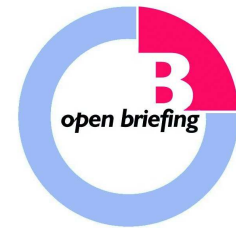


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iSOFT



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iSOFT Group Limited recently met a major delivery deadline for the UK National Programme for IT (NPfIT), under which it had to implement Lorenzo 1.9 in a care setting by November, with the National Health Service (NHS) Bury Primary Care Trust chosen as the adopter site. How effective has this implementation been and what implications does it have for iSOFT's next steps under NPfIT?

Executive Chairman & CEO Gary Cohen

Lorenzo Regional Care 1.9, the latest version, went live at the Bury Trust in Lancashire on 3 November according to schedule. The implementation was very smooth and we've had exceptionally good feedback from the customer regarding the roll-out. This is the first major release of our integrated administrative and clinical solution across an entire NHS Trust – overall 600 users and some 1,200 clinics.

Bury was an important achievement in light of the deadlines set by the NHS to achieve substantial progress in the NPfIT.

Release 1 is now running in five NHS trust settings. While the number of users at these is much smaller than Bury, the objective of these early adopter sites has been to ensure the system is suitable for different types of care settings before a major roll-out commences.

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A further deadline for Lorenzo set by the NHS director general of Health Informatics Christine Connelly, is that it must be "running smoothly" across an

acute trust by March 2010. There is a lot of scepticism in the UK about the ability of Lorenzo to meet its deadlines. Can you comment?

Executive Chairman & CEO Gary Cohen

Our next major milestone is the implementation of Lorenzo versions 1.9 and 2.0 at University Hospitals of Morecambe Bay in March 2010. Morecambe Bay is already an early adopter of Release 1 and we and CSC have been working closely with the hospitals to ensure the planned roll-out goes well. We're confident we're on track to meet this milestone.

The success of large transformational software projects can be hard to measure until some way down the track. The NPfIT is no exception. Some of the early phases of the programme were hidden from view as the software architecture was being developed. It's easy to start criticising when there's nothing to see, but this doesn't mean nothing is being done. I often use the iceberg analogy in describing the development of Lorenzo. The visible tip, the user interface, is appearing only now, after we've largely completed the huge unseen architecture of the software. As the pace of Lorenzo roll-outs picks up, and we expect a number of implementations in 2010, we should see the scepticism and the frustration dissipate.

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iSOFT recently announced it will release Lorenzo Primary Care by the fourth quarter of 2010, initially in the UK market. Now will Lorenzo Primary Care fit with iSOFT's existing roll-out under the NPfIT?

Executive Chairman & CEO Gary Cohen

Primary care – which in the UK means the GPs – is not part of our initial solution, Lorenzo Regional Care, as our focus has been on the acute hospital sector of the NPfIT. The NHS is engaged in a separate initiative for the primary care market under the GP Systems of Choice programme, which is open to all IT providers that have achieved certain levels of compliance.

We've been supplying and participating in the GP market in the UK for a number of years with our Ganymede, Premiere and Synergy solutions. Lorenzo Primary Care presents an opportunity to both migrate our existing customers and win new customers by providing a fully managed solution across a connected healthcare community. It also presents us with an opportunity to address our loss of market share in the GP segment with a long-term solution.

Our approach to the UK primary care market, in particular, is different from our competitors. We're about focusing on innovation and understanding the complexities of a changing marketplace. Lorenzo Primary Care adds a new dimension to healthcare IT by enabling primary care to be interconnected across the entire healthcare continuum and be part of the collaborative approach clients are telling us they want.

Lorenzo Primary Care's competitive advantage is that it is the only native vertical solution for GPs in the UK that uses the scalability and features of the Lorenzo platform initially developed for the NPfIT.

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You recently reiterated your guidance for the current year ending June 2010 of 10 percent “organic” growth in revenue, but said that if the current strength of the Australian dollar continued versus the pound and euro, revenue would be about 10 percent lower than forecast. You continue to expect an EBITDA margin of around 25 percent, similar to last year. How can you be so confident of margins with exchange rates remaining volatile?

Executive Chairman & CEO Gary Cohen

We expect our EBITDA margin to be unaffected by the currency volatility because most of our regional businesses are naturally hedged. That is, where we earn revenues in pounds or euros we also have significant costs in the same currencies which offset most of the effects of currency swings.

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In the June 2009 year iSOFT reported operating cash flow of \$64.3 million, with second half operating cash flow of \$71.3 million and first half of minus \$7 million. How is operating cash flow expected to trend in the two halves of the current year?

Executive Chairman & CEO Gary Cohen

As we stated at our 2009 results presentation and again at the AGM, our operating cash flows are seasonal and we expect operating cash flow in the current year to continue to trend as it did in 2009.

To be more precise, due to the size and timing of expected receipts and the seasonality of our working capital movements, slippages of receipts from December to January can have a significant impact on the position at reporting date. So, like last year, operating cash flow may be negative in the first half and strongly positive in the second half.

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At your AGM in October you provided a comparison of iSOFT with global peers such as Eclipsys, Cerner and Allscripts and pointed out that iSOFT’s shares trade at a substantial PE discount to these peers. Operationally, how directly comparable is iSOFT with these other companies and how do you plan to address iSOFT’s potential competitive disadvantage in funding future growth?

Executive Chairman & CEO Gary Cohen

We are one of the leading companies in our industry globally and these companies are our direct international competitors, with businesses similar to our own. Whilst all or the majority of these companies’ revenues are in the US – and there’s a major stimulus package fuelling the growth of healthcare IT in the US – they provide the most useful comparative analysis for investors.

Our PE discount appears to lie in the fact that there are no comparable technology companies listed on the ASX. Furthermore our stock is in the healthcare index so we get lumped with companies that have very different business models from ours. We’d hope to achieve a more appropriate PE rating by continuing to be as transparent and accessible as we possibly can to Australian investors as well as educating the local market about our business model.

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iSOFT recently hosted “Ideaworks for Healthcare,” a three-day “innovation symposium” for healthcare professionals. What KPIs did you set for the symposium and what was the level of success?

Executive Chairman & CEO Gary Cohen

Ideaworks is a forum for generating discussion and ideas in healthcare technology innovation, rather than a display of iSOFT products. We’re a thought leader in this domain, and with Ideaworks we wish to provide a forum for all manner of interests to participate in and contribute to the debate. We have a website which continues this discussion (see www.ideaworksforhealthcare.com).

For our inaugural Ideaworks we had Malcolm Gladwell, the inspiring author of ‘The Tipping Point’, as one of our keynote speakers. He talked about how innovation and transformation doesn’t always come as a “eureka” moment. Sometimes transformation can be hard to define or measure until a substantial period of trial and error has passed. This is what Ideaworks is all about – making sure innovation in healthcare has an appropriate forum for free thought, expression and debate. Ideaworks is about sowing the seeds for the next generation of healthcare IT products.

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Thank you Gary.

For more information about iSOFT Group, visit www.isofthealth.com or call Gary Cohen or Director Corporate Affairs Stuart Kelly on (+61 2) 8251 6769

For previous Open Briefings with iSOFT Group, or to receive future Open Briefings by e-mail, visit www.corporatefile.com.au

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