



To: Company Announcements Office
Australian Securities Exchange

From: Howard T. Edelman

Date: 1 November 2010

Subject: 2010 Annual Report

Dear Sirs,

iSOFT today announces that it has dispatched its Annual Report to those shareholders who have elected to receive a printed copy. A copy of the Annual Report is attached.

A handwritten signature in black ink, appearing to read "H. T. Edelman".

Howard T. Edelman
Company Secretary



iSOFT Group Limited
Annual Report 2010

ABN 66 063 539 702

iSOFT

Contents

Chairman's Report	02
Acting Chief Executive Officer's Report	04
Group Finance Director's Report	09
Corporate Governance Statement	13
Financial Report	17

Chairman's Report



Robert Moran
Non-Executive Chairman

“We are actively tackling the issues that have affected our performance. We expect that we will exit 2011 with a considerably more robust business.”

As you are now well aware, FY2010 was a difficult year for iSOFT. We hit a number of hurdles and encountered unforeseen challenges that had a significant adverse impact on our financial performance and share price. They did not, however, in any way erode the quality and standing of our portfolio of products in the international healthcare market place.

Currency fluctuations, with the Australian dollar rising strongly against the British Pound and Euro, had a significant negative effect on reported revenue and profitability. The prevailing difficult economic times also had a negative impact on our expected growth, particularly in the UK and Continental Europe where Governments were compelled to defer planned expenditures and rein in existing ones. With hindsight, we should have acted sooner to recognise this risk. The simple fact is we allowed our expenses to rise in anticipation of revenues that did not materialise.

A shortfall in expected revenues from the UK National Programme for IT (NPfIT) this year was another disappointing factor. The implementation of the NPfIT has been slower than we expected, which meant we have not yet received a number of milestone payments associated with that programme and other related revenues have been delayed. However, we are encouraged by the

Department of Health's recent decision to continue with national applications already procured while moving to a more locally-led plural system for new contracts.

Nevertheless, all these factors have caused issues with our capital structure.

As your new Chairman, it is particularly disappointing that I am writing to you for the first time under such circumstances. However, I want to assure you that we are actively tackling the issues that have affected our performance and have implemented a three-pronged action plan. First, we are restructuring the way we do business to decrease our operating expenses and to make us a more nimble organisation. Secondly, we are also considering selling some assets and closing some outlying business units. Thirdly, we are working towards strengthening our balance sheet.

We have already begun implementing cost reductions as a result of the review of our operating structure. We expect to achieve very significant cost reductions by June 2011. We have also frozen the salaries of key management personnel and have reduced Directors' fees by 10 percent for FY2011. I have also waived my fees as Chairman for FY2011 to assist with planned cost reductions.

We are also in the process of rationalising our product line and geographic exposure to ensure we are focused solely on the areas that will provide the greatest profitable growth and that generate operating cash flow. Our research and development will be more focused, and will aim to achieve greater flexibility and speed to market. Overall, we have tried to strike a balance between simplification and downsizing, while not sacrificing the many business and growth opportunities that exist. However, our ability to pursue the wider set of opportunities remains unchanged.

We have also made some changes to the management team and Board. Gary Cohen stepped down as Executive Chairman in June and as CEO on August 31 to allow a new team to take the business through this next phase. Although Gary has now left the Company, I want to thank him for his tremendous contribution to this business over the past 13 years. It was Gary's leadership and vision that turned this business into a multinational organisation and a very significant participant in the healthcare IT segment globally.

Andrea Fiumicelli has been appointed Acting CEO while we conduct an executive search for a permanent replacement. Andrea has been Chief Operating Officer for the past two years and his report on the operational side of the business, and in particular the roll-out of Lorenzo to other countries outside the UK, follows this report.

We are also in the middle of a Board renewal process under which a number of additional and replacement Board members will be nominated. Ronald Series has already accepted an invitation to join the Board as an Executive Director and is overseeing the operational restructure and transformation of the Company. We

are pleased to have secured the services of such an experienced executive, and you can find details of Ronald's experience in the Directors' report.

We have successfully renegotiated our debt facilities with our banking syndicate. Under our new facilities we are incentivised to reduce the level of gearing as quickly as possible and, accordingly, we are undergoing a comprehensive review of our capital structure in order to achieve this aim. We hope to update you on the results of the review in the not too distant future.

The 2011 financial year will be a transitional year as we proceed through this restructure. We expect that we will exit 2011 with a considerably more robust business. We started the 2011 financial year with \$300 million in contracted and recurring revenue and a strong pipeline of new business which is testament to our brand and loyal customer base.

We must acknowledge the support of our customers and suppliers. Our footprint, being our installed base, is an important asset of the company and is only as strong as our customer service and engagement, which we have been working hard on improving. I take this opportunity to thank our customers for their continued loyalty and support.

