unit (CGU) they have been allocated to. The movement in these currencies against the Australian Dollar can be significant and is recognised in the Foreign Currency Translation Reserve in equity.

Intangible assets other than goodwill have finite useful lives. The current amortisation charge in respect of intangible assets is included under amortisation expense in the income statement. In the comparative period, an impairment charge of $5.2 million was recognised in relation to intellectual property for a discontinued product line. There is no impairment during the reporting period. Information on impairment testing for CGUs containing goodwill is contained further in this Note.

						Consolidated
	Goodwill $'000	Capitalised Development $'000	Intellectual Property $'000	Customer Contracts $'000	Patents and trademarks $'000	Total $'000
Opening balance at 1 July 2007						
Cost	92,497	27,595	29,238	-	-	149,330
Accumulated amortisation and impairment	-	(15,495)	(5,086)	-	-	(20,581)
Net carrying amount	**92,497**	**12,100**	**24,152**	**-**	**-**	**128,749**
Movement during the year ended 30 June 2008						
Additions	-	8,699	-	-	-	8,699
Fair value recognised from business combinations	445,867	-	321,770	12,830	60,700	841,167
Reallocation of Fair Value recognised from business combinations	(30,600)	-	(1,872)	31,977	495	-
Amortisation	-	(4,648)	(7,170)	(16,465)	(2,041)	(30,324)
Impairment	-	-	(5,179)	-	-	(5,179)
Effect of foreign exchange movements	(10,453)	1,210	(62)	(757)	-	(10,062)
	404,814	**5,261**	**307,487**	**27,585**	**59,154**	**804,301**
Balance at 1 July 2008						
Cost	507,764	36,294	343,957	44,807	61,195	994,017
Accumulated amortisation and impairment	-	(20,143)	(12,256)	(16,465)	(2,041)	(50,905)
Accumulated currency translation adjustments	(10,453)	1,210	(62)	(757)	-	(10,062)
Net carrying amount	**497,311**	**17,361**	**331,639**	**27,585**	**59,154**	**933,050**
Movement during the year ended 30 June 2009						
Additions	2,509	17,989	4,700	-	-	25,198
Fair value recognised from business combinations	2,230	-	-	-	-	2,230
Reallocation of fair value recognised from business combinations	23,400	-	(10,800)	(5,900)	(6,700)	-
Adjustments to fair values previously recognised from business combinations	(4,034)	-	(115,670)	115,670	-	(4,034)
Amortisation	-	(4,391)	(16,055)	(22,392)	(2,774)	(45,612)
Effect of foreign exchange movements	10,327	(1,199)	(90)	659	(45)	9,652
	34,432	**12,399**	**(137,915)**	**88,037**	**(9,519)**	**(12,566)**
Balance at 30 June 2009						
Cost	531,869	54,283	222,187	154,577	54,495	1,017,411
Accumulated amortisation and impairment	-	(24,534)	(28,311)	(38,857)	(4,815)	(96,517)
Accumulated currency translation adjustments	(126)	11	(152)	(98)	(45)	(410)
Net carrying amount	**531,743**	**29,760**	**193,724**	**115,622**	**49,635**	**920,484**

Note 17. Intangible assets

The Consolidated Entity acquired on 24 April 2009 Hatrix Pty Limited, a company domiciled in Australia. The initial purchase consideration was settled in the Company's equity amounting to $1.2 million, which resulted in goodwill of $2.2 million. A further earn-out, capped at $13 million, may be paid over three years and payable in cash or shares at the Company's election (refer Note 35).

Adjustments to fair values in the reporting period include the correction of a presentation error of $115.7 million between customer contracts and intellectual property.

						The Company
	Goodwill $'000	Capitalised Development $'000	Intellectual Property $'000	Customer Contracts $'000	Patents and trademarks $'000	Total $'000
Opening balance at 1 July 2007						
Cost	2,583	2,750	-	-	-	5,333
Accumulated amortisation and impairment	(17)	(574)	-	-	-	(591)
Net carrying amount	**2,566**	**2,176**	**-**	**-**	**-**	**4,742**
Movement during the year ended 30 June 2008						
Additions	-	236	-	-	-	236
Amortisation	-	(556)	-	-	-	(556)
	-	**(320)**	**-**	**-**	**-**	**(320)**
Balance at 1 July 2008						
Cost	2,583	2,986	-	-	-	5,569
Accumulated amortisation and impairment	(17)	(1,130)	-	-	-	(1,147)
Accumulated currency translation adjustments	-	-	-	-	-	-
Net carrying amount	**2,566**	**1,856**	**-**	**-**	**-**	**4,422**
Movement during the year ended 30 June 2009						
Additions	-	221	-	-	-	221
Amortisation	-	(670)	-	-	-	(670)
Other	-	(121)	-	-	-	(121)
	-	**(570)**	**-**	**-**	**-**	**(570)**
Balance at 30 June 2009						
Cost	2,583	3,086	-	-	-	5,669
Accumulated amortisation and impairment	(17)	(1,800)	-	-	-	(1,817)
Net carrying amount	**2,566**	**1,286**	**-**	**-**	**-**	**3,852**

Notes to the Financial Statements CONTINUED

Note 17. Intangible assets *continued*

Impairment testing for cash-generated units containing goodwill:
For the purposes of impairment testing, goodwill is allocated to the Consolidated Entity's CGU's which represent the lowest level within the Consolidated Entity at which the goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each unit are as follows. Purchase price allocation was provisionally determined at 30 June 2008. This has now been finalised, resulting in reclassifications of goodwill among CGU's and further identification of separately identifiable intangibles. As a consequence, there is no comparative in the following table:

Goodwill is allocated to the following cash generating units:	30 June 2009 $'000
Asia, Middle East and Africa	60,095
Australia and New Zealand	82,486
United Kingdom and Ireland	163,871
IBS (iSOFT Business Solutions)	24,104
Southern Europe and South America	69,574
Continental Europe	131,613
	531,743

The recoverable amount of each cash-generating unit above is determined based on value in use calculations in the functional currency of the respective CGU. Value in use is calculated based on the present value of cash flow projections over a 5 year period using a per annum. estimated growth rate applicable to each CGU of between 0% and 30%. Terminal growth rates applicable to each CGU are between 2% to 3%. The cash flows are discounted using the weighted average cost of capital calculated for each CGU, being in the range of 11.5% to 15.0%. The cash flows are based on budgets and forecasts for each CGU. These budgets use estimated growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the periods which are consistent with inflation rates applicable to the locations in which the CGU's operate. Discount rates are post-tax and are adjusted to incorporate risks associated with a particular CGU.

A summary of key assumptions used to value the carrying value of each CGU:

	Discount rates		Terminal value growth rates	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
Asia, Middle East and Africa	15.0%	14.0%	3.0%	3.0%
Australia and New Zealand	13.5%	12.5%	2.5%	2.0%
United Kingdom and Ireland	12.0%	11.3%	2.0%	3.0%
IBS (iSOFT Business Solutions)	12.0%	11.3%	2.0%	3.0%
Southern Europe and South America	11.5%	10.5%	2.0%	4.0%
Continental Europe	11.5%	11.0%	2.0%	2.0%

The carrying value of goodwill is most sensitive to the following assumptions and the potential impact has been determined when both sensitivities are applied simultaneously:

	Discount rates	Terminal value growth rates	$'000
Low	+1%	-0.5%	(183.5)
High	-1%	+0.5%	252.8

The low case scenario does not result in impairment.

Note 18. Tax assets and liabilities

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
a) Income tax receivable				
Income Tax Receivable	2,007	784	-	-
Income Tax Payable	(2,028)	-	(1,530)	(50)
b) Deferred tax assets				
Amounts recognised in profit or loss:				
Tax losses	44,567	51,652	-	-
Retirement benefit obligations	4,823	3,193	-	-
Provisions	2,181	2,388	1,625	1,017
Creditors and accruals	8,059	9,730	566	747
Property, plant and equipment	5,308	7,857	-	-
Intangible assets	21,864	20,851	-	-
Other	312	74	61	142
Recognised in Equity				
Retirement Benefit Obligations	3,757	3,690	-	-
Other	1,499	-	-	-
Deferred tax asset	**92,370**	**99,435**	**2,252**	**1,906**
Deferred tax asset to be recovered within 12 months	27,649	12,192	2,252	1,906
Deferred tax asset to be recovered after more than 12 months	64,721	87,243	-	-
	92,370	**99,435**	**2,252**	**1,906**
Movements:				
Opening balance	99,435	2,669	1,906	1,352
Credited/(charged) to the income statement (note 8)	(8,325)	2,277	346	554
Acquired in business combinations (note 35)	-	94,489	-	-
Amounts recognised in equity	1,260	-	-	-
Closing balance	**92,370**	**99,435**	**2,252**	**1,906**

Notes to the Financial Statements CONTINUED

Note 18. Tax assets and liabilities *continued*

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
c) Deferred tax liability				
Amounts recognised in profit or loss:				
Accrued revenue	(4,443)	(27)	(1,616)	(2,300)
Capitalised development	(1,498)	(477)	(451)	(743)
Intangibles	(90,772)	(113,315)	-	-
Other	1,899	1,106	(17)	(520)
	(94,814)	**(112,713)**	**(2,084)**	**(3,563)**
Amounts recognised in equity:				
Convertible notes	(3,082)	(4,031)	(3,082)	(4,031)
Other	(1,998)	-	-	-
	(5,080)	(4,031)	-	(4,031)
Deferred tax liability	**(99,894)**	**(116,744)**	**(5,166)**	**(7,594)**
Deferred tax liability to be settled within 12 months	(13,140)	(635)	(5,166)	(7,594)
Deferred tax liability to be settled after more than 12 months	(86,754)	(116,109)	-	-
	(99,894)	**(116,744)**	**(4,882)**	**(7,594)**
Movements:				
Opening balance	(116,744)	(4,364)	(7,594)	(1,985)
Credited/(charged) to the income statement (note 8)	9,170	(594)	2,551	(933)
Charged to intangible assets	-	5,746	-	-
Amounts recognised in Equity	2,427	459	-	-
Convertible notes issued	(123)	(4,676)	(123)	(4,676)
Acquired in business combinations (note 35)	5,376	(113,315)	-	-
Closing balance	**(99,894)**	**(116,744)**	**(5,166)**	**(7,594)**
d) Net deferred tax (liabilities)	**(7,523)**	**(17,309)**	**(2,914)**	**(5,688)**

Note 19. Accrued Revenue – non-current

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Accrued revenue	**13,815**	**20,525**	**4,403**	**4,521**

Accrued revenue represents the non-current portion of revenue recognised but not yet invoiced (refer Note 1(e) and 2).

Note 20. Trade and other payables – current

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Trade payables	28,283	17,738	4,323	3,890
Deferred acquisition costs	2,271	-	747	135
Employee related	25,089	17,709	1,742	1,246
ESA settlement due	-	16,884	-	-
Payments received on account	344	13,582	-	-
Cost of sales accruals	13,219	11,481	-	-
Exceptional cost accruals	2,528	4,396	-	-
Purchase / Sales taxes	11,635	10,870	166	176
Other payables	28,691	39,950	4,740	1,236
	112,060	**132,610**	**11,718**	**6,683**

Note 21. Borrowings – current

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Senior secured borrowings	39,597	9,000	-	9,000
Subordinated secured borrowings	-	57,561	-	-
Contract funding	15,193	30,239	-	-
Other borrowings	444	-	-	-
Finance lease liability	554	1,323	-	-
	55,788	**98,123**	**-**	**9,000**

Senior secured borrowings:
Short term component of long term funding amounting to $39.6 million is provided by a syndicate of banks, consisting of Royal Bank of Scotland (ABN Amro, London Branch), Barclays and Westpac. The borrowings are secured by a first ranking floating and fixed charge over certain assets of the Consolidated Entity and are denominated in GBP. Interest rates applicable to various tranches of the facility were between 5.01% to 9.7%. The maturity date of the facility is 21 August 2011. During the year, $9 million of bank loans fully drawn under 364-day revolving term facilities with HSBC were repaid with proceeds from the non-renounceable rights issue.

Subordinated secured borrowings:
During the last financial year, the Consolidated Entity received an interest bearing loan from a related party, Oceania Healthcare Technology Investments Pty Limited (OCP) (formerly AEP Financial Services Holdings Pty Limited), a wholly owned controlled entity of Oceania Capital Partners Limited (formerly Allco Equity Partners Limited) as part of the financing provided for the acquisition of iSOFT Group plc in 2007. This loan was repaid on 27 March 2009 with proceeds from the non-renounceable rights issue.

Notes to the Financial Statements CONTINUED

Note 21. Borrowings – current *continued*

Contract funding:

Money to be earned from some ongoing contracts of the iSOFT Group has previously been paid in advance by third party lenders. This practice ceased after the acquisition of iSOFT Group plc. The majority of contract funding is denominated in Euros and GBP. During the year, the Consolidated Entity repaid $37.6 million of contract funding.

Finance lease liability:

Finance lease liabilities are secured over specific equipment owned and capitalised by the Consolidated Entity.

Note 22. Provisions – current and non-current

			Consolidated
	Lease make good $'000	Other $'000	Total $'000
Current	2,316	862	3,178
Non-current	-	508	508
Carrying amount at 1 July 2008	**2,316**	**1,370**	**3,686**
Movement during the period			
Additional provisions recognised	875	2,089	2,964
Utilisation during the period	(2,890)	(1,330)	(4,220)
Foreign Exchange	12	4	16
Carrying amount at 30 June 2009	**313**	**2,133**	**2,446**
Current	112	1,503	1,615
Non-current	201	630	831
Total carrying amount at end of period	**313**	**2,133**	**2,446**

			The Company
	Lease make good $'000	Other $'000	Total $'000
Current	-	862	862
Non-current	-	508	508
Carrying amount at 1 July 2008	**-**	**1,370**	**1,370**
Movement during the period			
Additional provisions recognised	-	1,237	1,237
Utilisation during the period	-	(596)	(596)
Carrying amount at 30 June 2009	**-**	**2,011**	**2,011**
Current	-	1,381	1,381
Non-current	-	630	630
Total carrying amount at end of period	**-**	**2,011**	**2,011**

Lease make good

This provision represents likely expenses to make good the premises leased by the Consolidated Entity. These claims are expected to be settled in the next 1 to 5 years.

Other

This provision represents the accumulated losses on certain contracts not completed at reporting date. Management estimates provisions based on historical claim information and any recent trends that may suggest future claims could differ from historical amounts.

Note 23. Deferred income – current

	Consolidated		The Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Deferred income	**67,898**	**82,063**	**1,694**	**1,506**

Deferred income represents revenue that has not yet been earned, but was invoiced to customers in accordance with contractual agreements.

Note 24. Borrowings – non-current

	Consolidated		The Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Senior secured borrowings	133,271	168,346	-	7,882
Contract funding	23,136	35,588	-	-
Convertible notes payable	29,445	26,918	29,445	26,918
Other borrowings	-	-	-	-
Finance lease liability	530	406	-	-
	186,382	**231,258**	**29,445**	**34,800**

Senior secured borrowings and contract funding, refer Note 21.

Convertible notes:

Movements in convertible notes:

On 31 October 2007, Oceania Healthcare Technology Investments Pty Limited (OCP) subscribed for 121.9 million convertible notes in the Company at an issue price of 86.4 cents each, for a total subscription amount of $105.3 million. On 19 November 2007, OCP received 2.8 million convertible notes in the Company at an issue price of 86.4 cents each, for a value of $2.4 million in lieu of payment for 'non-usage fees'. On 13 December 2007, 78.7 million convertible notes were converted into ordinary shares. On 15 April 2009, OCP subscribed for 13.1 million convertible notes in the Company at an issue price 55.0 cents each taking up its non-renounceable pro-rata entitlement, which were subsequently converted on 14 June 2009.