As you know, I have been a Non-Executive Director of the company since November 2008 and am currently Managing Director of Oceania Capital Partners, which is a cornerstone investor and strong supporter of iSOFT. I believe that this is a company that will soon be back on track, delivering its world class product and once again providing shareholders with appropriate returns.

It is customary at this point to thank our loyal executives and employees for their efforts throughout the year just passed. In this instance, however, this sentiment must be underlined. The challenges which the company has been navigating fundamentally affect our employees and morale. It is a testament to the culture of the organisation that they have knuckled down and just kept the business running while others have dealt with the business review and capital issues. Many have already seen friends and colleagues depart the business and, on behalf of the Board, management and shareholders, I thank all our employees for their dedication and commitment.



Robert Moran
Non-Executive Chairman

Acting Chief Executive Officer's Report



Andrea Fiumicelli
Acting Chief Executive Officer

“iSOFT needs to be in the best possible position to take advantage of the ongoing opportunities globally. In my new position as Acting CEO, I am focused on restructuring the Company to improve profitability.”

Reducing the cost of healthcare continues to be a pressing economic problem for Governments worldwide, and the estimated \$7 trillion it consumes a year globally represents an increasing share of national incomes.

Investment in modern healthcare IT systems creates value by raising productivity and improving the economics of care delivery. The billions of dollars being invested in regional and national level IT programmes across Europe, the US and Australia is a clear affirmation of this. To cite just some examples, the Electronic Medical Records market in Europe is expected to grow to over \$1.7 billion by 2016, while US\$35 billion has been allocated under the American Recovery and Reinvestment Act. In the UK, the National Programme for IT will continue to procure and implement IT solutions that are providing integrated care management to deliver clinical and business improvements.

The weak global economy slowed the pace of public sector investments in the last 12 months, and this negatively affected iSOFT's business; however, we are confident that Governments around the world recognise the importance of investing in IT to deliver high quality, accessible and financially sustainable healthcare to increasingly demanding consumers.

iSOFT needs to be in the best possible position to take advantage of the ongoing opportunities globally. In my new position as Acting CEO, I am focused on restructuring the Company to improve profitability. As such, we are conducting a strategic review of its business operations and a range of changes are already being implemented. These include more efficient utilisation of our people, reducing duplication and simplifying internal processes. We are reducing the number of management layers and increasing the operational focus of our management team. We are simplifying and improving the way we develop and deliver products to ensure we can anticipate fluctuations in market dynamics and respond accordingly. We have established five Development Centres of Excellence to enable iSOFT to develop and deliver solutions closer to clients.

Rationalising our product base will eliminate investments in products that do not generate significant returns while carefully transitioning customers to other products in a way that minimises the impact on our customers and iSOFT's businesses.

Geographically, we are focusing on core markets where we can achieve sufficient scale to generate positive cash flow in the business.

Our investment in research and development will be more targeted to segments where there is high and growing demand in order to capitalise on areas governments are looking to invest in, namely clinical process enhancement, clinical decision support, chronic disease management, patient safety and cross-sector health information exchange. We will invest in core areas that optimise the use of resources, such as labour, bed management and equipment scheduling, as well as clinical and financial outcome measurement. These are areas governments recognise as most likely to deliver productivity and operational savings.

In total we expect to achieve approximately \$50 million in annualised cost savings by June 2011, compared with the annualised cost structure of the fourth quarter of FY2010.

FY2010 highlights

In the United Kingdom, the roll-out of Lorenzo clinical and patient management solutions to 3,500 users across the five sites of the University Hospitals of Morecambe Bay - NHS Trust was a significant milestone. User numbers are expected to double by the end of 2010.

Lorenzo is our ground-breaking enterprise-wide healthcare software platform that provides the foundation from which next-generation healthcare applications can be built. Lorenzo solutions address the administrative and clinical information management requirements of all healthcare and connect patients, organisations and healthcare professionals. It supports the need for accurate, on-demand information across organisational and care setting boundaries for the delivery of more timely and consistent care. The ability to adapt the solution to new workflows and evolving requirements is a competitive advantage.

Lorenzo is the intellectual property output of one of the most demanding national procurements. While developed for the National Programme in the United Kingdom, iSOFT owns the Lorenzo intellectual property and is able to benefit from deploying it elsewhere. Changes announced by the Department of Health in September 2010 expand the potential opportunities available to iSOFT.

The Patient Journey

iSOFT solutions support the delivery of personalised services to patients; they connect organisations and individuals across regions and healthcare settings, ensuring a safe, seamless patient journey, whatever their needs, wherever they are.



Acting Chief Executive Officer's Report CONTINUED

“Lorenzo was developed for the National Programme in the United Kingdom. iSOFT owns the intellectual property and is able to benefit from deploying it elsewhere.”

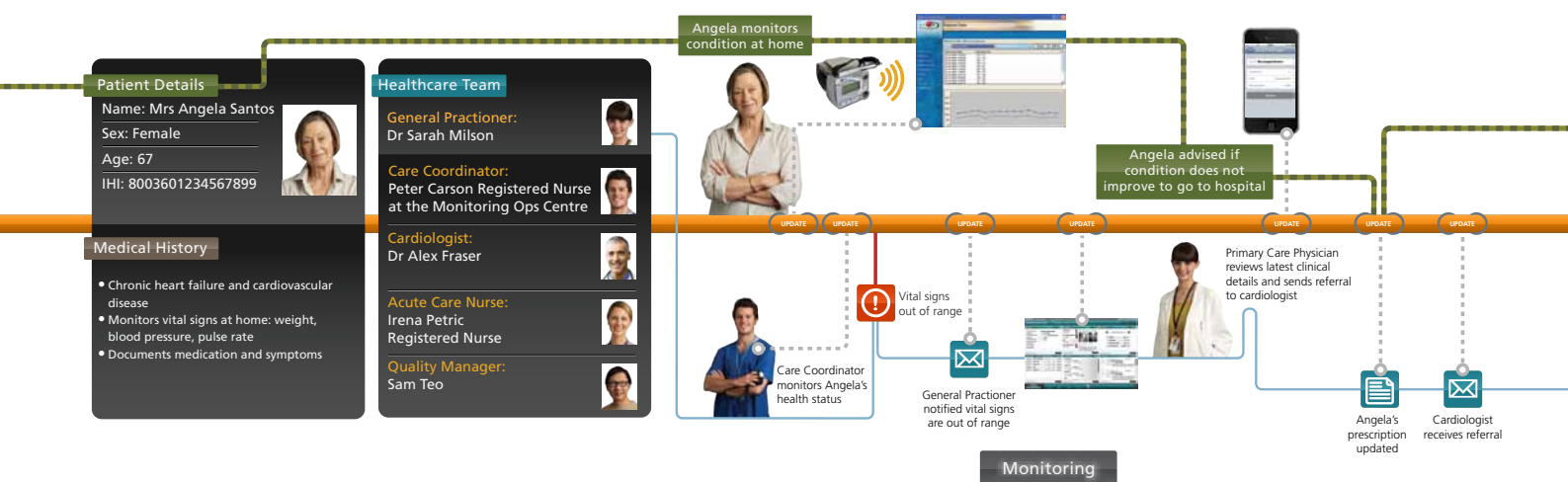
We are now capitalising on Lorenzo's success in other parts of the United Kingdom as well as across Europe.

The St Jansdal Hospital in the Netherlands, a key partner in the development of innovative iSOFT solutions, extended its investment in Lorenzo. The hospital is also collaborating on one of our iPhone applications that enable nurses to register general patient data, including pulse and temperature readings, directly into the electronic patient record.

The flexibility of the architecture is the key to our entry into new markets and segments, allowing us to build new solutions, target specific areas of healthcare or localise applications more rapidly. We now have six organisations in Germany that have adopted a Lorenzo-based strategy. Using our Smart Solution development approach we have the ability to be agile in the way we design solutions that meet departmental or business needs and deploy them to an organisation in an incremental way. A recent example of this is the new Lorenzo Nursing Management solution that is being delivered to complement an organisation's existing solutions while providing the framework to deploy further Lorenzo solutions.

We continue to develop products based on Lorenzo, each of which will generate revenue in different markets in their own right. These include Health Information Exchange, Health Intelligence and the Health Studio development toolkit.

The architecture also allows us to offer the Lorenzo solutions under a software-as-a-service (SaaS) model. In the US, and elsewhere, there is a definite trend towards SaaS, driven by the costs of IT support and expensive infrastructure. The move to cloud computing too, with applications virtualised at data centres, will only accelerate.



Cloud computing is a game-changer for the sector, and iSOFT plans to be an early adopter among large healthcare service providers in this area. Leveraging cloud computing, with the application running at a data centre but available to thousands of users across multiple sites, offers tremendous savings from an IT management perspective. Crucially, Lorenzo can be scaled depending on demand and charged on a pay-per-user or pay-per-click basis, making it an affordable proposition for any healthcare provider.

During FY2010, we completed a number of strategic acquisitions which have provided us with important complementary solutions which are core to our global offerings.

The acquisition of UltraGenda has provided an enterprise level scheduling solution that enables the scheduling, appointment management and resource allocation within increasingly complex multi-disciplinary health service organisations. It is proven in over 100 installations across Europe, including Belgium, Denmark, France, the Netherlands, Norway, Spain, Switzerland and the UK. Our first contract has recently been secured in Germany. As more patients move between various sectors and providers, its sophisticated appointment and scheduling capability, combined with its patient and clinician portals, provides us with a real market leading advantage as we introduce it into our other regions, on its own or as a key element in expanding the patient and facility management capabilities of our existing solutions.