Notes to the Financial Statements CONTINUED

Note 24. Borrowings – non-current *continued*

Date	Details	Number of notes	Issue Price $	Amount $'000
1/07/2007	Opening balance at the beginning of the year	-		-
31/10/2007	Issued to Oceania Healthcare Technology Investments Pty Limited (OCP) under which OCP agreed to fund the cash consideration under the iSoft Group plc scheme of arrangement	121,865,299	0.864	105,292
19/11/2007	Issued to OCP in lieu of payment of 'non usage fees' under the iSoft Group plc scheme of arrangement	2,807,873	0.864	2,426
13/12/2007	Conversion of Convertible Notes into ordinary shares	(78,703,703)	0.864	(68,000)
30/06/2008	**Closing balance at the end of the year**	**45,969,469**		**39,718**
1/07/2008	Opening balance at the beginning of the year	45,969,469		39,718
17/03/2009	Issued to OCP under pro-rata entitlement offer	13,134,134	0.55	7,224
14/06/2009	Conversion into ordinary shares by OCP	(13,134,134)	0.55	(7,224)
30/06/2009	**Closing balance at the end of the year**	**45,969,469**		**39,718**

Significant terms and conditions:

The significant terms and conditions of these convertible notes are as follows:

Subscription dates	31 October 2007, 19 November 2007
Subscription price	86.4 cents
Maturity date	5 years after the date of their issue (31 October 2012 and 19 November 2012)
Coupon	equal to a dividend payment
Security	unsecured
Ranking	equally with unsecured debt provider
Conversion	at any time, at the holder's option
Conversion price	none
Conversion ratio	one note entitles the holder to convert into one ordinary share in the Company
Selling restrictions	none
Anti-dilution clause	included

	Consolidated		The Company	
Movements in carrying values of convertible notes	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Carrying amount of liability at the beginning of the year	30,834	-	30,834	-
Initial recognition	-	28,685	-	28,685
Correction of error (refer Note 1 (a) (iii))	(3,916)	(3,643)	(3,916)	(3,643)
Restated liability at the beginning of the year	26,918	25,042	26,918	25,042
Accreted interest	2,527	1,876	2,527	1,876
Carrying amount of liability at the end of the year	**29,445**	**26,918**	**29,445**	**26,918**

Interest represents the discount unwind to maturity at a comparable interest rate of a debt instrument without a conversion option.

Assets pledged as security

The bank loans are secured by a fixed and floating charge over the assets and undertakings of the Consolidated Entity. Contract funding is secured only to the revenue streams on the contracts that are funded.

The lease liabilities are effectively secured as the rights to the leased assets recognised in the balance sheet revert to the lessor in the event of default.

Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated		The Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Total facilities				
Senior secured term loan	123,127	124,456	-	-
Senior secured revolver	97,476	81,599	8,131	16,882
Subordinated secured borrowings	-	57,561	-	-
	220,603	**263,616**	**8,131**	**16,882**
Used at balance date				
Senior secured term loan	123,127	124,456	-	-
Senior secured revolver	67,052	79,804	-	16,882
Subordinated secured borrowings	-	57,561	-	-
	190,179	**261,821**	**-**	**16,882**
Unused at balance date	-	-	-	-
Senior secured term loan	30,424	1,795	8,131	-
Senior secured revolver	-	-	-	-
Subordinated secured borrowings	**30,424**	**1,795**	**8,131**	**-**

Notes to the Financial Statements CONTINUED

Note 25. Retirement and post-employment benefit obligations – non-current

(i) Defined contribution plans
The Consolidated Entity operates many defined contribution schemes. Pension costs in respect of defined contribution schemes represented contributions payable in the year and amounted to $12.7 million (2008: $9.2 million). At 30 June 2009 there were $2.2 million (2008: $1.7 million) of outstanding contributions included in payables.

The Company provides statutory 9% superannuation contributions to defined contribution superannuation funds, which employees in Australia are free to choose. Pension costs in respect of these superannuation funds represented contributions payable in the year and amounted to $1.2 million (2008: $0.7 million). At 30 June 2009, there were $0.4 million (2008: $0.1 million of outstanding contributions included in payables.

The pension scheme operating in the Netherlands is a multi-employer funded defined benefit scheme (PGGM) which has been accounted for as a defined contribution plan in accordance with AASB 119 on the basis that proportionate plan assets and defined benefit obligation cannot be determined and iSOFT cannot be held accountable for and be requested to fund a deficit if this would exist. The pension scheme is a contractual scheme pursuant to the Collective Labour Agreement with PGGM (pension fund for Care & Welfare), which is the pension fund for the Dutch healthcare industry and is based on the principle of average salary and pensionable service and provides old-age pension, labor disability pension as well as widow/widowers pension. The pension fund is governed by the Dutch Pension and Savings law, which monitors the solvability of public pension funds. As of the reporting date, the Dutch pension scheme had a 100% statutory funding level cover, where legally a 105% minimum funding level is required. The board of PGGM had initiated a recovery plan to bring the funding level at least to the minimum of the required 105%. Contributions are paid by both employer and employees and remain unchanged.

(ii) Defined benefit plans – general
The Consolidated Entity operates funded and unfunded defined benefit plans. Contributions to the defined benefit schemes are made in accordance with the recommendation of the independent actuary of the relevant scheme. The defined benefit plans receive fixed contributions from subsidiaries of the Consolidated Entity and the Consolidated Entity's legal or constructive obligation is limited to these contributions.

There are three funded schemes: SMS Staff Benefits Plan in the United Kingdom (UK) and two iSOFT Employee Group Gratuity Schemes in India. The assets of these schemes are held separately from those of the Consolidated Entity. These assets are managed by trustees, who are required to act in the best interests of the schemes' beneficiaries.

The SMS Staff Benefits Plan provides retirement benefits and is governed by the UK Pensions Act 2004. The Board of Trustees comprises four trustees, two nominated by the Consolidated Entity and two by the members. The Trustees nominate the Chairman of the Trustee Committee. The last full actuarial valuation of the Scheme for funding purposes was carried out with a valuation date of 1 January 2008 by independent actuaries using the projected unit credit method for valuing the liabilities. This latest valuation has not made a significant change to the Scheme's funding plan for the next three years. The assumptions that had the most effect on the results of this valuation for funding purposes are those relating to the discount rate and inflation on scheme liabilities and mortality assumptions.

The pension scheme operated in Germany is an unfunded defined benefit scheme providing post retirement benefits, invalidity pensions, widows/widowers pension and orphanage pension. The scheme is governed by an agreement between the Consolidated Entity and the workers council and as stipulated by the German law (Gesetz zur Verbesserung der betrieblichen Altersversorgung) the company is required to pay contributions to the Pension-Sicherungsverein, which is a public body. The levels of contributions to the Pension –Sicherungsverein are determined in accordance with the above mentioned law and are invoiced to the Consolidated Entity. As per German law, an actuarial valuation is done on an annual basis with the latest valuation date of 30 June 2009 by independent actuaries using the projected unit credit method for valuing the liabilities. This latest valuation has not made a significant change to the scheme's funding plan for the next three years.

The two Employee Gratuity Schemes in India provide post-employment benefits or gratuity benefits on retirement, superannuation, termination or resignation of an employee after 5 years of uninterrupted service as well as gratuity benefit on death. The schemes are governed by the Payments of Gratuity Act 1972 and also governed by the terms of employment of each individual. As per the Act, an actuarial valuation is done on an annual basis with the latest valuation date of 30 June 2009 by independent actuaries using the projected unit credit method for valuing the liabilities. This latest valuation has not made a significant change to the scheme's funding plan for the next three years. The Gratuity trustees Board is made up of three trustees, nominated by the employees. At the meeting of the trustees, the Chairman is appointed by mutual consent of the trustees present in the meeting.

The SMS Staff Benefits Scheme operated in the UK is disclosed separately, with the plans operated in Germany and India being aggregated. This presentation is considered more meaningful than providing a split of funded and unfunded schemes on the basis that each of the plans is individually insignificant.

The last full valuations of all schemes on an AASB 119 basis have been updated to 30 June 2009 to reflect market conditions and material events in the plans.

The Company does not operate a defined benefit plan.

(iii) Defined benefit plans – major assumptions

The major assumptions made when valuing the liabilities of defined benefit schemes under AASB 119 are as follows:

	UK plan		Indian plan		German plan	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Discount rate for scheme liabilities	6.45%	6.00%	7.40%	8.65%	6.25%	5.25%
Expected return on plan assets	6.68%	7.52%	7.50%	7.50%	n/a	n/a
Rate of increase in salaries	n/a	n/a	9.00%	9.00%	2.50%	2.50%
Rate of increase to pension in payment	3.85%	4.15%	n/a	n/a	2.00%	2.00%

SMS Staff Benefits Scheme – mortality

Standard actuarial morality tables PN00 were adopted using year of birth and medium cohort projections. Future improvements in life expectancy have been allowed for in line with medium cohort improvements subject to a floor of 1.00% for males and females.

By way of illustration the impact of the application of these mortality tables on the expected longevity of pensioners is shown below:

		UK plan	
		2009 years	**2008 years**
Retiring today at age 65:	Male	n/a	n/a
	Female	n/a	n/a
Retiring in 20 years at age 65:	Male	24.2	21.8
	Female	26.6	24.8

SMS Staff Benefits Scheme – Sensitivities

The SMS Staff Benefits Scheme is the largest scheme within the Consolidated Entity, representing 94% of gross liabilities of all defined benefits schemes operated by the Consolidated Entity. The principal sensitivities, with all other variables held constant, are illustrated below:

Increase/(decrease)	**Defined Benefit Obligation 2009 $'000**
A 0.1% p.a. increase in the assumed discount rate would have the following effect:	(1,231)
A 0.1% p.a. increase in the assumed inflation rate would have the following effect:	1,026
Change in the mortality assumption to: "Long Cohort" allowance for future improvements	(2,052)

(iv) Adoption of IFRIC 14

As stated in the accounting policies, the Consolidated Entity has adopted IFRIC 14 (AASB 119 — *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*) in this Financial Report. In line with the transitional provisions of IFRIC 14, the change in accounting policy is effective from 1 July 2008, with the comparatives restated accordingly. Only the SMS Staff Benefits Plan has been affected by the adoption. This plan was operated by the UK iSOFT business, which was acquired on 30 October 2007. As a result, the adoption of this IFRIC results in the recognition of an additional liability through retained earnings in the comparative period.

The Consolidated Entity is committed to making payments to the SMS Staff Benefits Plan under a deficit funding plan agreed with the Trustee. Where the present value of the agreed funding payments exceeds the liability in respect of the Scheme as measured under IFRS, and would therefore, when paid, give rise to a surplus as measured under IFRS, IFRIC 14 requires a provision to be made for any part of that surplus that would not be recoverable.

Notes to the Financial Statements CONTINUED

The table below shows the position at each of the subsequent balance sheet dates:

	UK plan 2009 $'000	UK plan 2008 $'000	Other plans 2009 $'000	Other plans 2008 $'000
IAS 19 net defined benefit obligation	22,664	27,606	2,481	1,773
Future minimum funding requirements	(26,643)	(29,246)	-	-
Potential future pension surplus	(3,979)	(1,640)	2,481	1,773
Irrecoverable element of potential future pension surplus	3,979	1,640	-	-
Recoverable element of potential future pension surplus	**-**	**-**	**2,481**	**1,773**
Movement in irrecoverable element of potential future pension surplus, before tax	**2,339**	**1,640**	**-**	**-**

The net pension liability has been restated to reflect the liability arising on the irrecoverable element of the potential pension surplus for the two years presented. The movement in the irrecoverable element of the potential pension surplus is taken directly to the consolidated statement of recognised income and expense.

Following the triennial valuation of the SMS Staff Benefits Plan (valuation date 1 January 2008) annual contributions to the plan will be made amounting to GBP 2 million until 31 October 2017 to fund past service liabilities for all members. The accrual of future benefits ceased with effect from March 2008.

(v) Defined benefit schemes – income and expenses

The amounts that have been recognised in the consolidated income statement and consolidated statement of recognised income and expense for the year ended 30 June 2009 and 30 June 2008 and are set out below:

Amounts recognised in the consolidated income statement	UK plan 2009 $'000	UK plan 2008 $'000	Other plans 2009 $'000	Other plans 2008 $'000	Total 2009 $'000	Total 2008 $'000
Current service cost	-	467	389	88	389	555
Interest cost	3,509	2,147	187	102	3,696	2,249
Expected return on plan assets	(2,499)	(1,736)	(67)	(9)	(2,566)	(1,745)
Curtailment losses/(gains)	-	(1,296)	257	(6)	257	(1,302)
Total included in employee benefits expense	**1,010**	**(418)**	**766**	**175**	**1,776**	**(243)**
Actual return on plan assets	(1,947)	(4,381)	59	-	(1,888)	(4,381)

Amounts recognised in the consolidated statement of recognised income and expense	UK plan 2009 $'000	UK plan 2008 $'000	Other plans 2009 $'000	Other plans 2008 $'000	Total 2009 $'000	Total 2008 $'000
Actuarial (loss)/gain recognised in the year	6,000	(1,848)	149	-	6,149	(1,848)
Cumulative actuarial (losses)/gains recognised	4,172	(1,848)	(66)	-	4,106	(1,848)
Movement in irrecoverable amount of potential future pension surplus (Note 25 (iv))	**2,339**	**1,640**	**-**	**-**	**2,339**	**1,640**

(vi) Defined benefit schemes – changes in present value of defined benefit obligations and fair value of plan assets

Changes in the present value of the defined benefit obligation for the year to 30 June 2009 and 30 June 2008 were as follows:

	UK plan		Other plans		Total	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Reconciliation of the present value of the defined benefit obligation, which is:						
Balance at the beginning of the year	59,701	57,938	2,400	810	62,101	58,748
Exchange adjustments	(637)	-	166		(471)	-
Current service cost	-	466	390	62	390	528
Interest cost	3,509	2,147	187	16	3,696	2,163
On acquisition	-	-	-	1,517	-	1,517
Employee contributions	-	116	-	-	-	116
Actuarial losses/(gains)	(6,000)	1,848	358	(5)	(5,642)	1,843
Curtailment losses/(gains)	-	(1,296)	-	-	-	(1,296)
Benefits paid	(1,137)	(1,518)	(64)	-	(1,201)	(1,518)
Balance at the end of the year	**55,436**	**59,701**	**3,437**	**2,400**	**58,873**	**62,101**
Reconciliation of the fair value of plan assets:						
Balance at the beginning of the year	32,095	35,157	627	448	32,722	35,604
Exchange adjustments	(342)	-	46		(296)	-
Expected return on plan assets	2,499	1,736	67	9	2,567	1,746
Actuarial gains/(losses)	(4,447)	(6,117)	(8)	1	(4,455)	(6,116)
On acquisition	-	-	-	169	-	169
Benefits paid	(1,137)	(1,518)	(50)	-	(1,187)	(1,518)
Employer contributions	4,104	2,721	274	-	4,378	2,721
Employee contributions	-	116	-	-	-	116
Balance at the end of the year	**32,772**	**32,095**	**956**	**627**	**33,729**	**32,722**

(vii) Defined benefit plans – reconciliation of balance sheet amounts

Reconciliation of assets and liabilities recognised in the consolidated balance sheet at each of the subsequent balance dates:

	UK plan		Other plans		Total (restated)	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Present value of the defined benefit obligation	55,436	59,702	3,437	2,400	58,873	62,102
Fair value of the defined benefit plan assets	(32,772)	(32,095)	(956)	(627)	(33,729)	(32,722)
Net liability before IFRIC 14	22,664	27,607	2,481	1,773	25,144	29,380
Irrecoverable element of potential future pension surplus	3,979	1,640	-	-	3,979	1,640
Net liability	**26,643**	**29,247**	**2,481**	**1,773**	**29,123**	**31,020**
The net liability is presented on the balance sheet as follows:						
Non-current retirement benefit obligations	26,643	29,247	2,481	1,773	29,123	31,020
Net liability	**26,643**	**29,247**	**2,481**	**1,773**	**29,123**	**31,020**

Notes to the Financial Statements CONTINUED

As required by AASB 119 liabilities for each scheme are determined using the projected unit credit valuation method. This is an accrued benefits valuation method that discounts the best estimate of future cash flows and makes allowance for projected earnings. The Consolidated Entity has no legal obligation to settle this liability with an immediate contribution or additional one-off contributions. The Consolidated Entity intends to continue to contribute to the defined benefit section of the plan at a rate of $4.0 millon (GBP 2.0 million) per annum in line with the actuary's latest recommendations.

If the SMS Staff Benefits Plan were to be wound up, the relevant employers would be responsible, under section 75 of the Pensions Act 1995 to fund the scheme up to the levels of cost of buying out the benefits for all scheme members with an insurer. This cost would be considerably more than the value placed on the ongoing liabilities for accounting purposes. The deficit in the SMS Staff Benefits Plan calculated on a winding up basis (solvency valuation basis) was approximately $55.8 million as at 1 January 2008, the date of the latest actuarial valuation. This will be reviewed and updated at the next valuation.

(viii) Defined benefit plans – expected rate of return on plan assets
The expected long-term rate of return and market value of funded defined benefit schemes as at 30 June 2009 are:

		UK plan		**Indian plans**		**Total**
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**
Equities	19,702	25,088	-	-	19,702	25,088
Bonds	7,226	4,914	-	-	7,226	4,914
Other assets	5,844	2,093	239	169	6,084	2,262
	32,772	**32,095**	**239**	**169**	**33,012**	**32,264**
Equities	7.30%	8.10%	N/A	N/A		
Bonds	6.37%	5.65%	N/A	N/A		
Other assets	5.00%	5.00%	8.76%	8.76%		

The German plan is an unfunded defined benefit plan.

(ix) Defined benefit schemes – history of experience adjustments
All schemes were acquired iSOFT Group plc defined benefit plans. The disclosures provide the history of experience adjustments since acquisition on 31 October 2007.