The BridgeForward acquisition provided an integration engine technology which is widely used in the United Kingdom and United States, and which we are delivering as a core component of our offerings across all regions. Recently opened in Australia, the new \$250 million Macquarie University Hospital has deployed iSOFT applications for patient flow, clinical and medication management, as well as finance, purchasing and management reporting. With

the Viaduct integration engine the solutions are fully integrated with third party systems for radiology, laboratory and pharmacy to guarantee that changes are reflected across all applications in real time. This acquisition is a good example of how we have leveraged a range of our strategic solutions to deliver an integrated paperless solution for an entire facility within a record time of 20 weeks.

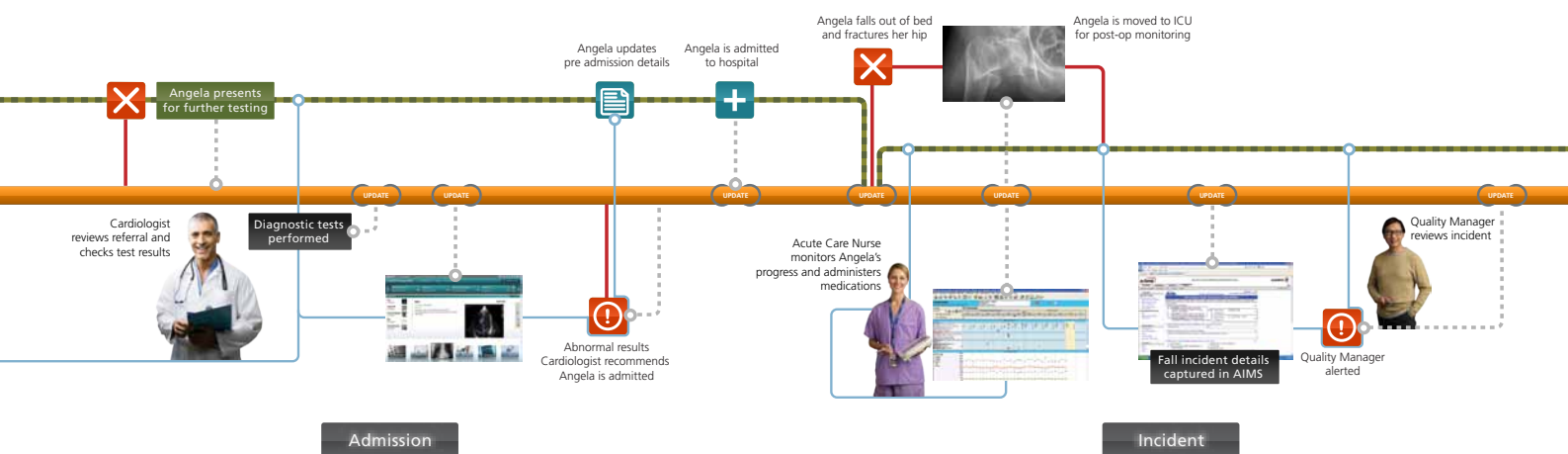
Recognising the importance organisations are placing on the monitoring and reporting of incidents and their need for objective information to inform corrective strategies, we also acquired the Patient Safety International business. The incident monitoring solution is recognised by the World Health Organization and the US Institute of Medicine for its comprehensive and standardised classification of incidents and its ability to facilitate benchmarking and monitoring improvements over time.

We are seeing significant opportunities emerging from our investment in these and earlier products such as medication management. We expect revenue growth from our existing customer base and beyond, capitalising on our leadership position in the UK, Europe, Asia, Latin America as well as Australia and New Zealand.

New markets, segments and regional implementations

iSOFT completed two state-wide installations in Australia in Tasmania and Victoria during the year, including Victoria's HealthSMART programme which is possibly the largest in the southern hemisphere, covering 122 hospital sites. Together with systems in Tasmania, we currently manage over 13 million patient records with close to 90,000 registered users across 130 hospitals.

Despite the economic downturn, our Central European business unit increased its market share with a 27 percent increase in order intake.



Acting Chief Executive Officer's Report CONTINUED

Revenues from the Southern Europe and Latin America business unit increased 30 percent during the year. We have expanded our Latin American business, securing three new contracts in Mexico and entering new markets in the Dominican Republic and Peru.

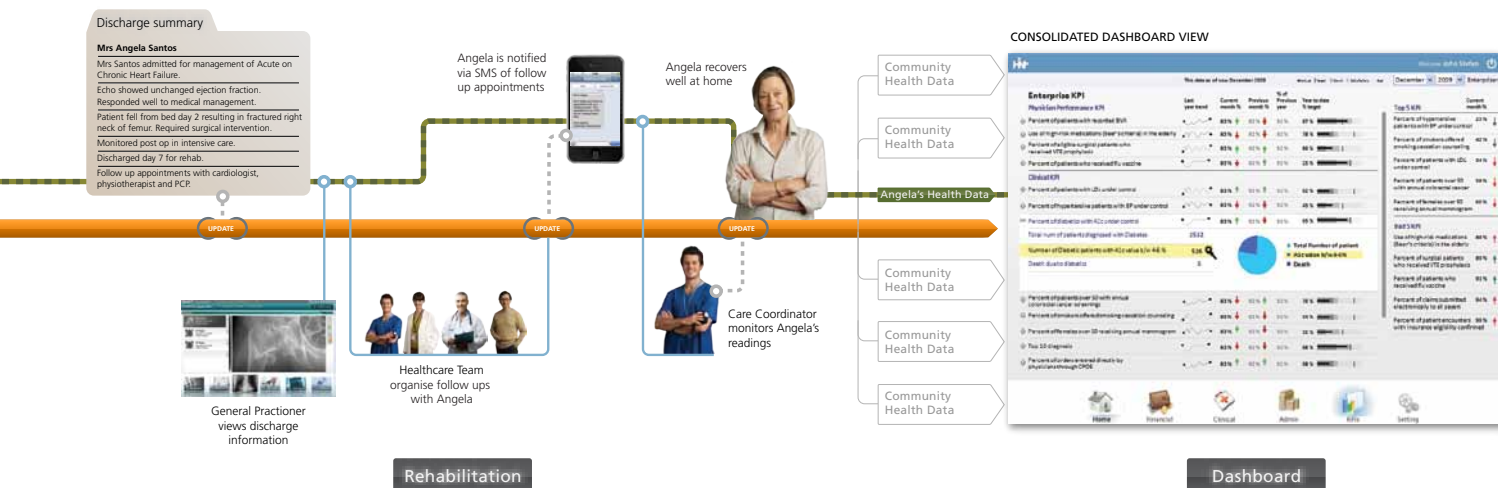
Our internationalised laboratory solution has continued to be sold across Germany and the UK and has been further extended through Russia. It has been successfully introduced into Asia, the Netherlands and New Zealand. This forms a strong foundation for significant state-wide laboratory opportunities emerging in Australia. The Integra suite of Web-enabled financial and purchasing solutions has expanded its footprint in Australia since it was introduced in 2008 and our business intelligence solution was part of the suite implemented at the Macquarie University Hospital.

The year ahead

The challenges we experienced in FY2010 have had a significant impact on our business. The initiatives already in place are working to address many areas of vulnerability. We will continue to strive to improve overall efficiency and cost-effectiveness across the company. We are confident that our ongoing activities at the product management, R&D and customer service levels will ensure a strong product pipeline that will only improve as healthcare IT expenditure recovers globally.



Andrea Fiumicelli
Acting Chief Executive Officer



Group Finance Director's Report



Martin Deda
Group Finance Director

“iSOFT expanded its costs in FY2010 in anticipation of a growth in revenues which did not materialise. We are now bringing our capital and cost structure in line with revenues.”

Key Financials

- Total revenue down 20% to \$431 million (or 7% in constant currency terms)
- Reported EBITDA down 77% to \$30.1 million (or 78% in constant currency terms)
- EBITDA pre exceptional and one-off items down 69% to \$41.5 million
- Operating cash was negative \$0.7 million
- One-off impairment loss of \$341 million primarily goodwill
- Statutory loss of \$383 million

Note: Constant currency or constant exchange rates in this section refer to the conversion of local currencies into Australian Dollars at a fixed exchange rate.

Group Finance Director's Report CONTINUED

Results summary

A\$m	FY2010		FY2009	
	Actual exchange rates	Constant exchange rates	Actual exchange rates	Constant exchange rates
Revenue	430.5	400.9	538.9	430.0
Reported EBITDA	30.1	21.5	132.4	97.0
Underlying EBITDA ¹	41.5	32.7	132.5	97.1
Reported NPAT	(382.9)		34.7	
Operating cash flow	(0.7)		64.3	
Net cash flow	(49.2)		29.2	

1. Underlying EBITDA is EBITDA before exceptional and one off items of \$11.4m (Restructuring \$5.1m, Exceptional items \$4.0m, Other one-off items \$2.3m)