Note 26. Trade and other payables – non-current

		Consolidated		**The Company**
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Trade and other payables	**6,700**	**7,601**	**-**	**-**

Note 27. Other non-current liabilities

		Consolidated		**The Company**
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Deferred acquisition costs	**-**	**800**	**-**	**800**

Note 28. Contributed equity

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value. Movements in contributed equity are as follows:

Date	Details	Number of shares	Issue Price $	Amount $'000
1/07/2007	Opening balance at the beginning of the year	346,158,323		187,235
31/07/2007	Issued to ABN Amro Bank in consideration of success fees under the iSOFT Group plc scheme of arrangement	18,971,623	0.9574	18,163
31/07/2007	Issued in consideration for the acqusition of iSOFT Group plc. under the scheme of arrangement	64,663,985	1.055	68,220
31/07/2007	Issued to Oceania Healthcare Technology Investments Pty Limited (OCP) under which OCP agreed to fund the cash consideration under the iSoft Group plc scheme of arrangement.	125,714,286	1.05	132,000
31/07/2007	Issued under renounceable rights issue	138,464,715	1.05	145,387
25/10/2007	Issued under iSOFT Group Employee Loan Plan	27,366	0.97	27
25/10/2007	Issued under iSOFT Group Employee Loan Plan	435,680	0.97	423
13/12/2007	Issued to Oceania Healthcare Technology Investments Pty Limited (OCP) following conversion of convertible notes.	78,703,703	0.864	68,000
17/01/2008	Issued under iSOFT Group Employee Loan Plan	187,800	0.74	139
3/03/2008	Issued under iSOFT Group Employee Loan Plan	2,884,290	0.6027	1,738
17/04/2008	Issued under iSOFT Group Employee Loan Plan	274,420	0.505	139
	Less: transaction costs arising on renounceable rights issue and other share issue			(19,143)
30/06/2008	**Closing balance at the end of the year**	**776,486,191**		**602,328**
1/07/2008	Opening balance at the beginning of the year	776,486,191		602,328
16/07/2008	Issued under iSOFT Group Employee Loan Plan	224,903	0.59	132
24/09/2008	Issued under iSOFT Group Employee Loan Plan	4,100,000	0.7297	2,992
8/10/2008	Issued under iSOFT Group Employee Loan Plan	183,024	0.725	133
28/11/2008	Issued under iSOFT Group Employee Deferred Incentive Plan	430,775	0.5606	241
10/12/2008	Issued under iSOFT Group Employee Loan Plan	200,000	0.5593	112
10/12/2008	Issued under iSOFT Group Employee Deferred Incentive Plan	5,208,843	0.5593	2,913
18/12/2008	Issued under iSOFT Group Employee Deferred Incentive Plan	56,705	0.5714	32
13/01/2009	Issued to Share Plan Managers for employee quarterly share allocation	205,574	0.64	132
27/03/2009	Issued under non-renounceable rights issue to institutional shareholders	151,848,337	0.55	83,517
15/04/2009	Issued under non-renounceable rights issue to retail shareholders	59,448,794	0.55	32,697
5/05/2009	Issued under non-renounceable rights issue to retail shareholder	425,715	0.55	234
19/05/2009	Issued in consideration for acquisition of Hatrix Pty Limited	1,804,893	0.6704	1,210
14/06/2009	Issued to Oceania Healthcare Technology Investments Pty Limited (OCP) on conversion of convertible notes	13,134,134	0.55	7,224
	Less: transaction costs arising on non-renounceable rights issue, net of tax			(4,937)
	Balance at the end of the year	**1,013,757,888**		**728,960**

Notes to the Financial Statements CONTINUED

Note 29. Reconciliation of movement in capital, reserves, retained earnings and minority interest

	Contributed equity $'000	Treasury shares $'000	Options/ warrants reserve $'000	Share-based payments reserve $'000	Foreign currency translation $'000
At 1 July 2007	**187,235**	**(7,928)**	**4,343**	**3,285**	**(5,099)**
Equity issued during the period	434,236	-	640	-	-
Equity component of convertible notes	-	-	-	-	-
Costs of raising capital, net of tax	(19,143)	-	-	-	-
Net movement in treasury shares	-	(1,895)	-	-	-
Foreign currency translation, net of tax	-	-	-	-	(441)
Actuarial gains/(losses), net of tax	-	-	-	-	-
Irrecoverable element of minimum funding requirement, net of tax	-	-	-	-	-
Share-based payments	-	-	-	648	-
Profit for the period	-	-	-	-	-
At 30 June 2008	**602,328**	**(9,823)**	**4,983**	**3,933**	**(5,540)**
At 1 July 2008	**602,328**	**(9,823)**	**4,983**	**3,933**	**(5,540)**
Equity issued during the period	131,569	-	1,447	-	-
Costs of raising capital, net of tax	(4,937)	-	-	-	-
Net movement in treasury shares	-	(3,373)	-	-	-
Foreign currency translation, net of tax	-	-	-	-	2,867
Actuarial gains/(losses), net of tax	-	-	-	-	-
Irrecoverable element of minimum funding requirement, net of tax	-	-	-	-	-
Share-based payments	-	-	-	1,424	-
Profit for the period		-	-	-	-
At 30 June 2009	**728,960**	**(13,194)**	**6,430**	**5,357**	**(2,862)**

Option premium reserve $'000	Retirement benefits reserve $'000	Total reserves $'000	Retained earnings $'000	Parent Interest $'000	Minority interest $'000	Consolidated Total equity $'000
-	**-**	**(5,399)**	**(35,129)**	**146,707**	**131**	**146,838**
-	-	640	-	434,876	-	434,876
10,273	-	10,273	-	10,273	-	10,273
-	-	-	-	(19,143)	-	(19,143)
-	-	(1,895)	-	(1,895)	-	(1,895)
-	-	(441)	-	(441)	-	(441)
-	(9,115)	(9,115)	-	(9,115)	-	(9,115)
-	(1,181)	(1,181)	-	(1,181)	-	(1,181)
-	-	648	-	648	-	648
-	-	-	14,436	14,436	219	14,655
10,273	**(10,296)**	**(6,470)**	**(20,693)**	**575,165**	**350**	**575,515**
10,273	**(10,296)**	**(6,470)**	**(20,693)**	**575,165**	**350**	**575,515**
-	-	1,447	-	133,016	-	133,016
-	-	(3,373)	-	(4,937)	-	(4,937)
-	-	2,678	-	(3,373)	-	(3,373)
-	-	2,867	-	2,867	-	2,867
-	1,245	1,245	-	1,245	-	1,245
-	(1,433)	(1,433)	-	(1,433)	-	(1,433)
-	-	1,424	-	1,424	-	1,424
-	-	-	35,086	35,086	(355)	34,731
10,273	**(10,484)**	**(4,478)**	**14,393**	**738,875**	**(5)**	**738,870**

Notes to the Financial Statements CONTINUED

Note 29. Reconciliation of movement in capital, reserves, retained earnings and minority interest (continued)

The Company

	Contributed equity $'000	Options/ warrants reserve $'000	Share-based payments reserve $'000	Foreign currency translation $'000	Option Premium Reserve $'000	Total reserves $'000	Retained earnings $'000	Total equity $'000
At 1 July 2007	**187,235**	**4,343**	**3,285**	**(11)**	**-**	**7,617**	**(63,815)**	**131,037**
Equity issued during the period	434,236	640	-	-	-	640	-	434,876
Equity component of convertible notes	-	-	-	-	10,273	10,273	-	10,273
Costs of raising capital, net of tax	(19,143)	-	-	-	-	-	-	(19,143)
Foreign currency translation, net of tax	-	-	-	(51)	-	(51)	-	(51)
Share-based payments	-	-	648	-	-	648	-	648
Profit/(loss) for the period	-	-	-	-	-	-	(10,430)	(10,430)
At 30 June 2008	**602,328**	**4,983**	**3,933**	**(62)**	**10,273**	**19,127**	**(74,245)**	**547,210**
At 1 July 2008	**602,328**	**4,983**	**3,933**	**(62)**	**10,273**	**19,127**	**(74,245)**	**547,210**
Equity issued during the period	131,569	1,447	-	-	-	1,447	-	133,016
Costs of raising capital, net of tax	(4,937)	-	-	-	-	-	-	(4,937)
Foreign currency translation, net of tax	-	-	-	28	-	28	-	28
Share-based payments	-	-	1,424	-	-	1,424	-	1,424
Profit/(loss) for the period	-	-	-	-	-	-	14,257	14,257
At 30 June 2009	**728,960**	**6,430**	**5,357**	**(34)**	**10,273**	**22,026**	**(59,988)**	**690,998**

Note 29. Reconciliation of movement in capital, reserves, retained earnings and minority interest (continued)

Description of components of equity is set out below:

Contributed equity, refer to Note 28.

Treasury shares reserve

The treasury shares reserve for the Company's own shares represents the cost of shares held by the trustee of an equity compensation plan that the Consolidated Entity is required to include in the consolidated financial report (refer Note 1 (a) (iii) and (b) (ii)). At 30 June 2009, the Consolidated Entity held 21.2 million of the Company's shares (2008: 16.5 million). This reserve will be reversed with any surplus or deficit on sale shown as an adjustment to retained earnings when the underlying shares are exercised under share options and in-substance share options (loan shares) (refer Note 42). No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Options and warrants reserve

The options and warrants reserve comprises the fair value of options and warrants issued over ordinary shares of the Company. In total 5.6 million options are outstanding over ordinary shares in the Company that were issued in previous years in consideration of acquisitions (2008: 5.6 million). On 31 July 2006, 5.0 million options were issued with an exercise price of $0.85 and an expiry date of 26 July 2009. On 20 February 2007, two equal amounts of 300,000 options were issued which have an exercise price of $1.00 each and an expiry date of 9 November 2010 and 9 November 2011 respectively. Each option entitles the holder to one ordinary share in the Company on conversion. Warrants were issued in relation to the subordinated secured borrowings provided by Oceania Healthcare Technology Investments Pty Limited (OCP) (refer Note 21 and 43).

Share-based payments reserve

The share-based payments reserve comprises the amortised portion of grant date fair value of share-based payment grants made to employees under equity compensation plans (refer Note 42).

Foreign currency translation reserve

The foreign currency translation reserve in the Consolidated Entity comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary, net of tax.

The foreign currency translation reserve in the Company comprises the cumulative translation adjustments arising from the inclusion of its New Zealand branch office.

Option premium reserve

The option premium reserve comprises the equity portion of convertible notes issued but not yet converted, net of any distributions paid (refer Note 1 (v)).

Retirement benefits reserve

The retirement benefits reserve comprises the cumulative amount of actuarial gains and losses as well as unrecoverable element of minimum funding requirements of defined benefit plans (refer Note 25), net of income tax.

Retained earnings

Retained earnings comprise the cumulative amount of profits and losses of prior years and the current year.

Minority interest

Minority interest is that portion of profit or loss and net assets of a subsidiary attributable to equity, interest that are not owned, directly or indirectly through subsidiaries, by the Company.

Notes to the Financial Statements CONTINUED

Note 30. Dividends

	The Company	
	2009 $'000	2008 $'000
Dividends paid		
Dividends provided for or paid	-	-
Dividends proposed		
Dividends (including convertible notes distributions) not recognised at the end of the year	10,597	-
Franking credits		
Franking credits available for subsequent financial years based on a tax rate of 30%	178	203
Exempting credits available for subsequent financial years based on a tax rate of 30%	13,510	-

Exempting credits were obtained on acquisition of iSOFT Holdings Pty Limited on 31 January 2009, previously a non-resident owned company (refer Note 43 (ii)).

Note 31. Financial instruments

Financial risk management objectives

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity employed derivative financial instruments such as foreign currency forward contracts and as well as foreign currency hedging of the iSOFT acquisition during the comparative period

Risk management is carried out by senior finance executives (Group Finance) under policies approved by the Board of Directors. Group Finance identifies and evaluates financial risks within the Consolidated Entity's subsidiaries. Those findings are reported to the Audit and Compliance Committee who authorises the appropriate action to be taken.

The Consolidated Entity's principal financial instruments comprise bank and other loans, cash and cash equivalents, other financial assets, trade and other receivables and trade and other payables. The Consolidated Entity also enters into derivative transactions, primarily forward currency contracts. This note explains the nature and extent of the risks arising from financial instruments; how those risks arise; the objectives, policies and processes used by the Consolidated Entity for managing the risks; and the methods used to measure the risks.

Overview of treasury policy

The Consolidated Entity manages its exposure to risks arising from its use of financial instruments by the application of its treasury policy. The Consolidated Entity's treasury policy is approved by the Board and seeks to ensure that:

- appropriate financial resources are available for the maintenance and development of the Consolidated Entity's businesses;
- the financial risk of currency, interest rate and counterparty credit exposure is understood, measured and managed appropriately; and
- treasury operates as a cost centre and that no speculative transactions are undertaken.

There have been no significant changes in the Consolidated Entity's exposures to risk, and its approach to managing those exposures, in the year ended 30 June 2009 compared with the year ended 30 June 2008.

Policy in respect of the major areas of treasury management is set out below.

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting its financial obligations as they fall due.

Operating within the strict controls of the Consolidated Entity's treasury policy, the Treasury Function manages this risk, ensuring that sufficient funding and liquidity is available to meet the expected needs of the Consolidated Entity. In addition to the free cash flow of the Consolidated Entity, iSOFT Group Limited adopts a prudent approach to liquidity management using a mixture of long-term debt facilities and short-term cash deposits. Core funding and guarantee issuance is provided by a syndicated bank facility which matures in August 2011. This facility is described further in Note 21 and 24, including the amount of undrawn committed facilities available which is a key measure of the Consolidated Entity's liquidity.

Liquidity management is centralised through cash pooling arrangements and inter-company funding structures, under the control of the Treasury Function. In countries where cash pooling arrangements cannot be implemented, cash balances are monitored to ensure that surplus amounts are repatriated and deficits adequately funded. The Treasury Function maintains sufficient back-up liquidity in the form of available cash balances and committed facilities.

Standard business practices include the strict application of credit control procedures to ensure the collection of cash from customers in accordance with agreed credit periods and terms that result in positive cash flows over the life of a construction or long-term service provision contract whenever possible. The following table summarises the maturity profile of the Consolidated Entity's financial liabilities at 30 June 2009 and 30 June 2008 based on contractual undiscounted payments:

						Consolidated – 2009
	Carrying amount $'000	Contractual cashflows $'000	Up to 1 year $'000	1-2 Years $'000	2-5 Years $'000	More than 5 years $'000
Trade & other payables	118,760	118,760	112,060	6,700	-	-
Other borrowings	444	444	444	-	-	-
Bank loans	172,868	208,874	51,599	86,180	71,095	-
Contract funding	38,329	41,627	15,995	13,307	12,325	-
Convertible notes	29,445	39,718	-	-	39,718	-
Lease liability	1,084	1,114	578	536	-	-
Unrecognised loan commitments:						
Letters of credit	-	10,104	10,104	-	-	-
Total	**360,930**	**420,641**	**190,780**	**106,723**	**123,138**	-

						Consolidated – 2008
	Carrying amount $'000	Contractual cashflows $'000	Up to 1 year $'000	1-2 Years $'000	2-5 Years $'000	More than 5 years $'000
Trade & other payables	140,211	143,444	132,610	10,834	-	-
Bank loans	234,907	277,535	86,392	69,788	121,355	-
Contract funding	65,827	75,559	33,831	2,456	39,272	-
Convertible notes	26,918	39,718	-	-	39,718	-
Lease liability	1,729	1,814	1,375	439	-	-
Unrecognised loan commitments:						
Letters of credit	-	8,549	8,549	-	-	-
Total	**469,592**	**546,619**	**262,757**	**83,517**	**200,345**	**-**

Contractual cash flows include interest at the prevailing interest rate.

Notes to the Financial Statements CONTINUED

Note 31. Financial instruments *continued*

						The Company – 2009
	Carrying amount $'000	Contractual cashflows $'000	Up to 1 year $'000	1-2 Years $'000	2-5 Years $'000	More than 5 years $'000
Trade & other payables	11,718	11,718	11,718	-	-	-
Convertible notes	29,445	39,718	-	-	39,718	-
Total	**41,163**	**51,436**	**11,718**	**-**	**39,718**	**-**

						The Company – 2008
	Carrying amount $'000	Contractual cashflows $'000	Up to 1 year $'000	1-2 Years $'000	2-5 Years $'000	More than 5 years $'000
Trade & other payables	6,683	7,483	6,683	800	-	-
Borrowings	16,882	19,129	10,180	3,267	5,682	-
Convertible notes	26,918	39,718	-	-	39,718	-
Total	**50,483**	**66,330**	**16,863**	**4,067**	**45,400**	**-**

Interest rate risk

The Consolidated Entity is exposed to risk arising from the effect of changes in floating interest rates on the level of interest it pays on its borrowings and receives on its cash deposits.