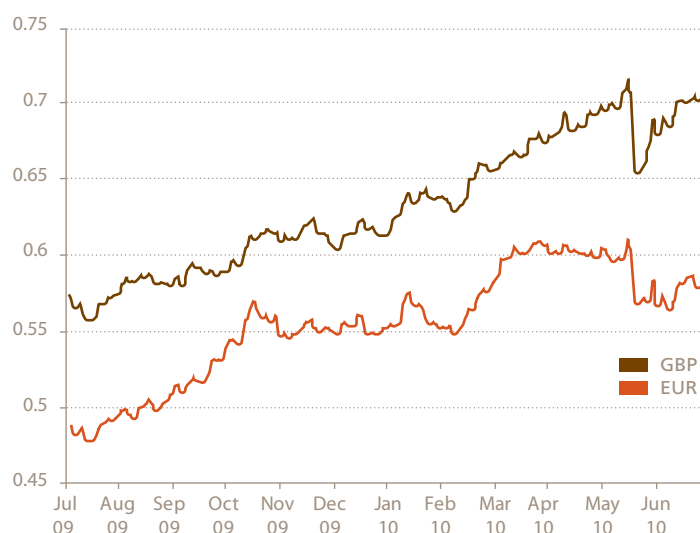
Revenues

The appreciation of the Australian dollar against the Euro and the GBP of approximately 25% at its peak played a big part in the decline in iSOFT's earnings, eroding reported revenues by \$108 million from prior year levels. Although iSOFT is an Australian company whose shares are listed on the ASX, the majority of its business is in the UK and Europe, with earnings exposed to translation risk due to reporting in AUD. In FY2010, over 70% of iSOFT's revenues were denominated in GBP and Euro.

The actual fall in underlying revenue (when measured on a constant currency basis) was around \$30 million, most of which was attributable to delays in the implementation of the UK NPfIT. Most other regions had flat revenues, with Southern Europe and Latin America (SELA) showing strong growth.

AUD relative to the EUR and GBP

25% appreciation at peak from July 1, 2009



Revenues by segment - constant currency

(A\$m)	FY10	FY09	% chg. y.o.y
iUK	104.0	107.7	-3%
NPfIT	65.0	95.1	-32%
Total UKI	169.0	202.8	-17%
Central Europe	97.4	96.6	1%
SELA*	20.7	15.8	31%
Other	113.8	114.8	-1%
Total	400.9	430.0	-7%
Total excl NPfIT	335.9	334.9	0%

* SELA Southern Europe and Latin America

There were no major changes in the breakdown of our revenues in FY2010. Maintenance and support revenues, which are largely recurring, remained the largest component of revenue, at almost 40% of revenues. In FY2010, we have separated managed services from maintenance and support. Adding this back for a comparison with FY2009 showed very little change from the prior year.

	FY10	FY09	% change
Revenue (\$Am)			
Licences	83.9	83.4	0%
National Programme for IT	65.0	95.1	-32%
Professional Services	58.0	55.2	5%
Maintenance and support	158.6	173.3	-8%
Managed services	17.0	-	
Third party hardware	8.9	12.7	-30%
Third party software	8.0	8.4	-5%
Other	1.5	2.0	-25%
Total	400.9	430.1	-7%

Costs

iSOFT expanded its costs in FY2010 in anticipation of a growth in revenues which did not materialise. In particular, iSOFT boosted its sales and marketing efforts and R&D expenditure. A large proportion of iSOFT's costs are fixed in nature and, as a result, the decline in revenues flows largely through to the bottom line.

Given the slower than expected top line growth, iSOFT is now winding back these costs, and made significant progress in this area in Q42010.

Costs by function: Constant currency

\$Am	FY10	FY09
External COGS	48.9	49.8
% of revenues	12%	12%
Operations support and implementation	124.2	130.8
% of revenues	31%	30%
Sales and marketing	56.4	45.1
% of revenues	14%	10%
R&D	85.3	63.3
% of revenues	21%	15%
G&A (excluding ICT, facilities)	43.5	32.6
% of revenues	11%	7%
ICT	21.7	18.8
Facilities	21.1	16.8
Bad debts	1.7	0.8

Group Finance Director's Report CONTINUED

Operating cash flows

Operating cash flows in FY2010 were marginally negative overall at -\$0.7 million. As was the case in previous years, second half cash flow was stronger than the first half. Second half FY2010 operating cash flow was \$11.4 million. This is due to the nature of the business where maintenance fees are paid in advance, making operating cash flows lumpy and seasonal.

Borrowings

We have successfully renegotiated our debt facilities with our banking syndicate. We have also reset our debt covenants as part of the negotiation. Under the new facilities we are incentivised to reduce debt levels going forward. As at June 30, FY2010, our net debt position was \$195 million.

Net debt position

\$Am	FY10	FY09
Opening cash	85.7	54.2
Change in cash	(49.2)	29.2
Forex	(4.9)	2.3
Closing cash	31.6	85.7
Term Loan	(87.1)	(118.5)
Revolving Credit Facility	(82.1)	(54.4)
Total bank loans	(169.2)	(172.9)
Contract and other funding	(21.7)	(38.8)
Finance lease	(3.2)	(1.1)
OCP convertible note	(32.2)	(29.4)
Total gross debt	(226.3)	(242.2)
Net debt	(194.7)	(156.5)

Impairment

As a result of the more subdued economic environment in iSOFT's markets, the company has reduced its internal projections for growth in Central Europe, Middle East and Africa, South East Asia and Australia. This has resulted in the company recording a significant impairment of its carrying values of intangibles (primarily goodwill associated with the iSOFT acquisition) and deferred tax assets.