The Consolidated Entity's policy is to set the proportion of fixed- and floating-rate debt, taking into account several factors including:

- the financial leverage of the Consolidated Entity;
- the profitability of the Consolidated Entity in relation to the business cycle; and
- the absolute levels of interest rates.

To implement this policy the Consolidated Entity may use fixed-rate borrowings, interest rate swaps, forward rate agreements and currency swaps to manage its interest rate exposure.

As at 30 June 2009 and 30 June 2008, in line with the Consolidated Entity having a net cash position, iSOFT Group Limited had no significant fixed rate borrowings.

The interest rate profiles of the Consolidated Entity's short and long-term borrowings are set out in Notes 21 and 24 respectively. All other financial assets and liabilities of the Consolidated Entity are non-interest bearing and a statement has been made to that effect in the relevant balance sheet notes.

Interest rate risk sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Consolidated Entity's profit before tax (through the impact on floating rate cash and borrowings). There is no impact on the Consolidated Entity's equity. The same assumptions have been used for the years ended 30 June 2009 and 30 June 2008.

	Increase/decrease	Effect on profit before tax increase/(decrease) 2009 $'000	Effect on profit before tax increase/(decrease) 2008 $'000
Borrowings	+1%	1,579	1,478
Borrowings	-1%	(1,579)	(1,478)

Currency risk

Transaction exposure

Currency transaction exposure arises when the Consolidated Entity's businesses face revenues or costs in a currency other than their own. The incidence of this risk varies across the Consolidated Entity and is subject to change. Usually however, the majority of revenues and costs will be in the functional currency of the business unit undertaking the transaction. Where this is not the case and the exposure is significant, it is the Consolidated Entity's policy for businesses to hedge their exposure.

The Consolidated Entity is also subject to exchange risk in making bids, particularly on major contracts. The assumption of a specific exchange rate within a bid would lead to a change in the anticipated margin on the contract should a bid be successful; this risk is hedged if significant.

The Consolidated Entity predominantly uses forward currency contracts to manage transaction exposure.

Translation exposure

The majority of the Consolidated Entity's operating capital is employed in overseas locations and is denominated in foreign currencies, particularly Pounds Sterling. As a consequence, changes in exchange rates affect both net asset values and reported results. This risk is not hedged directly, but to the extent that the Consolidated Entity has debt, any that is held in foreign currency would reduce the level of net assets exposed to currency fluctuations. The interest expense of any such debt would then also reduce the level of earnings exposed to exchange rate movements.

The Consolidated Entity and the parent entity undertake certain transactions in denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

The Consolidated Entity's exposure to foreign currency risk is as follows:

	GBP 2009 $'000	Euro 2009 $'000	Malaysian Ringgit 2009 $'000	Other (excl AUD) 2009 $'000	GBP 2008 $'000	Euro 2008 $'000	Malaysian Ringgit 2008 $'000	Other (excl AUD) 2008 $'000
Net financial assets on non-AUD functional currency entities	(172,095)	2,995	10,065	11,516	(85,313)	118,213	7,558	16,134
Net unhedged monetary assets not held in entities' functional currencies	56	(14,771)	-	762	341	(22,829)	-	1,099
Gross exposure	**(172,039)**	**(11,776)**	**10,065**	**12,278**	**(84,972)**	**95,384**	**7,558**	**17,233**

The exchange rates of significant operating countries of the Consolidated Entity that applied during the year are set out in Note 44.

Notes to the Financial Statements CONTINUED

Note 31. Financial instruments *continued*

Currency risk sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the Pounds Sterling, Euro and Malaysian Ringgit exchange rate, with all other variables held constant, of:

- the Consolidated Entity's profit before tax due to changes in the sterling value of monetary assets and liabilities not held in entities' functional currencies (assuming year end levels of such items are held constant); and
- the Consolidated Entity's equity due to changes in the sterling value of year end net assets held by non-AUD functional currency entities.

	Strengthening/ weakening of currency rate	Effect on equity: increase/ (decrease) 2009 $'000	Effect on profit before tax increase/ (decrease) 2009 $'000	Effect on equity increase/ (decrease) 2008 $'000	Effect on profit before tax increase/ (decrease) 2008 $'000
Pounds Sterling	+ 10%	15,645	(5)	(9,479)	38
Pounds Sterling	- 10%	(15,645)	5	9,479	(38)
Euro	+ 10%	(272)	1,343	13,135	(2,537)
Euro	- 10%	272	(1,343)	(13,135)	2,537
Malaysian Ringgit	+ 10%	(915)	-	840	-
Malaysian Ringgit	- 10%	915	-	(840)	-

The effect on profit is derived by applying the assumed strengthening/weakening percentage to the net amount of unhedged monetary assets held in a currency that is not the functional currency of the controlled entity holding those assets. The effect on equity is derived by applying the assumed strengthening/weakening percentage to the net assets of Consolidated Entity entities whose functional currency is other than Australian Dollar.

Price risk

The Consolidated Entity and the Company are not exposed to equity price risk.

Credit risk

The Consolidated Entity is exposed to risk if counterparty to a financial instrument fails to meet its contractual obligations. Such a risk arises principally in relation to receivables due from customers and cash deposited with banks or other financial institutions.

The Consolidated Entity monitors the identity of the counterparties with whom it deposits cash and transacts other financial instruments so as to control exposure to any territory or institution. As far as it is both feasible and practical to do so, cash is held centrally by treasury. Risk is assessed using ratings from major credit rating agencies.

The maximum credit risk exposure relating to financial assets is represented by their respective carrying values as at the balance sheet date.

The following table summarises the aging profile of the Consolidated Entity's financial assets at 30 June 2009 and 30 June 2008:

Consolidated	Total gross amount $'000	Total carrying value $'000	Neither past due nor impaired $'000	Past due but not impaired < 30 days $'000	30-60 days $'000	60-90 days $'000	90-120 days $'000	> 120 days $'000	Collectively impaired $'000	Individually impaired $'000
2009										
Cash and cash equivalents	85,737	85,737	85,737	-	-	-	-	-	-	-
Receivables	84,951	73,884	38,599	15,466	5,292	4,153	3,764	6,610	51	11,016
Total	**170,688**	**159,621**	**124,336**	**15,466**	**5,292**	**4,153**	**3,764**	**6,610**	**51**	**11,016**
2008										
Cash and cash equivalents	54,218	54,218	54,218	-	-	-	-	-	-	-
Receivables	89,858	77,188	40,729	17,486	6,922	3,468	3,856	4,727	454	12,216
Total	**144,076**	**131,406**	**94,947**	**17,486**	**6,922**	**3,468**	**3,856**	**4,727**	**454**	**12,216**

The Company	Total gross amount $'000	Total carrying value $'000	Neither past due nor impaired $'000	Past due but not impaired < 30 days $'000	30-60 days $'000	60-90 days $'000	90-120 days $'000	> 120 days $'000	Collectively impaired $'000	Individually impaired $'000
2009										
Cash and cash equivalents	7,268	7,268	7,268	-	-	-	-	-	-	-
Receivables	2,608	2,458	688	1,570	184	-	-	16	-	150
Receivables from subsidiaries	93,323	77,628	77,628	-	-	-	-	-	-	15,695
Loan assets held at amortised cost	148,531	148,531	-	-	-	-	-	148,531	-	-
Total	**251,730**	**235,885**	**85,584**	**1,570**	**184**	-	-	**148,547**	-	**15,845**
2008										
Cash and cash equivalents	1,275	1,275	1,275	-	-	-	-	-	-	-
Receivables	2,444	2,101	1,823	10	85	63	45	75	-	343
Receivables from subsidiaries	57,469	42,169	42,169	-	-	-	-	-	-	15,300
Loan assets held at amortised cost	133,186	133,186	-	-	-	-	-	133,186	-	-
Total	**194,374**	**178,731**	**45,267**	**10**	**85**	**63**	**45**	**133,261**	-	**15,643**

Notes to the Financial Statements CONTINUED

Derivatives

Derivatives are used to manage the interest rate and currency risks described above. There were no derivatives in place at the balance sheet date.

Capital management

The syndicated credit facility in place at 30 June 2009 provides liquidity for the Consolidated Entity until August 2011 and supports the objectives of the Consolidated Entity. This facility is described further in Note 24. Investigations are continually undertaken to review alternative financing arrangements. In making those considerations the Board takes into account the cost of any refinancing compared to the benefits, which include terms and conditions, the cost of funding and repayment schedules.

There were no significant changes in the Consolidated Entity's approach to capital management during the years ended 30 June 2009 and 30 June 2008.

The Consolidated Entity's capital structure is as follows:

	2009 $'000	2008 (Restated) $'000
Capital employed	893,082	850,678
Cash and cash equivalents	85,737	54,218
Borrowings	(242,170)	(329,381)
Net borrowings	(156,433)	(275,163)
Total equity – funds	**736,649**	**575,515**

The Consolidated Entity's and the Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. During the year, the Company raised $123 million of equity under a non-renounceable rights issue. With those proceeds the Consolidated Entity repaid the $60 million subordinated secured borrowings provided by OCP, $9 million loan provided by HSBC and $20 million on the syndicated revolving credit facility.

The Consolidated Entity has a process of monitoring overall cash balances on a strategic long term basis and at an operational level on a weekly basis. This is to ensure ongoing liquidity, prompt decision making and allow proactive communication with its funders.

Historically acquisition of other businesses has been one of the key growth strategies for the Consolidated Entity. In the future, the Consolidated Entity may continue to make further acquisitions depending on market conditions and the availability of suitable strategic targets. The Consolidated Entity has used a mixture of debt and equity to fund these activities, taking into account the cost of each source of finance, the costs of raising the funds and the overall gearing of the Consolidated Entity. It is expected these same considerations would be relevant going forward.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Consolidated Entity's current focus is to pay dividends with free cash flows after scheduled and pre-committed debt repayments and other capital commitments, after forecasting future cash flows. Also, financial covenants are taken into account before any dividend is declared to ensure that these are not breached.

Subject to restrictions in the facility agreement with the Consolidated Entity's bankers, the Consolidated Entity may issue new shares or sell assets to either reduce debt or to invest in income producing assets. This is decided on the basis of maximising shareholder returns over the long term.

The Consolidated Entity's overall capital risk management strategy remains unchanged from the previous financial year.

(i) Classification and fair values of financial assets and liabilities
The carrying value of financial instruments reflects their fair value.

(ii) Derivative financial instruments
The Consolidated Entity and the Company had no derivative financial instruments at 30 June 2009 or at 30 June 2008.

Interest rate swaps
Interest rate swaps were not used during the year ended 30 June 2009 or 30 June 2008.

Foreign exchange swaps and forwards used to hedge transaction exposure
The Consolidated Entity uses foreign exchange swaps and forwards to hedge currency exposure arising from sales and purchases made by the Consolidated Entity's businesses in currencies other than their own functional currency.

The Consolidated Entity held INR/GBP forward contracts during the year ended 30 June 2009 to hedge the intercompany purchases of software development services from the Indian subsidiaries. At the end of the year, no forward contracts were in place. In the comparative period, the Consolidated Entity and the Company held forward foreign exchange contracts to hedge the iSOFT Group Plc acquisition. The Company did not hold forward foreign exchange contracts during the year or at the end of the current period.

For the iSOFT acquisition in 2007 two forward foreign exchange contracts were purchased that on a combined basis hedged GBP 132.2 million. This produced a total foreign exchange loss of $24.8 million in the year ended 30 June 2008, of which $2.4 million was recognised in the income statement and $22.4 million was recognised as a cost of investment in the parent entity and treated as goodwill on consolidation (refer Note 35).

(iii) Ineffectiveness recognised in the income statement
No amounts were recognised in the income statement relating to the ineffectiveness of cash flow hedges (2008: $2.4 million).

Notes to the Financial Statements CONTINUED

Note 32. Remuneration of auditors

During the year the following fees were paid or payable for services provided by PKF, the auditors of the Company, and its related practices.

	Consolidated		The Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Audit services – PKF				
Audit or review of the financial report	720,514	925,000	720,514	925,000
Audit of iSOFT opening balance sheet	-	184,450	-	184,450
	720,514	1,109,450	720,514	1,109,450
Other services – PKF				
Advisory services	55,590	34,025	55,590	34,025
Taxation	410,467	280,670	410,467	280,670
	466,057	314,695	466,057	314,695
	1,186,571	**1,424,145**	**1,186,571**	**1,424,145**
Audit services – related practices				
Audit or review of the financial report	1,232,281	1,135,600	-	-
Audit of iSOFT opening balance sheet	-	380,000	-	-
	1,232,281	**1,515,600**	-	-
Audit services – other than PKF				
Audit or review of the financial report	46,028	64,171	-	-
Other services – other than PKF				
Advisory services	121,937	14,114	-	-
	167,965	**78,285**	**-**	**-**

It is the Consolidated Entity's policy to engage PKF on assignments additional to their statutory audit duties where PKF's expertise and experience with the Consolidated Entity are important. These assignments are principally compliance tax advice, or financial due diligence in respect of possible corporate acquisitions.

Note 33. Contingent liabilities

The Company provides guarantees in respect of the obligations of its subsidiaries in the normal course of their trading operations. No provision is required for liquidated damages on contracts that have passed their contracted sign-off date. As at the balance date, any future claims relating to liquidated damages arising under these contracts are adequately provided by either agreements with the parties, or work already performed and not charged as at balance date.

The following are material claims that have been raised against the Consolidated Entity:

(a) The Consolidated Entity has received a claim for USD1 million from a third party against IBA Health (India) Private Limited. The Consolidated Entity does not expect to be judged liable for any payments in relation to this matter;

(b) The proceedings in the Supreme Court of Queensland, Brisbane Registry (Proceedings No.BS9769/06), between the Australian Church in Australia Property Trust in Australia (Q) (as plaintiff) and iSOFT Australia Pty Limited (as defendant). The plaintiff alleges that iSOFT Australia Pty Limited breached a software supply agreement dated 17 September 2001 and made misleading and deceptive representations, such that the plaintiff has suffered loss and damage in the amount of approximately $4,600,000. In the view of the Directors, the outcome is unknown and they cannot estimate the likelihood of an unfavourable decision. As a result, no provision has been made as at 30 June 2009; and

(c) The proceedings under case number CIV-2006-404-004502 filed in the High Court at Auckland, New Zealand, between I-Health Limited (as plaintiff) and iSOFT NZ Limited and iSOFT Australia Pty Limited (as first and second respondents respectively). The proceedings arose out of a business and asset sale agreement entered into by iSOFT NZ Limited (as purchaser), iSOFT Australia Pty Limited (as the purchaser's guarantor) and I-Health Limited (as vendor), whereby iSOFT NZ Limited acquired the business and assets of I-Health Limited (including I-Health Limited's software known as "healthviews"). Payment for the business included payments based on revenue earned by iSOFT NZ Limited from the healthviews software over a five-year period following settlement of the sale. I-Health Limited claims that iSOFT NZ Limited has breached its obligations under the business and asset sale agreement to, inter alia, promote and develop the healthviews software thus negatively impacting on the earn-out payments due to I-Health Limited. The maximum payable under the earn-out agreement is $24.9million. In the view of the Directors, the outcome is unknown and they cannot estimate the likelihood of an unfavourable decision. As a result, no provision has been made as at 30 June 2009.

iSOFT Group Plc

The Company is assisting the Financial Services Authority in the United Kingdom in matters relating to iSOFT Group plc that took place prior to the acquisition by the Consolidated Entity.

Contingent considerations

Acquisition of Hatrix Pty Limited: the total maximum earn out is $13m over 3 years commencing from the date of Acquisition on 24 April 2009. There is no earn out payment due in the period ending June 2009.

Acquisition of I-Health Limited: the contingent consideration amounting to $0.9million was paid during the year. There is no further contingent payment due.

Notes to the Financial Statements CONTINUED

Note 34. Commitments

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Lease commitments – operating				
Committed at reporting date but not recognised as liabilities, payable:				
Within one year	7,244	7,019	2,498	722
One to five years	28,991	21,497	10,670	680
More than five years	30,684	22,201	13,589	-
	66,919	**50,717**	**26,757**	**1,402**
Lease commitments – finance				
Committed at reporting date and recognised as liabilities, payable:				
Within one year	578	1,375	-	-
One to five years	536	439	-	-
More than five years	-	-	-	-
Total commitment	1,114	1,814	-	-
Less: Future finance charges	(30)	(85)	-	-
Net commitment recognised as liabilities	**1,084**	**1,729**	**-**	**-**
Representing:				
Lease liability – current (refer Note 21)	554	1,323	-	-
Lease liability – non-current (refer Note 24)	530	406	-	-
	1,084	**1,729**	**-**	**-**

Lease commitments are operating leases on plant and equipment. Property leases are non-cancellable with rent payable monthly in advance. Contingent rental provisions within lease agreements generally require minimum lease payments be increased by CPI or a percentage factor. Certain agreements have option arrangements to renew the lease for an additional term.