Consequently, the Company recorded a total impairment of these items of \$341 million in FY2010. As a result of the impairment, iSOFT reported a statutory of loss \$383 million in FY2010.

The Company will not be paying a dividend for the FY2010 year.



Martin Deda
Group Finance 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 2010. 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 contained within the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) ("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 six Directors of the Company, five of whom are non-executive Directors and three 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 21-22.

The Chairman (Mr Moran) and two other members of the Board (Messrs Series and Tsicalas) are not considered "independent" Directors.

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

Professor Jackson, Mr Wise and Mr Sherlock are considered "independent" in terms of the ASX Recommendations. Shareholdings are detailed on pages 21 to 22 of this report.

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.

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 capacity 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.

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. Notwithstanding this, the Board is currently undertaking a review of its composition and will be taking into account the need for a majority of independent Directors in connection with the review.

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.

Corporate Governance Statement CONTINUED

Diversity policy

The Company is currently establishing a diversity policy and will report against the new ASX recommendations in respect of the year commencing 1 July 2010. The policy will include requirements for the Board to establish measurable objectives for achieving gender diversity for the board and will require an annual assessment of both the objectives and progress in achieving the objectives.

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 four committees of Directors to carry out certain tasks. These are the Audit and Compliance Committee, the Remuneration Committee and the Nominations Committee to carry out certain tasks. Each committee has a documented charter approved by the Board, copies of which can be found on the Company's website, www.isofthealth.com. There is also the Strategic Options Committee.

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 of 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;
- adequacy and effectiveness of internal controls; and
- monitoring 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 both the internal and 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 23 of the Director's Report.

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 Finance Director provide the Board with written confirmation that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial position and operational results and are prepared in accordance with relevant accounting standards. The Company adopted this reporting structure for the year ended 30 June 2010.

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

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;
- the 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
- 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 23 of the Director's Report.

Nominations Committee

The Nominations 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 thereof:
 - 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.

Strategic Options Committee

The Board has also established the Strategic Options Committee to analyse potential strategic options for the company, including capital raisings, cost saving tactics and other matters. All Directors are members of the Strategic Options Committee and this is chaired by Peter Wise who is an independent Director.

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 Acting 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 2010.

Corporate Governance Statement CONTINUED

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;
- whistleblowing;
- 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.isofthehealth.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 the 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 who 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

Directors' Report	18
Remuneration Report	25
Auditor's independence declaration	45
Financial Statements	46
Directors' Declaration	138
Independent auditor's report	139

This financial report covers 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 2010. 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 4 to 8 and is not part of this financial report.

The financial report was authorised for issue by the Directors on 30 September. 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 2010 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:

Robert Moran	Non-Executive Chairman (Chairmanship appointment on 15 June 2010)
Claire Jackson	Independent Director
Anthony Sherlock	Independent Director
Ian Tsicalas	Non-Executive Director
Peter Wise	Independent Director
Ronald Series	Executive Director (Appointed 24 September 2010)

Former Directors

Gary Cohen	Executive Director (Resigned at 30 September 2010), Chief Executive Officer (to 30 August 2010), Chairman (to June 15, 2010)
Jim Fox	Independent Director (Resigned at 15 June 2010)
Steve Garrington	Executive Director (Resigned at 15 June 2010)

Alternate Director

Lachlan MacGregor	Non-Executive 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 loss after tax for the year was -\$382,914,000 (2009: \$34,731,000 profit). Further information is contained in the Chairman's Report, Acting Chief Executive Officer's Report and Group Finance Director's Report.

In June 2010, the Company commenced discussions with its senior lenders and their advisors in connection with the reorganisation of its senior debt facilities and equity capital raising strategies for the Company in light of the Company's prospective financing requirements.

As a result of these discussions, the senior lenders have issued fully underwritten, credit approved and binding commitment documentation setting out the terms on which the senior lenders have agreed to extend the Company's existing senior debt facilities and advance a new senior debt facility to the Company of up to GBP40 million. This provides stability in the financing of the Company and will facilitate the ongoing business operations of the Company. The

financial covenants under the senior debt facilities have been reset in accordance with the terms of the commitment documentation. Final documentation is expected to be completed before 20 October 2010.

After consideration of the agreement reached with the Company's senior lenders and in light of all other relevant circumstances, including all of the conditions to the restructured facilities and the matters set out in the following paragraphs, the Directors have confidence in the availability of adequate financing for the Company for the Directors to be of the opinion that the Company will be able to continue to pay all of its debts as and when they fall due and accordingly that the financial report is correctly prepared on a going concern basis.

As part of the arrangements with the senior lenders, the Company is undertaking a cash management and cost mitigation exercise and is also investigating the initiatives described below.