During the reporting period, the Company entered into a new lease in Sydney with a lease term of 10 years expiring in February 2019. The Company received a lease incentive of $3.2 million worth of leasehold improvements (refer Note 16).

Jointly controlled entities do not have commitments (refer Note 37).

The Consolidated Entity and the Company have no capital commitments as at 30 June 2009 and 30 June 2008.

Note 35. Business combinations

iSOFT Group Plc

On 31 October 2007 the Consolidated Entity obtained control by acquiring 100% of the issued share capital and voting rights of iSOFT Group Plc for $465.2 million. iSOFT Group Plc develops and sells licenses of computer software and provides related implementation and maintenance services to the healthcare industry. The acquisition of iSOFT Group Plc, a company domiciled in the United Kingdom, has enabled the Consolidated Entity to significantly grow its sales pipeline and software development capabilities through access to the target's software products and services being sold to a customer base in over 35 countries, the iSOFT brand name, patented technology and next generation in-process research and development, in particular the development of Lorenzo. At 30 June 2008, the accounting for this business combination was still provisional, which has been finalised and disclosed in the interim financial report for the half-year ended 31 December 2008. Refer Note 17 for further details on goodwill and intangibles.

Details of the finalised purchase price allocation for the iSOFT Group plc acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Cash equivalents	57,626	57,626
Trade receivables	73,107	73,107
Property, plant and equipment	19,867	19,867
Patents and trademarks	-	54,000
Customer contracts	-	126,700
Intellectual property	-	195,400
Deferred tax assets	-	94,489
Other non-current assets	41,058	41,058
Trade payables	(215,253)	(215,253)
Deferred tax liabilities	-	(107,939)
Retirement benefit obligations	(22,237)	(22,237)
Bank loans	(320,269)	(320,269)
Net assets acquired	(366,101)	(3,451)
Goodwill		468,642
Total purchase consideration		**465,191**

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Outflow of cash to acquire business, net of cash acquired:				
Total purchase consideration	-	463,642	-	463,642
Less: cash equivalents	-	(57,626)	-	-
Less: payments to be made in future periods	-	(1,929)	-	(1,929)
Less: loans from subsidiaries	-	-	-	(62,348)
Less: 83,635,608 shares issued by parent entity with a fair value of $1.033 per share as part of consideration	-	(86,384)	-	(86,384)
Less: shares issued to iSOFT option holders before acquisition	-	(10,760)	-	(10,760)
Outflow of cash	**-**	**306,943**	**-**	**302,221**

Notes to the Financial Statements CONTINUED

Additional cost expense of $4.7 million was incurred in relation to acquisitions.

The values of assets acquired and liabilities assumed have been valued at the acquisition date, generally using fair values (refer Note 1 (ff) for determining fair value). In determining fair value of intellectual property and trademarks (iSOFT) acquired, the Consolidated Entity applied a discount rate of 13.1% to the estimated royalty payments avoided.

Acquisition related fees such as legal and advisory fees have been included in the cost of the business combination.

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business's work force, and the synergies expected to be achieved from integrating the acquired group in the Consolidated Entity's existing business (refer Note 17). None of the goodwill recognised is expected to be deductible for income tax purposes.

Hatrix Pty Limited

The Consolidated Entity acquired on 24 April 2009 100% of the equity and voting rights of Hatrix Pty Limited, a company domiciled in Australia. This company develops electronic medication management solutions for acute care, aged care and community health care providers in Australia and New Zealand. Hatrix Pty Limited has been renamed iSOFT Systems Pty Ltd subsequent to acquisition. The Consolidated Entity will leverage its global customer base to boost sales of Hatrix's flagship MedChart medication management solution. Medchart is already integrated with iSOFT software products at a number of iSOFT's installed customer sites and will be particularly relevant for customers in Australia, New Zealand, U.K, and Southeast Asia. The Consolidated Entity will also use Hatrix's expertise in further developing its own Lorenzo medication management solution. Hatrix Pty Limited was renamed iSOFT Systems Pty Ltd.

The initial purchase consideration was settled in 1.8 million of the Company's equity at a fair value of $0.67 per share at the closing bid price, amounting to $1.2 million, which resulted in goodwill of $2.0 million. A further earn-out, capped at $13 million, may be paid over three years and payable in cash or shares at the Company's election. No contingent consideration has been recognised as performance cannot be measured reliably and the accounting for the acquisition is provisional at the reporting date due to the relative short period since acquisition. The cost of the acquisition includes $0.1 million of directly attributable costs, such as due diligence and legal fees.

The amount of the acquirers profit or loss since the acquisition date included in the Consolidated Entity's income statement is insignificant.

Note 36. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1 (b) (i):

Name	Country of incorporation	Ownership Interest 2009 %	Ownership Interest 2008 %	The Company 2009 $'000	The Company 2008 $'000
Dawriver Pty Limited	Australia	100	100	-	-
Eclipsys Australia Pty Ltd	Australia	100	100	-	-
HAS Solutions Pty Ltd	Australia	100	100	-	-
IBA (Australia) Limited Partnership	Australia	100	100	-	-
iSOFT Group Limited	Australia	100	100	-	-
iSOFT (Primary Care) Pty Ltd	Australia	100	100	2,932	2,932
iSOFT Australia Pty Limited	Australia	100	100	-	-
iSOFT eHealth Pty Ltd	Australia	100	100	-	-
iSOFT Health Pty Ltd	Australia	100	100	11,267	11,267
iSOFT Healthcare Systems Pty Limited	Australia	100	100	-	-
iSOFT Holdings Pty Limited	Australia	100	100	60,000	-
iSOFT Solutions Pty Ltd	Australia	100	100	181,838	181,838
iSOFT Systems Pty Ltd [3]	Australia	100	100	1,284	-
Paramedical Pty Ltd	Australia	100	100	-	-
HAS Solutions Canada Inc.	Canada	100	100	-	-
Shanghai People's Health Information Technology Co. Ltd	China	51	51	-	-
Ying Shen Infocomm System (Shanghai) Co. Ltd	China	100	100	-	-
iSOFT GmbH & Co KG	Germany	100	100	-	-
iSOFT Health GmbH	Germany	100	100	-	-
iSOFT Health Verwaltungs-GmbH	Germany	100	100	-	-
iSOFT Business Solutions (HK) Limited	Hong Kong	100	100	-	-
IBA Health (India) Private Ltd	India	100	100	-	-
iSOFT Health Services (India) Private Limited	India	100	100	-	-
iSOFT R&D Private Limited	India	100	100	-	-
G.C. McKeown Systems Limited	Ireland	100	100	-	-
iSOFT Business Solutions (Ireland) Limited	Ireland	100	100	-	-
iSOFT Health (Ireland) Limited	Ireland	100	100	-	-
iSOFT Limited	Ireland	100	100	-	-
McKeown Software Limited	Ireland	100	100	-	-
IBA Health (Asia) Sdn. Bhd.	Malaysia	100	100	5,882	185
iSOFT Health Logic (Malaysia) Sdn. Bhd.[1]	Malaysia	100	100	-	-
iSOFT Health Systems (Malaysia) Sdn.Bhd.[2]	Malaysia	100	100	-	-
Jana Java Sdn. Bhd	Malaysia	100	100	-	-
iSOFT Malta Limited	Malta	100	100	-	-
iSOFT Nederland BV	Netherlands	100	100	-	-
G.C. McKeown & Co (N.I.) Ltd	Northern Ireland	100	100	-	-
iSOFT Scandinavia AS	Norway	100	100	-	-
IBA Health (NZ) Operations Limited	New Zealand	100	100	-	-
iSOFT (New Zealand & Pacific Islands) Limited	New Zealand	100	100	4,791	4,791
iSOFT NZ Limited	New Zealand	100	100	-	-
IBA Health (Middle East) LLC	Oman	100	100	-	-

1. Formerly known as HealthLogic (Malaysia) Sdn. Bhd.
2. Formerly known as IBA Health (Malaysia) Sdn. Bhd.
3. Formerly known as Hatrix Pty Limited.

Notes to the Financial Statements CONTINUED

Name	Country of incorporation	Ownership Interest 2009 %	2008 %	The Company 2009 $'000	2008 $'000
iSOFT Health (South Africa) (Proprietary) Limited	South Africa	100	100	-	-
Clinical and Pharmacy Systems Pte Ltd	Singapore	100	100	-	-
IBA Health (Asia) Holdings Pte Ltd	Singapore	100	100	-	-
IBA Health (Singapore) Pte Limited	Singapore	100	100	-	-
iSOFT Health (Asia) Pte Ltd	Singapore	100	100	-	-
iSOFT Holdings (Singapore) Pte Ltd	Singapore	100	100	-	-
Ying Shen Pte Ltd	Singapore	100	100	-	-
iSOFT Iberia, S.L.	Spain	100	100	-	-
iSOFT Sanidad SA	Spain	100	100	-	-
iSOFT Solutions (Thailand) Limited	Thailand	100	100	-	-
ACT Medisys Limited	United Kingdom	100	100	-	-
BIT (Holdings) Limited	United Kingdom	100	100	-	-
Eclipsys Limited	United Kingdom	100	100	-	-
HAS Solutions (UK) Limited	United Kingdom	100	100	-	-
Hollowbrook Computer Services Limited	United Kingdom	100	100	-	-
iSOFT plc	United Kingdom	100	100	-	-
IBA Health (Europe) Holdings Limited	United Kingdom	100	100	-	-
IBA Health (UK) Holdings Limited	United Kingdom	100	100	-	-
IBA Health (UK) Limited	United Kingdom	100	100	-	-
IBA Health (UK) Maintenance Limited	United Kingdom	100	100	-	-
iSOFT Applications Limited	United Kingdom	100	100	-	-
iSOFT Business Solutions (UK) Ltd	United Kingdom	100	100	-	-
iSOFT Europe (Holdings) Limited	United Kingdom	100	100	206,767	206,767
iSOFT Europe Limited	United Kingdom	100	100	-	-
iSOFT Group plc	United Kingdom	100	100	-	-
iSOFT Health (Germany) Limited	United Kingdom	100	100	-	-
iSOFT Health (Holdings) Limited	United Kingdom	100	100	-	-
iSOFT Health Limited	United Kingdom	100	100	-	-
iSOFT Laboratory Systems Ltd.	United Kingdom	100	100	-	-
iSOFT Medical Systems Limited	United Kingdom	100	100	-	-
iSOFT Netherlands (Holdings) Limited	United Kingdom	100	100	-	-
iSOFT Operations Limited	United Kingdom	100	100	-	-
iSOFT Overseas Holdings Limited	United Kingdom	100	100	-	-
iSOFT Protos Limited	United Kingdom	100	100	-	-
iSOFT Radiology Systems Limited	United Kingdom	100	100	-	-
iSOFT Solutions Limited	United Kingdom	100	100	-	-
iSOFT Technology Limited	United Kingdom	100	100	-	-
Oxhealth.com Limited	United Kingdom	100	100	-	-
Revive Group Limited	United Kingdom	100	100	-	-
Revive Health Limited	United Kingdom	100	100	-	-
Smart Terminals Limited	United Kingdom	100	100	-	-
SMS Datacare Limited	United Kingdom	100	100	-	-
Terranova Pacific Services (U.K.) Limited	United Kingdom	100	100	-	-
The Warwick Bepos Group Limited	United Kingdom	100	100	-	-
iHealthcare Information Systems Corporation Inc	USA	100	100	-	-
				474,761	**407,780**

Note 37. Jointly controlled entities (JCE's)

The Consolidated Entity operates several projects in Spain with joint venture partners and consolidates JCE's on a proportional basis (refer Note 1 (b) (iii)). The proportional interest in results, cash flows, assets, liabilities and net assets is insignificant to the Consolidated Entity of which a summary is set out below:

Name	Principal activities	Country of incorporation	Share of JCE's net results recognised 2009 $'000	2008 $'000	Consolidated ownership interest 2009 %	2008 %	Consolidated amount of net assets 2009 $'000	2008 $'000
UTE Indra sistemas, Everis, Isoft y Telvent Interactiva	Maintenace, development and implementation of Diraya project for Sevicio Andaluz de Salud	Spain	-	-	22%	0%	-	-
Isoft Sanidad SA e Informatica El Corte Inglés SA UTE	Implementation of Electronic Prescription for Servicio Navarro de Salud	Spain	-	-	60%	0%	-	-
Novasoft Sanidad y Selective Outsourcing Information Technologies SA UTE	Maintenace services for Information system for Tortosa Hospital.	Spain	(0.1)	(1.2)	50%	50%	64.7	33.2
Guadaltel- Novasoft Sanidad SA UTE- Project 7577	System control development for waste management fo Consejeria de MedioAmbiente de la Junta de Andalucia.	Spain	-	(0.3)	45%	45%	-	-
Guadaltel- Novasoft Sanidad SA UTE- Project 7578	Project Wonda development for Consejeria de Justicia y Admon Publica de la Junta de Andalucia	Spain	-	(0.4)	40%	40%	-	-
Novasoft Servicios Inforamticos SA y RSI-Ross system Iberica SL UTE	Service of equitment adquisition and developments	Spain	-	-	50%	50%	96.5	49.5
Novasoft Sanidad y Bull España UTE	Technical maintenace for Abucasi I project	Spain	-	(0.7)	80%	80%	-	-
Isoft Sanidad SA y Bull España UTE	Technical maintenace for Abucasi I project	Spain	-	-	50%	50%	141.0	72.4
Novasoft Servicios Inforamticos SA- Indra Sistemas UTE	Consultancy for desing, intalation and go live for Public healt system for Andaluci (CEIS).	Spain	(0.3)	(4.8)	50%	50%	6.5	3.4
Novasoft Sanidad e Infinity Systems UTE	Equipment installation, maintenance, repair and systems as well as staff for Servicio de Salud de Castilla La Mancha	Spain	(0.4)	(7.7)	50%	50%	221.5	113.7
UTE Indra- Novasoft-Sadiel	Professional services for Information center and for the province.	Spain	-	-	33%	33%	0.9	0.5
Novasoft Sanidad SA- Servinform SA UTE	Service of Management and Digital archive	Spain	-	-	50%	50%	26.7	13.7
			(0.8)	**(15.1)**			**557.8**	**286.4**

Jointly controlled entities do not have commitments.

Notes to the Financial Statements CONTINUED

Note 38. Reconciliation of profit/(loss) after income tax to net cash flows from operating activities

		Consolidated		The Company	
	Notes	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit/(loss) after income tax expense		34,731	14,655	14,257	(10,430)
Adjustments for:					
Depreciation and amortisation		53,963	36,611	1,289	931
Impairment of intellectual property		-	5,179	-	-
Net loss/(profit) on sale of non-current assets		124	-	138	-
Non cash employee benefits expense – share based payments	5	1,091	885	1,167	648
Income tax expense	8	10,533	11,116	(141)	(47)
Finance costs	6	34,006	30,498	9,923	9,336
Related Party Loan write down		-	-	5,370	-
Non cash – dividends revenue		-	-	(32,500)	-
Non cash – management fees revenue		-	-	(28,871)	(6,912)
Non cash – management fees expense		-	-	11,306	-
Non cash – inter-company interest revenue		-	-	(8,297)	(4,143)
Reserve movements		(510)	1,091	1,704	589
Operating profit before changes in working capital and provisions		**133,938**	**100,035**	**(24,655)**	**(10,028)**
Change in operating assets and liabilities:					
(Increase)/decrease in trade and other receivables		3,304	14,980	(358)	(892)
(Increase)/decrease in inventories		158	(350)	-	-
(Increase)/decrease in deferred tax assets		7,065	(16,666)	(346)	(554)
(Increase)/decrease in other operating assets		(13,427)	(22,200)	(2,988)	-
Increase/(decrease) in trade and other payables		(25,277)	13,475	118	3,226
Increase/(decrease) in deferred tax liabilities		(16,415)	(1,601)	(1,344)	601
Increase/(decrease) in other provisions		(1,240)	9,521	641	(1,027)
Increase/(decrease) in other operating liabilities		(14,965)	(17,379)	(157)	-
		73,141	**79,815**	**(29,089)**	**(8,674)**
Interest received		1,619	2,332	242	1,751
Income taxes paid		(10,509)	(5,943)	(71)	-
Net cash inflow/(outflow) from operating activities		**64,251**	**76,204**	**(28,918)**	**(6,923)**

Note 39. Non-cash investing and financing activities

	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Shares issued in part consideration for business combinations	1,210	86,384	1,210	86,384
Shares issued under employee loan plan	6,687	2,465	6,687	2,465
	7,897	**8,849**	**7,897**	**88,849**

Note 40. Earnings per share

	Consolidated 2009 Cents	2008 Cents
Earnings per share (EPS) attributable to ordinary equity holders		
Basic	4.30	2.08
Diluted	4.26	2.06

Reconciliation of earnings used in the calculation of basic earnings per share	$'000	$'000
Profit for the period	34,731	14,655
Profit/(loss) attributable to minority interests	(355)	219
Total earnings used in the calculation of basic earnings per share	**35,086**	**14,436**

Reconciliation of earnings used in the calcuation of diluted earnings per share		
Earnings used in the calculation of basic earnings per share	35,086	14,436
Add interest saving on convertible notes	1,769	-
Total earnings used in the calculation of dilutive earnings per share	**36,855**	**14,436**

	Number	Number
Weighted average number of ordinary shares	**816,034,299**	**651,615,106**
Bonus factor adjustment – non-renounceable rights issue		1.07
Weighted average number of ordinary shares used in calculating basic EPS	**816,034,299**	**694,651,015**
Adjustments for calculation of diluted EPS:		
Options	3,532,398	4,535,503
Convertible notes	45,969,469	-
Weighted average number of ordinary shares used in calculating diluted EPS	**865,536,166**	**699,186,518**

Basic earnings per share for the year has been calculated using the above mentioned weighted average number of shares in issue during the year, excluding those held as treasury shares which are treated as cancelled, and the profit after taxation and minority interests as shown above. Prior year EPS has been restated to reflect prior period adjustments, including the retrospective consolidation of an employee benefits trust which holds treasury shares. Furthermore, the comparative period has been restated to adjust for the effects from the non-renounceable rights issue completed in May 2009 (bonus factor adjustment).

For current year, warrants are antidilutive because the conversion would increase earnings per share and therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share (2008: convertible notes and warrants). For terms and conditions of convertible notes, refer Note 24. For terms and conditions of warrants, refer Note 43. ELP shares disclosures refer Note 42.

There have been no significant transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of this Financial Report.

Notes to the Financial Statements CONTINUED

Note 41. Key Management Personnel disclosures

(i) Key Management Personnel

Key Management Personnel (KMP) of the Consolidated entity are defined as those persons having authority and management responsibility for planning, directing, and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company. The following persons were KMP during the year or have been appointed after 30 June 2009:

- Non-executive Directors;
- Executive Directors; and
- Group Executives.

Non-executive Directors:

James Fox	Independent, Appointed on 6 July 2009
Claire Jackson	Independent
Robert Moran	Appointed on 6 November 2008
Anthony Sherlock	Independent
Ian Tsicalas	
Peter Wise	Independent
Lachlan MacGregor	Alternate to Robert Moran and Ian Tsicalas, Appointed on 9 January 2009

Executive Directors:

Gary Cohen	Executive Chairman and Chief Executive Officer
Stephen Garrington	Director, Group Business Development and Strategy

Other Key Management Personnel (Executives):

Brian Cohen	Chief Technology Officer
Martin Deda	Group Finance Director, Appointed 14 July 2008
Andrea Fiumicelli	Chief Operating Officer

(ii) Former Key Management Personnel

The following executive ceased to be a member of key management personnel during the financial year ended 30 June 2009:

Non-Executive Directors:

Donald Conway, Ceased at 6 November 2008

Other Key Management Personnel (Executives):

Gordon Mackay	Chief Financial Officer, Ceased as at 13 July 2008, but continues to be employed

Where applicable, where these individuals had balances in relation to shares or loans as at 30 June 2008, their balances have been included in the opening balances of the current financial year. Other than noted in this section, there have been no changes in KMP during the reporting period and in the period after reporting date and prior to the date when the financial report is authorised for issue. KMP for the Company and the Consolidated Entity are the same. Hence there are no separate parent or consolidated disclosures.

(iii) Compensation

The aggregate compensation made to Directors and other members of Key Management Personnel of the Consolidated Entity is set out below:

	Short-term			Share-based payments (equity settled)	Post-employment	
	Base salary and fees $	**Cash Bonus $**	**Non-monetary benefits $**	**Shares and options $**	**Super annuation $**	**Total $**
2009	2,810,231	2,050,500	580,605	(147,531)	72,173	**5,365,978**
2008	2,143,444	760,000	423,201	732,831	62,650	**4,122,126**

(iv) Equity instrument disclosures relating to Key Management Personnel

Shareholding

The movement during the reporting period in the number of ordinary securities in the Company held directly, indirectly or beneficially, by each Key Management Person, including their related parties is as follows:

	Balance at the start of the year [A]	Pro-rata entitlement Apr-09	Acquired during the year	Disposed during the year	Transferred out during the year	Balance at the end of the year	Balance at 18-Aug-09
Executive Directors							
Gary Cohen [B]	72,546,550	3,514,285	8,226,669	(14,435,620)	(375,000)	69,476,884	69,476,884
Stephen Garrington	6,463,594	-	227,948	(600,000)	(250,000)	5,841,542	5,841,542
Non-executive Directors							
Claire Jackson	39,620	-	-	-	-	39,620	39,620
Robert Moran [1]	672,773	140,000	-	-	(231,836)	580,937	580,937
Anthony Sherlock	10,000	-	-	-	-	10,000	10,000
Ian Tsicalas	-	-	-	-	-	-	-
Peter Wise	12,688,443	1,100,000	-	(2,271,530)	-	11,516,913	11,516,913
Donald Conway [2]	250,000	-	-	-	(250,000)	-	-
Alternate Director							
Lachlan MacGregor [3]	-	-	-	-	-	-	-
Other Key Management Personnel							
Brian Cohen [B]	71,362,526	3,514,285	3,605,765	(11,032,900)	(375,000)	67,074,676	67,074,676
Martin Deda [4]	-	27,273	500,000	-	-	527,273	527,273
Andrea Fiumicelli	-	-	78,222	(15,442)	-	62,780	62,780
Gordon Mackay [5]	437,829	-	-	-	(437,829)	-	-

1. Robert Moran was appointed a full Director on 6 November 2008.
2. Donald Conway resigned on 6 November 2008.
3. Lachlan MacGregor was appointed as an Alternate Director on 9 January 2009.
4. Martin Deda became a Key Management Person as at 14 July 2009.
5. Gordon Mackay ceased to be a Key Management Person as at 13 July 2009 but remains employed by the Consolidated Entity.

A All the shares are inclusive of vested and unvested shares under the iSOFT Employee Loan Plan where applicable. The balance of vested and unvested shares held by individuals is disclosed in the Employee Loan Plan section in this note.

B This amount includes the relevant interest in securities of the RJL Investments Pty Limited Group of Companies, of which Brian Cohen and Gary Cohen each have a 50% stake of 60,330,299 shares. This amount also includes the relevant interest in vested and unvested shares under the share award plans for Gary Cohen and Brian Cohen. This amount does not include the relevant interests pursuant to a Pre-emption Deed under which RJL Investments Pty Ltd and Oceania Healthcare Technology Investments Pty Limited each grant pre-emptive rights over their shares in the Company in favour of the other. Pre-emptive rights do not attach to more shares than the number which, when added to the person's existing voting power, equals 19.9%.

Notes to the Financial Statements CONTINUED

The movement during the comparative period in the number of ordinary securities in the Company held directly, indirectly or beneficially, by each Key Management Person, including their related parties is as follows:

	Balance at the start of the year [A]	Acquired during the year	Disposed during the year	Transferred out during the year	Balance at the end of the year	Balance at 24-Sep-08
Executive Directors						
Gary Cohen [B]	70,447,211	2,099,339	-	-	72,546,550	72,546,550
Stephen Garrington	5,498,018	965,576	-	-	6,463,594	6,463,594
Non-executive Directors						
Donald Conway	-	250,000	-	-	250,000	250,000
Claire Jackson	39,620	-	-	-	39,620	39,620
Anthony Sherlock	60,000	-	(50,000)	-	10,000	10,000
Ian Tsicalas	-	-	-	-	-	-
Peter Wise	12,688,443	-	-	-	12,688,443	12,688,443
Alternate Director						
Robert Moran	-	672,773	-	-	672,773	672,773
Other Key Management Personnel						
Brian Cohen [B]	69,263,187	2,099,339	-	-	71,362,526	71,362,526
Andrea Fiumicelli	-	-	-	-	-	-
Gordon Mackay	38,534	399,295	-	-	437,829	437,829

A All the shares are inclusive of vested and unvested shares under the iSOFT Employee Loan Plan where applicable. The balance of vested and unvested shares held by individuals is disclosed in the Employee Loan Plan section of this Report.

B This amount includes the relevant interest in securities of the RJL Investments Pty Limited Group of Companies, of which Brian Cohen and Gary Cohen each have a 50% stake of 55,456,545 shares. This amount also includes the relevant interest in vested and unvested shares under the share award plans for Gary Cohen and Brian Cohen. This amount does not include the relevant interests pursuant to a Pre-emption Deed under which RJL Investments Pty Ltd and Oceania Healthcare Technology Investments Pty Limited each grant pre-emptive rights over their shares in the Company in favour of the other. Pre-emptive rights do not attach to more shares than the number which, when added to the person's existing voting power, equals 19.9%.

Vested and unvested shareholding under the Employee Loan Plan (ELP)

The number of vested, but not yet exercised and unvested ELP shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the Consolidated Entity, held directly, indirectly or beneficially, by each Key Management Person, including their personally related parties, is set out below:

For the period ending 30 June 2009

	Plan type [1]	Hurdle type [2]	Grant date fair value[3] per option ($)	Option Exercise price ($)[4]	Balance of vested and unvested options at the start of the year	Granted during the year	Lapsed of forfeited during the year	Transferred out the year[5]	Balance of vested and unvested options at the end of the year
Executive Directors									
Gary Cohen	ELP	EPS	0.3705	0.7914	1,652,174	-	-	-	1,652,174
		SPG	0.2962	0.8137	2,652,173	-	(375,000)	-	2,277,173
		Other	0.2974	0.6686	1,000,000	-	-	-	1,000,000
Stephen Garrington	ELP	EPS	0.4064	0.8374	885,694	-	-	-	885,694
		SPG	0.3412	0.6903	1,885,694	-	(250,000)	-	1,635,694
		Other	0.4301	0.3500	3,000,000	-	-	-	3,000,000
	ELP 15m	n/a	0.2343	0.70	143,237	48,652	-	-	191,889
								-	
Executives									
Brian Cohen	ELP	EPS	0.3016	0.7297	-	250,000	-	-	250,000
		SPG	0.2703	0.7297	-	250,000	-	-	250,000
		Other	0.1810	0.3885	777,110	-	-	-	777,110
	ELP 15m	n/a	0.1460	0.43	501,200	73,952	-	-	575,152
Martin Deda	ELP	EPS	0.3016	0.7297	-	250,000	-	-	250,000
		SPG	0.2703	0.7297	-	250,000	-	-	250,000
Ceased to be a KMP during the year:						-	-		
Executives									
Gordon Mackay	ELP	EPS	0.4064	0.8374	354,278	-	-	(354,278)	-
		SPG	0.4560	1.1667	354,277	-	-	(354,277)	-
	ELP 15m	n/a	0.2095	0.60	312,284	-	-	(312,284)	-
Total					**13,518,121**	**1,122,604**	**(625,000)**	**(1,020,839)**	**12,994,886**

Note: Vested ELP grants are also included in this table. The exercise period is unlimited.

1. For plan types, refer structure and details of Long-Term Incentive plans, refer Note 42. The ELP Shares are granted with a limited recourse loan of which the outstanding amount can be determined by multiplying the number of (un)vested shares with the ELP exercise price. As such, ELP Shares are in substance options.
2. For performance hurdles, refer Note 42.
3. Grant date fair value, refer Note 42.
4. ELP exercise price reflects the amount payable in relation to the limited recourse loan attached to the ELP Share grant.
5. Shares sold or transferred out of the ELP Plan. Transferred out does not mean that the individual has left the Consolidated Entity.

Notes to the Financial Statements CONTINUED

For the period ending 30 June 2008

	Plan type [1]	Hurdle type [2]	Grant date fair value[3] per option ($)	Option Exercise price ($)[4]	Balance of vested and unvested options at the start of the year	Granted during the year	Balance of vested and unvested options at the end of the year
Executive Directors							
Gary Cohen	ELP	EPS	0.3705	0.7914	750,000	902,174	1,652,174
		SPG	0.2543	0.6987	1,750,000	902,173	2,652,173
		Other	0.2974	0.6686	1,000,000	-	1,000,000
Stephen Garrington	ELP	EPS	0.4064	0.8374	500,000	385,694	885,694
		SPG	0.2959	0.5988	1,500,000	385,694	1,885,694
		Other	0.4301	0.3500	3,000,000	-	3,000,000
	ELP 15m	n/a	0.2413	0.70	110,576	32,661	143,237
Executives							
Brian Cohen		Other	0.1810	0.3885	777,110	-	777,110
	ELP 15m	n/a	0.1360	0.40	451,555	49,645	501,200
Gordon Mackay	ELP	EPS	0.4064	0.8374	200,000	154,278	354,278
		SPG	0.3273	0.8374	200,000	154,277	354,277
	ELP 15m	n/a	0.2091	0.60	292,687	19,597	312,284
Total					**10,531,928**	**2,986,193**	**13,518,121**

Note: Vested ELP grants are also included in this table. The exercise period is unlimited.

1. For plan types, refer structure and details of Long Term Incentive plans, refer Note 42. The ELP Shares are granted with a limited resource loan of which the outstanding amount can be determined by multiplying the number of vested and vested shares with the ELP exercise price. As such, ELP shares are in substance options.
2. For performance hurdles, refer Note 42.
3. Grant date fair value, refer Note 42.
4. ELP exercise price reflects the amount payable in relation to the limited resource loan attached to the ELP Share grant.

Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the Consolidated Entity, held directly, indirectly or beneficially, by each Key Management Person, including their personally related parties, is set out below:

	Plan type [1]	Hurdle type [2]	Grant date fair value[3] per option ($)	Option Exercise price ($)[4]	Balance of vested and unvested options at the start of the year	Granted during the year	Balance of vested and unvested options at the end of the year
					For the period ending 30 June 2009		
Executives							
Andrea Fiumicelli	EIP	EPS	0.3016	0.7297	-	500,000	500,000
		SPG	0.2703	0.7297	-	500,000	500,000
					-	**1,000,000**	**1,000,000**

1. For plan types, refer structure and details of Long-Term incentive plans, refer Note 42.
2. For performance hurdles, refer structure and details of EIP options, refer Note 42.
3. Grant dated fair value. For details of EIP option remuneration values, refer Note 42.
4. Option exercise price. For details of individual option exercise prices, refer Note 42.

Anthony Sherlock holds 100,000 options under the Employee Incentive Plan, unchanged from the previous year. These options with an exercise price of $0.72 and an expiry date of 4 November 2009 have all vested and remain currently exercisable.

Notes to the Financial Statements CONTINUED

Note 42. Share-based payments

Selected employees are eligible to participate in the iSOFT employee share schemes, comprising the iSOFT Employee Loan Plan, iSOFT Employee Incentive Plan, the iSOFT Employee Deferred Incentive Plan and the iSOFT Exempt Employee Share Plan. These plans are equity settled share-based payments plans.

Employee Loan Plan (ELP)

The ELP was last approved by shareholders on 6 November 2008 for the purpose of providing incentives to executives and is a limited recourse loan share plan. The ELP is managed by iSOFT Group ESP Managers Pty Limited, as trustee of the iSOFT Group ELP Trust under which employees of the Consolidated Entity may acquire an interest in the Company's shares. It was established to provide equity incentives to selected employees including Executive Directors and is used in the LTI scheme. Non-executive Directors are not eligible to participate in the ELP. The Remuneration Committee determines the maximum amount of equity under the program to be issued with the allocation to individual executives broadly in line with their past contribution and potential.

Limited recourse loans are provided interest free by Trust under the ELP to employees selected by the Remuneration Committee to enable them to acquire the shares. Subject to satisfying any relevant performance or vesting conditions specified by the Remuneration Committee, the employee may direct that the trustee sell the shares and, after applying the proceeds to repaying the loan, the employee may direct that the shares be transferred to them.

The Trustee will either subscribe for a new issue of shares or purchase shares on the ASX. Shares will be held on trust until the participant withdraws from the ELP. Shares will either be purchased on-market at the prevailing market value or issued by the Company at the weighted average price at which the shares were traded on the ASX during the one week period up to and including the date of issue or such other basis as the Remuneration Committee determines. Shares issued under the ELP carry full shareholder rights such as in relation to rights and bonus issues, voting and dividends but will not participate in any dividend reinvestment plan. Participants in the ELP must not enter into transactions or arrangements, including by way of derivatives or similar financial products, which limit the economic risk of holding unvested awards.

The structure and details of loan shares issued to employees under the Plan are summarised in the following tables:

ELP 15 Month Share Options	
Nature	Each iSOFT executive remuneration share option entitles the participant to one share in the Company upon vesting subject to payment of limited recourse note.
Grant frequency	Quarterly/Annual grant based upon contractual obligations and performance of employees.
Eligibility criteria	Selected executives, broadly in line with performance and future potential.
Exercise price	5-day VWAP preceding grant date
Performance hurdles	Time based vesting.
Vesting period	Fifteen months
Exercise period and expiry	Exercisable upon vesting with no lapse restriction.
Right to Dividends	Right to dividends.

ELP 3 Year Share Options	
Nature	Each iSOFT executive remuneration share option entitles the participant to one share in the Company upon vesting subject to payment of limited recourse note.
Grant frequency	Annual Grant (subject to Remuneration Committee approval); ad-hoc on commencement of employment and future potential grants.
Eligibility criteria	Selected executives, broadly in line with past contribution and future potential.
Exercise price	5-day VWAP preceding grant date
Performance hurdles	**Earnings Per Share (EPS) – 50% of share option grant** Based on the average annual compound EPS growth over a three year measurement period against a comparator group (15 comparable ASX 200 organisations): • Below Median (50th percentile) of comparator group – 0% of share options vest; • Median of comparator group – 25% of share options vest • 62.5nd percentile of comparator group – 50% of share options vest; • 75th percentile of comparator group – 75% of share options vest; • 80th percentile of comparator group – 100% of share options vest; and • Share option vesting levels are interpolated between each percentile above. **Share Price Growth (SPG) – 50% of share option grant** Based on relative SPG performance over a three year measurement period against a comparator group (15 comparable ASX 200 organisations): • Below Median (50th percentile) of comparator group – 0% of share options vest; • Median of comparator group – 25% of share options vest • 62.5nd percentile of comparator group – 50% of share options vest; • 75th percentile of comparator group – 75% of share options vest; • 80th percentile of comparator group – 100% of share options vest; and • Share option vesting levels are interpolated between each percentile above.
Vesting period	Three years from grant date. No retesting.
Exercise period and expiry	Exercisable upon vesting with no lapse restriction.
Right to Dividends	Right to dividends.

Notes to the Financial Statements CONTINUED

Shares held in trust are acquired on-market on or around the grant date or are newly issued. The trust issues a loan with limited recourse to the granted shares to the individual executives. The trust has been consolidated in accordance with Note 1 (b) (ii). The on-market purchase price or closing bid price on date of issue of the shares held by the trust and not yet issued to the employees at the reporting date are shown as treasury shares in equity (see Note 29).

Loan shares are in substance options. Similarly to EIP grants, fair value of loan shares granted with an EPS hurdle is independently determined using binomial option pricing model; those with a SPG hurdle using monte carlo simulation model that takes into account the market condition, expected volatility of the shares in the peer group and correlation of the underlying share price movements and those of the shares in the peer group. Both valuation models take into account term of loan shares (for grants without an expiry date, 12 months exercise period has been assumed), the impact of dilution and the following model inputs as follows:

Option model inputs for Loan Shares granted in the ELP during the period ended 30 June 2009

Grant date	Plan type	Hurdle type	Share price at Grant date ($)	Expected volatility (%)	Expected dividend yield (%)	Risk free rate (%)	Option exercise price ($)
16-Jul-08	ELP 15 m	Service only	0.5798	47.61	-	7.77	0.5900
24-Sep-08	ELP 3yr	EPS	0.7202	45.9	-	5.5	0.7297
24-Sep-08	ELP 3yr	SPG	0.7202	45.9	-	5.5	0.7297
08-Oct-08	ELP 15 m	Service only	0.7602	51.73	-	5.22	0.7250
10-Dec-08	ELP 3yr	EPS	0.5593	49.21	-	3.5	0.5593
10-Dec-08	ELP 3yr	SPG	0.5593	49.21	-	3.5	0.5593
12-Jan-09	ELP 15 m	Service only	0.6034	53.14	-	3.22	0.6400
02-Apr-09	ELP 15 m	Service only	0.6050	54.36	-	2.9	0.6250
30-Jun-09	ELP 15 m	Service only	0.6450	54.03	-	3.43	0.6461
30-Jun-09	ELP 3yr	EPS	0.6450	49.46	-	4.57	0.6424
30-Jun-09	ELP 3yr	SPG	0.6450	49.46	-	4.57	0.6424

Option model inputs for Loan Shares granted in the ELP during the period ended 30 June 2008

Grant date	Plan type	Hurdle type	Share price at Grant date ($)	Expected volatility (%)	Expected dividend yield (%)	Risk free rate (%)	Option exercise price ($)
09-Jul-07	ELP 15 m	Service only	1.2150	41.35	1.901	6.67	1.2150
09-Jul-07	ELP 12 m	Service only	1.2150	41.35	1.901	6.67	1.2150
28-Sept-07	ELP 15 m	Service only	0.935	44.76	0.755	6.96	0.9335
28-Sept-07	ELP 12 m	Service only	0.935	44.76	0.755	6.96	0.9335
14-Nov-07	ELP 15 m	Service only	1.01	44.33	0.755	7.35	1.0100
17-Jan-08	ELP 15 m	Service only	0.7719	45.35	0.970	7.23	0.7400
03-Mar-08	ELP	EPS	0.5921	52.13	-	6.645	0.6027
03-Mar-08	ELP	SPG	0.5921	52.13	-	6.645	0.6027
17-Apr-08	ELP 15 m	Service only	0.519	57.72	-	7.74	0.5050

Expected volatility is based on the implied volatility of publicly traded options over the Company's share, the historic volatility of the market price of the Company's share and the mean reversion tendency of volatilities. Expected volatility of each company in the peer group is determined on the historic volatility of the companies' share prices. Each of these assumptions has been based on two years' historic volatility data.

The weighted average fair value of the loan shares granted during the year was $0.2758 (2008: $0.2047). The weighted average exercise price is $0.7041 (2008: $0.6454). The weighted average remaining contractual life of the loan shares is unlimited as ELP grants have no expiry once vested. The following table provides additional information of 2008 and 2009 grants by hurdle type:

ELP Grants during the period ended 30 June 2009

Hurdle type	Grant date weighted average fair value per ELP share	Weighted Average exercise price	Unvested ELP shares at the start of the year	Granted as compensation during the year	Lapsed or forfeited during the year	Vested during the year	Unvested ELP shares at the end of the year
EPS	0.3450	0.7651	2,892,146	2,475,000	-	-	5,367,146
Service only	0.2473	0.7380	529,519	581,017	-	(529,519)	581,017
SPG	0.2473	0.7380	2,892,144	2,475,000	(725,000)	(725,000)	3,917,144
			6,313,809	**5,531,017**	**(725,000)**	**(1,254,519)**	**9,865,307**

ELP Grants during the period ended 30 June 2008

Hurdle type	Grant date weighted average fair value per ELP share	Weighted Average exercise price	Unvested ELP shares at the start of the year	Granted as compensa-tion during the year	Lapsed or forfeited during the year	Transferred out during the year	Vested during the year	Unvested ELP shares at the end of the year
EPS	0.3859	0.8111	1,450,000	1,442,146	-	-	-	2,892,146
Other	0.0000	0.0000	-	-	-	-	-	-
Service only	0.3211	0.9554	671,809	582,570	(98,765)	(36,474)	(589,621)	529,519
SPG	0.3078	0.8111	1,450,000	1,442,144	-	-	-	2,892,144
			3,571,809	**3,466,860**	**(98,765)**	**(36,474)**	**(589,621)**	**6,313,809**

Notes to the Financial Statements CONTINUED

The following tables summarised information about loan shares held by employees as at 30 June 2009 and 30 June 2008:

Unvested ELP Grants for the year ended 30 June 2009

Grant date	Vesting date	Hurdle type	Grant date fair value per ELP share ($)	Exercise Price ($)	Unvested ELP shares at the start of the year	Granted as compensation during the year	Lapsed or forfeited during the year	Vested during the year	Unvested ELP shares at the end of the year
09-Nov-06	30-Jun-09	SPG	0.4618	1.0184	1,450,000	-	(725,000)	(725,000)	-
09-Nov-06	30-Sep-09	EPS	0.5477	1.0184	1,450,000	-	-	-	1,450,000
09-Jul-07	30-Sep-08	Service only	0.3837	1.2150	60,804	-	-	(60,804)	-
09-Jul-07	09-Jul-08	Service only	0.3564	1.2150	60,058	-	-	(60,058)	-
28-Sep-07	31-Dec-08	Service only	0.3044	0.9335	81,362	-	-	(81,362)	-
28-Sep-07	28-Sep-08	Service only	0.2866	0.9335	78,316	-	-	(78,316)	-
17-Jan-08	31-Mar-09	Service only	0.2723	0.7400	104,180	-	-	(104,180)	-
03-Mar-08	30-Sep-10	EPS	0.2232	0.6027	1,442,146	-	-	-	1,442,146
03-Mar-08	30-Jun-10	SPG	0.1529	0.6027	1,442,144	-	-	-	1,442,144
17-Apr-08	30-Jun-09	Service only	0.2071	0.5050	144,799	-	-	(144,799)	-
16-Jul-08	30-Sep-09	Service only	0.1936	0.5900	-	123,582	-	-	123,582
24-Sep-08	30-Sep-11	EPS	0.3016	0.7297	-	2,050,000	-	-	2,050,000
24-Sep-08	04-Sep-11	SPG	0.2703	0.7297	-	2,050,000	-	-	2,050,000
08-Oct-08	31-Dec-09	Service only	0.2732	0.7250	-	104,297	-	-	104,297
10-Dec-08	04-Sep-11	EPS	0.2278	0.5593	-	100,000	-	-	100,000
10-Dec-08	04-Sep-11	SPG	0.1970	0.5593	-	100,000	-	-	100,000
12-Jan-09	31-Mar-10	Service only	0.1936	0.6400	-	117,733	-	-	117,733
02-Apr-09	30-Jun-10	Service only	0.1980	0.6250	-	120,707	-	-	120,707
30-Jun-09	30-Sep-10	Service only	0.2199	0.6461	-	114,698	-	-	114,698
30-Jun-09	30-Jun-12	EPS	0.2909	0.6424	-	325,000	-	-	325,000
30-Jun-09	30-Jun-12	SPG	0.2824	0.6424	-	325,000	-	-	325,000
					6,313,809	**5,531,017**	**(725,000)**	**(1,254,519)**	**9,865,307**

As at 30 June 2009, the following ELP shares are outstanding and are held by the trust: 21,180,090 ELP shares in the Company (2008: 16,529,111), of which 9,865,307 are unvested (2008: 6,313,809), with the balance amounting to 11,314,783 shares vested and currently exercisable (2008: 10,215,302). No ELP shares expire as the life is unlimited.

Unvested ELP Grants for the year ended 30 June 2008

Grant date	Vesting date	Hurdle type	Grant date fair value per ELP share ($)	Exercise Price ($)	Unvested ELP shares at the start of the year	Granted as compensation during the year	Lapsed or forfeited during the year	Transferred out during the year	Vested during the year	Unvested ELP shares at the end of the year
18-Jul-06	30-Sep-07	Service only	0.2909	0.7900	100,933	-	(3,164)	(8,703)	(89,066)	-
18-Jul-06	18-Jul-07	Service only	0.2774	0.7768	106,333	-	(3,219)	(17,741)	(85,373)	-
13-Oct-06	31-Dec-07	Service only	0.3727	1.0650	74,916	-	(5,281)	(3,521)	(66,114)	-
13-Oct-06	13-Oct-07	Service only	0.3487	1.0650	78,313	-	(4,428)	(6,509)	(67,376)	-
01-Nov-06	01-Nov-08	Service only	0.3737	1.0600	50,000	-	-	-	(50,000)	-
09-Nov-06	30-Jun-09	SPG	0.4618	1.0184	1,450,000	-	-	-	-	1,450,000
09-Nov-06	30-Sep-09	EPS	0.5477	1.0184	1,450,000	-	-	-	-	1,450,000
15-Nov-06	31-Dec-07	Service only	0.4260	1.1600	5,967	-	(4,310)	-	(1,657)	-
15-Dec-06	30-Mar-07	Service only	0.4277	1.2250	66,908	-	(6,633)	-	(60,275)	-
08-Jan-07	08-Jan-08	Service only	0.4368	1.2250	62,969	-	(3,746)	-	(59,223)	-
02-Apr-07	02-Apr-08	Service only	0.3601	1.3252	63,331	-	(8,516)	-	(54,815)	-
02-Apr-07	30-Jun-08	Service only	0.3812	1.3252	62,139	-	(6,417)	-	(55,722)	-
09-Jul-07	30-Sep-08	Service only	0.3837	1.2150	-	72,625	(11,821)	-	-	60,804
09-Jul-07	09-Jul-08	Service only	0.3564	1.2150	-	71,731	(11,673)	-	-	60,058
28-Sep-07	31-Dec-08	Service only	0.3044	0.9335	-	88,094	(6,732)	-	-	81,362
28-Sep-07	28-Sep-08	Service only	0.2866	0.9335	-	88,408	(10,092)	-	-	78,316
14-Nov-07	31-Dec-08	Service only	0.3200	1.0100	-	2,939	(2,939)	-	-	-
17-Jan-08	31-Mar-09	Service only	0.2723	0.7400	-	108,225	(4,045)	-	-	104,180
03-Mar-08	30-Sep-10	EPS	0.2232	0.6027	-	1,442,146	-	-	-	1,442,146
03-Mar-08	30-Jun-10	SPG	0.1529	0.6027	-	1,442,144	-	-	-	1,442,144
17-Apr-08	30-Jun-09	Service only	0.2071	0.5050	-	150,548	(5,749)	-	-	144,799
					3,571,809	**3,466,860**	**(98,765)**	**(36,474)**	**(589,621)**	**6,313,809**

Notes to the Financial Statements CONTINUED

Employee Incentive Plan (EIP)

The EIP was established by the Company in September 2008 and approved by shareholders on 6 November 2008 to provide incentives to selected employees. Awards granted under the EIP may include options, performance rights, cash rights and stock appreciation rights. Since inception of the Plan, only options have been granted and no performance rights, cash rights and stock appreciation rights. It was established to provide equity incentives to selected employees including Executive Directors and is used in the LTI scheme. The Remuneration Committee determines the maximum amount of equity under the program to be issued with the allocation to individual executives broadly in line with their past contribution and potential.

Participants in the EIP must not enter into transactions or arrangements, including by way of derivatives or similar financial products, which limit the economic risk of holding unvested awards.

The structure and details of options issued to executives on 4 September 2008 under the Plan are summarised in the following table:

EIP Options	
Nature	Each iSOFT executive remuneration option entitles the participant to one share in the Company upon vesting subject to payment of an exercise price.
Grant frequency	Annual Grant (subject to Remuneration Committee approval); ad-hoc on commencement of employment and future potential grants.
Eligibility criteria	Selected executives, broadly in line with past contribution and future potential.
Exercise price	5-day VWAP preceding grant date
Performance hurdles	**Earnings Per Share (EPS) – 50% of option grant** Based on the average annual compound EPS growth over a three year measurement period against a comparator group (15 comparable ASX 200 organisations): • Below Median (50th percentile) of comparator group – 0% of options vest; • Median of comparator group – 25% of options vest • 62.5nd percentile of comparator group – 50% of options vest; • 75th percentile of comparator group – 75% of options vest; • 80th percentile of comparator group – 100% of options vest; and • Option vesting levels are interpolated between each percentile above. **Share Price Growth (SPG) – 50% of option grant** Based on relative SPG performance over a three year measurement period against a comparator group (15 comparable ASX 200 organisations): • Below Median (50th percentile) of comparator group – 0% of options vest; • Median of comparator group – 25% of options vest • 62.5nd percentile of comparator group – 50% of options vest; • 75th percentile of comparator group – 75% of options vest; • 80th percentile of comparator group – 100% of options vest; and • Option vesting levels are interpolated between each percentile above.
Vesting period	Three years from grant date. No retesting.
Exercise period and expiry	Exercisable upon vesting and lapse 5 years after grant date.
Right to Dividends	No dividend rights until exercised

Fair value of granted with an EPS hurdle is independently determined using binomial option pricing model; those with a SPG hurdle using Monte Carlo simulation model that takes into account the market condition, expected volatility of the shares in the peer group and correlation of the underlying share price movements and those of the shares in the peer group. Both valuation models take into account term of options, the impact of dilution and the following model inputs as follows:

Grant date	Plan type	Hurdle type	Share price at Grant date ($)	Expected volatility (%)	Expected dividend yield (%)	Risk free rate (%)	Option exercise price ($)
24-Sep-08	EIP	EPS	0.7202	45.9	-	5.5	0.7297
24-Sep-08	EIP	SPG	0.7202	45.9	-	5.5	0.7297

Expected volatility is based on the implied volatility of publicly traded options over the Company's share, the historic volatility of the market price of the Company's share and the mean reversion tendency of volatilities. Expected volatility of each company in the peer group is determined on the historic volatility of the companies' share prices. Each of these assumptions has been based on two years' historic volatility data.

The weighted average fair value of the share options granted during the year was $0.286 (2008: none). The weighted average exercise price is $0.7202 (2008: none). The weighted average remaining contractual life of the share options at 30 June 2009 is 4.95 years (2008: none). The following table summarised information about outstanding options held by employees, which are all non-exercisable, as at 30 June 2009:

Vesting date	Expiry Date	Hurdle type	Option exercise price ($)	Grant date fair value per option ($)	Balance of options at the start of the year	Options granted as compensation during the year	Options lapsed or forfeited during the year	Balance of options at the end of the year
30-Sep-11	04-Sep-13	EPS	0.7202	0.3016	-	6,950,000	(350,000)	6,600,000
04-Sep-11	04-Sep-13	SPG	0.7202	0.2703	-	6,950,000	(350,000)	6,600,000
					-	**13,900,000**	**(700,000)**	**13,200,000**

On 9 November 2004, 100,000 options were granted and approved by Shareholders, with an exercise price of $0.72 and an expiry date of 4 November 2009. These options have all vested and remain currently exercisable (refer Note 43).

Notes to the Financial Statements CONTINUED

Employee Deferred Incentive Plan (EDIP)

The EDIP, last approved by shareholders 6 November 2008, is a unit trust under which employees of the Consolidated Entity may acquire an interest in the Company's shares. It was established to allow eligible employees the opportunity to invest in the Company's shares by sacrificing salary or bonuses. The Remuneration Committee may invite full or part time employees of the Consolidated Entity (including Executive Directors of the Company) to participate in the EDIP. Non-executive Directors are not eligible to participate in the EDIP. Contributions to the EDIP will be determined by the Remuneration Committee from time to time in consultation with the participant.

Shares will either be purchased on-market at the prevailing market value or issued by the Company at the weighted average price at which the shares were traded on the ASX during the one week period up to and including the date of issue or such other basis as the Remuneration Committee determines. Shares will be held on trust until the participant withdraws from the EDIP. Generally, a participant may withdraw their shares from the EDIP (or authorise the trustee to sell the shares on the ASX and pass the proceeds to the participant) at any time subject to the Company's share trading policy and any administrative restrictions imposed. Shares issued under the EDIP carry full shareholder rights such as in relation to rights and bonus issues, voting and dividends but will not participate in any dividend reinvestment plan.

Further information is summarised in the below table for the current period:

Balance at start of the year	Acquisitions during the year	Disposals during the year	Balance at the end of the year
2,498,352	6,404,097	4,740,025	4,162,424

Exempt Employee Share Plan (EESP)

The EESP, last approved by shareholders 5 November 2005, is a trust-based plan under which employees of the Company and its subsidiaries may acquire an interest in the Company's shares. It was established to allow eligible employees the opportunity to invest in the Company's shares by sacrificing salary and so access the tax concessions available for Australian tax residents. The Plan is not operational.

Other share-based payments

For warrants issued or outstanding during the period and comparative period, refer to Note 43. In total 5.6 million options are outstanding over ordinary shares in the Company that were issued in previous years in consideration of acquisitions (2008: 5.6 million); refer Note 29.

Summary

The following table is a summary of loan shares and options granted pursuant to the plans and the related expenses recognised in the period:

	Consolidated		The Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Fair value of loan shares granted under the ELP to participating employees during the year	1,526	710	1,526	710
Fair value of options granted under the EIP to participating employees during the year	3,975	-	3,975	-
	5,501	710	5,501	710

	Consolidated		The Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Share-based payments expense arising from:				
Loan shares granted under the ELP	768	647	768	647
Options granted under the EIP	656	-	656	-
	1,424	647	1,424	647

Note 43. Related party transactions

(i) Ultimate parent
The ultimate parent entity of the Consolidated Entity is iSOFT Group Limited, a company domiciled in Australia. The registered office is Darling Park, Tower Two, Level 27, 201 Sussex Street, Sydney, New South Wales, Australia.

(ii) Subsidiaries
The Consolidated Entity's interest in subsidiaries is set out in Note 36. Transactions between the Consolidated Entity and its subsidiaries principally arise from granting loans, the provision of administrative services and provision of rights to use Intellectual Property and Trademarks in connection with the sale of iSOFT products and rendering of services to customers.

During the year, the following transactions occurred with subsidiaries and have been made on behalf of employees to defined contribution and defined benefit plans:

	Consolidated		The Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Other revenue				
Interest revenue	-	-	8,298	5,311
Dividend revenue	-	-	32,500	-
Management fees revenue	-	-	28,871	6,912
Expenses				
Management fees expenses	-	-	16,678	-
Superannuation contributions paid on behalf of employees	11,627	7,781	16	-
Finance costs				
Impairment of loans to wholly owned subsidiaries	-	-	-	6,102

Notes to the Financial Statements CONTINUED

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Trade and other receivables – current (refer Note 10)				
Balance at the start of the year	-	-	42,170	40,715
Receivable advanced	-	-	100,255	18,770
Interest charged	-	-	968	2,244
Loan repaid[1]	-	-	(60,000)	(13,357)
Receivable impaired	-	-	(5,765)	(6,102)
Balance at the end of the year	-	-	77,628	42,270
Of which:				
Current tax receivable (tax funding agreement)	-	-	10,971	1,270

[1]Acquisition of related parties:
On 31 January 2009, the Company acquired 100% of the equity and voting rights in iSOFT Holdings Pty Limited from iSOFT Overseas Holdings Limited, a UK wholly owned subsidiary of the Consolidated Entity. The purchase consideration was $60 million and has been repaid by settlement of a loan obligation owed by the Company to iSOFT Overseas Holdings Limited (refer Note 36).

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Loans receivable held at amortised cost – non-current (refer Note 14)				
Balance at the start of the year	-	-	133,186	48,462
Loan advanced	-	-	8,015	80,657
Interest charged	-	-	7,330	4,067
Balance at the end of the year	-	-	148,531	133,186

The Company has entered into a tax sharing and funding agreement with its eligible Australian controlled subsidiaries. The terms and conditions of this agreement are set out in note 1 (g).

Loans (excluding working capital balances) made with subsidiaries are interest bearing. The terms of the loans to subsidiaries are no more favourable than other loans made by the Consolidated Entity.

(iii) Associates
The Consolidated Entity has no associates.

(iv) Jointly controlled entities
The Consolidated Entity has interest in 12 jointly controlled entities (refer Note 37). There were no significant transactions with these entities during the current and comparative period.

(v) Special purpose entities
In connection with the operation of the Employee Loan Plan, the Company has an unsecured, zero coupon loan amounting to $11.3 million (2008: $7.8 million) with the iSOFT Group ESP Managers Pty Limited, as trustee of the iSOFT Group ELP Trust. During the year, the Company advanced $3.8 million to the trustee in connection with shares made available to the trustee representing share grants made during period.

(vi) Key Management Personnel
Disclosures relating to Key Management Personnel are set out in Note 41.

(vii) Transactions with Oceania Healthcare Technology Investments Pty Limited
Oceania Healthcare Technology Investments Pty Limited (OCP) has significant influence over the Consolidated Entity by virtue of its ability to appoint two Directors on the Board of Directors and 25.9% equity interest in the Company. During the year, the following transactions occurred with OCP:

	Consolidated 2009 $'000	2008 $'000	The Company 2009 $'000	2008 $'000
Expenses				
Directors fees (refer Note 41)	185,808	86,250	185,808	86,250
Finance costs				
Interest on subordinated secured borrowings[1]	8,517	4,094	5,962	-
Interest on convertible notes[2]	2,257	1,876	2,257	1,876

1. Including amortised fees
2. Imputed interest at comparable interest rate, non-payable (refer Note 24).

Convertible notes and ordinary shares transactions with the Company	Consolidated 2009 $'000	2008 $'000	The Company 2009 $'000	2008 $'000
Subscription to convertible notes	7,224	107,718	7,224	107,718
Conversion into ordinary shares in the Company	(7,224)	(68,000)	(7,224)	(68,000)

	The Company 2009 Number of shares	2008 Number of shares	The Company 2009 $'000	2008 $'000
Non-renounceable rights issue subscription to ordinary shares in the Company	58,405,141	-	32,123	-
Issued to OCP under which OCP agreed to fund the cash consideration under the iSoft Group plc scheme of arrangement	-	125,714,286	-	132,000

During the period, the Company agreed with OCP to pay a funding advisory and structuring fee amounting to $0.5 million. In the prior year, the Company paid $14.2 million subscription fee, debt arrangement fee and non-usage fee to OCP. The fees are at arm's length.

Subordinated secured borrowings
On 29 October 2008, the Consolidated Entity extended its loan with OCP amounting to $57 million to 30 June 2009. The loan was transferred from iSOFT Group plc to the Company on that day and a fee was agreed and capitalised onto the loan amounting to $1.6 million. On 29 March 2009, the loan principal of $60.0 million and interest of $1.9 million was repaid from the proceeds of the non-renounceable rights issue.

Notes to the Financial Statements CONTINUED

Warrants

During the reporting period, 2,923,751 of warrants were issued (2008: 1,279,996) in connection with the terms and conditions of the subordinated secured borrowings from OCP. The warrants initially had an exercise price of $0.20 per warrant, which was reset to $0.1614 following the exercise of the anti-dilution clause under the terms and conditions of the warrants.
The significant terms and conditions of the 4,203,747 warrants on issue are as follows:

Subscription dates	monthly from 29 October 2008 to 27 March 2009
Subscription price	none
Nominal value	$0.90
Maturity date	3 years after the date of their issue
Conversion	at any time, at the holder's option
Strike ratio	one warrant entitles the holder to subscribe to one ordinary share in the Company
Conversion price	initially $0.20 but reset to $0.1614 from pro-rata entitlement offer
Anti-dilution clause	included
Trading restrictions	none
Dividend entitlement	none

Note 44. Exchange rates

The exchange rates of significant operating countries of the Consolidated Entity that applied during the year are as follows:

	Year ended 30 June 2009 Average	Year ended 30 June 2008 Average	As at 30 June 2009 Closing	As at 30 June 2008 Closing
AUD to 1 GBP	2.1603	2.2331	2.0521	2.0743
AUD to 1 Euro	1.8447	1.6391	1.7455	1.6418
AUD to 1 Malaysian Ringgit	0.3813	0.3358	0.3510	0.3191
GBP to 1 Indian Rupee	0.0129	0.0123	0.0124	0.0117

Note 45. Events occurring after balance date

Business combinations

On 12 August 2009, the Consolidated Entity obtained control through acquiring 100% of the issued share capital and voting rights of BridgeForward, Inc., a company that is domiciled in Boston, Massachusetts, USA. The initial consideration amounts to USD4.2 million and there is further earn-out which is capped at USD10 million payable over 5 years.

The acquiree develops and sells interoperability software for the global health industry. The acquisition is expected to provide the Consolidated Entity with the ability to integrate health information from all sources through access to the acquiree's newly developed SOA compliant technology and a first step into the United States market. The Consolidated Entity also expects to reduce internal development and maintenance service costs through economies of scale that will be achieved by a modern and standardised approach to the growing market demands for interoperability.

No other matters or circumstances have arisen since 30 June 2009 that has significantly affected, or may significantly affect the Consolidated Entity's operations in future financial years, the results of those operations in future financial years, or the Consolidated Entity's state of affairs in future financial years.

Directors' declaration

30 June 2009

In the Directors' opinion:

- the financial statements and notes set out on pages 62 to 148 and the remuneration disclosures that are contained in pages 43 to 60 of the Directors' Report are in accordance with the Corporations Act 2001, including:
  - i. complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - ii. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2009, and of their performance and cash flows for the financial year ended on that date, and

- the remuneration disclosures that are contained in pages 43 to 60 of the Directors' Report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures* and *Corporations Regulations 2001*.

- there are reasonable grounds to believe that the Company will be able to pay their debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Group Finance Director required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

Signed in accordance with a resolution of Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

Gary Cohen
Director

Anthony Sherlock
Director

Dated this 18th day of August 2009
Sydney

Independent auditor's report

PKF
Chartered Accountants
& Business Advisers

To the members of iSOFT Group Limited

Report on the Financial Report

We have audited the accompanying financial report of iSOFT Group Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration for both iSOFT Group Limited (the company) and the entities it controlled (the consolidated entity) at the year end.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of iSOFT Group Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included under the heading 'Remuneration Report' in the Directors' Report for the year ended 30 June 2009. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of iSOFT Group Limited for the year ended 30 June 2009, complies with Section 300A of the Corporations Act 2001.

PKF

Bruce Gordon
Partner
Sydney
Dated this 18th day of August 2009

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Shareholder information

The shareholder information set out below was applicable as at 10 August 2009.

Distribution of equity securities

Analysis of number of equitable security holders by size of holding

Range	Number of shares
1-1,000	1,506
1,001-5,000	3,373
5,001-10,000	2,133
10,001-100,000	3,914
100,001 and over	462
Total	**11,388**
Less than a marketable parcel	**368**

Equity security holders

Twenty largest quoted equity security holders

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

Name	Number held	% of total shares
Oceania Healthcare Technology Investments Pty Limited	262,823,130	25.9
J P Morgan Nominees Australia Limited	85,509,524	8.4
RBC Dexia Investor Services Australianominees Pty Limited	78,798,724	7.8
National Nominees Limited	54,663,969	5.4
HSBC Custody Nominees (Australia) Limited	52,627,332	5.2
ANZ Nominees Limited	35,490,970	3.5
RJL Investments Pty Limited	34,765,257	3.4
Mr Mohammad Al Zubair	23,689,104	2.3
IBA Health Employee Share Plan Managers Pty Ltd	21,181,168	2.1
Citicorp Nominees Pty Limited	14,905,263	1.5
Techno Holdings Pty Limited	11,066,913	1.1
Macquarie Capital Group Ltd	8,023,526	0.8
AMP Life Limited	8,017,129	0.8
Quatro Capital Pty Ltd	7,615,545	0.8
Cogent Nominees Pty Limited	7,327,842	0.7
Cogent Nominees Pty Limited	6,296,251	0.6
Queensland Investment Corporation	6,060,843	0.6
Bellite Pty Ltd	5,261,391	0.5
Garsu Holdings Pty Ltd	5,187,302	0.5
iSOFT Group ESP Managers Pty Ltd	4,151,119	0.4
	733,462,302	**72.3**

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding

	Unquoted equity securities	
	Number on issue	Number of holders
Options over ordinary shares issued	18,900,000	77
Warrants over ordinary shares issued	4,203,747	1

Substantial shareholders

Substantial shareholders as disclosed in substantial shareholder notices received by the Company are set out below:

Name	Ordinary shares Number held	% of total shares
Oceania Healthcare Technology Investments Pty Limited	262,823,160	25.90
RJL Investments Pty Ltd	201,765,833	19.90
Maple-Brown Abbott Ltd	82,115,264	8.10

RJL Investments Pty Ltd ("RJL", associated with Gary Cohen and Brian Cohen) is a substantial holder of the Company, holding 6.61% of the total number of ordinary shares. In addition, RJL has an agreement with Oceania Healthcare Technology Investments Pty Limited ("OCP") which grants RJL a preemptive right over up to 19.9% of OCP's shares; taking its voting power in the Company to 19.9%.

Voting rights

The voting rights attached to ordinary shares are such that, on a show of hands every member present at the meeting, in person or by proxy, shall have one vote and upon a poll, each share shall have one vote.

There are no other classes of equity securities.

Corporate directory

Corporate and registered Office
iSOFT Group Limited
Darling Park, Tower Two, Level 27
201 Sussex Street
Sydney NSW 2000 Australia
Tel: +61 2 8251 6700
Fax: +61 2 8251 6801

Board of Directors
Gary M Cohen
Executive Chairman and CEO

Dr James C Fox
Non-executive Director

Stephen J Garrington
Executive Director

Prof Claire L Jackson
Non-executive Director

Robert B Moran
Non-executive Director

Anthony G Sherlock
Non-executive Director

Ian Tsicalas
Non-executive Director

Peter H Wise
Non-executive Director

Lachlan R MacGregor
Alternate Director

Company Secretary
Howard T Edelman

Share registry
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000 Australia
Tel: +61 3 9415 4000 (outside Australia)
Tel: 1300 855 080 (within Australia)

Auditor
PKF
Level 10, 1 Margaret Street
Sydney NSW 2000 Australia

Stock exchange listing
iSOFT Group Limited shares are listed on the Australian Securities Exchange as code: "ISF".

Website address
www.isofthealth.com

iSOFT Group Limited
Darling Park, Tower 2, Level 27
201 Sussex Street, Sydney, NSW 2000, Australia
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