The Company is undertaking a review of its capital structure with the assistance of financial and legal advisers, with the objective of reducing the overall level of indebtedness of the Company.

The Company is also in the process of completing a detailed review of its operations and business activities. In connection with this review, the Company is considering the disposal of certain assets and has, subsequent to the reporting date, commenced a sale process for one asset with a number of prospective purchasers. The timing and outcome of such disposal is still being determined.

Dividends

During the reporting period, the Directors did not declare a dividend. A dividend of 1 cent per share was paid during the reporting period. The Directors have not declared a dividend for the year ended 30 June 2010.

Significant changes in the state of affairs

Currency fluctuations, difficult economic times, particularly in Continental Europe and the UK, delays in the NPfIT and increased costs had significant adverse effects on the Company's financial performance.

The impacts of these factors manifested themselves in the second half of the fiscal year and resulted in the Company issuing downgrades to its earnings forecast. Further, the factors listed above have caused issues with the capital structure of the Company.

To address these issues the Company has implemented a three-pronged action plan. 1) Restructuring to reduce operating expenses; 2) Considering selling assets and closing outlying business units; 3) Strengthening our balance sheet.

Changes made to the management team and Board include Gary Cohen stepping down as Executive Chairman in June and as CEO on 31 August. Ronald Series has joined the Board as an Executive Director to oversee the operational restructure and transformation of the Company.

Events subsequent to reporting date**Issuance of equity**

Since the reporting date, the Company issued 32,601,849 shares to YA Global Master SPV Ltd under the Yorkville Agreement, raising \$4,631,583.

Reorganisation of Senior Debt Facilities

Owing to the recent trading position of the Consolidated Entity, a restructure of the Consolidated Entity's senior debt facilities is required as well as a review of its capital structure. On 29 September 2010, the Consolidated Entity received a commitment letter from the senior lenders, which is a fully underwritten, credit approved and binding commitment

documentation setting out the terms on which the senior lenders have agreed to extend the Consolidated Entity's existing senior debt facilities and advance a new senior debt facility to the Consolidated Entity of up to GBP40 million. Final documentation is expected to be completed before 20 October 2010. The Consolidated Entity's ability to access the additional funding will be subject to a number of conditions. In the Directors' view, these conditions are either procedural in nature, in which case they believe the Consolidated Entity will be able to satisfy the conditions within the required time frame, or they are otherwise capable of being complied with by the Consolidated Entity. The Consolidated Entity anticipates that these conditions will be satisfied by 20 October 2010.

The new senior debt facilities will provide unrestricted access to the following lines of credit, with unchanged ranking of security:

	Maximum maturity	BFT maturity ¹	GBP'000	\$'000
Total facilities				
Senior secured term loan A	23 June 2013	15 March 2012	52,500	92,332
Senior secured term loan B	15 March 2012	N/A	30,000	52,761
Senior secured revolver	23 June 2013	15 March 2012	30,000	52,761
Senior secured bridge revolver	31 December 2011	N/A	40,000	70,348
			152,500	268,202

Term loan A amortises at GBP3.75m per quarter with a bullet at maturity. Amortisation is deferred until the Bridge facility is discharged or 31 December 2011 whichever is earlier. During that time the Term loan is divided into two tranches: Tranche A being the original term facility and attracts UK Libor plus a margin of 500bps plus 6% PIK. Tranche B is the deferred amortisation payments which attracts UK Libor plus a margin of 550bps + 6% PIK; the PIK increases from 1 January 2011 by 125bps per quarter.

Term loan B and revolver attract UK Libor plus a margin of 450bps plus 5% PIK. There is bullet repayment at maturity. The bridge revolver attracts UK Libor plus a margin of 550bps plus 14% PIK; the PIK increases from 1 January 2011 by 125bps per quarter. There is bullet repayment at maturity.

1. Certain conditions subsequent, if not met by 15 November 2010, would shorten the maturity of certain tranches as a result of a bring forward trigger (BFT).

The Board has appointed financial and legal advisers to undertake a comprehensive review of the Company's capital and debt structure and talks are ongoing with prospective strategic and institutional investors. In addition, the Consolidated Entity is considering potential asset disposals. Any such asset sales would be structured so as not to damage the

Company's core business assets. The Consolidated Entity has, subsequent to the reporting date, commenced a sale process with a number of prospective purchasers, although there is no assurance that any sale transaction will occur.

The Consolidated Entity has commenced an in-depth review of the Consolidated Entity's business operations and a number of aspects of that review are already in the process of implementation. With a focus on key geographies with the best growth prospects, it has already targeted:

- operational cost savings to be achieved by end of June 2011, over half of them through headcount reductions. These are targeted reductions and are not expected to jeopardise the growth prospects of the Consolidated Entity.
- accelerating the streamlining and harmonisation of its product portfolio, which has already been reduced from more than 200 to 150 products.
- a reorientation of business development and R&D to achieve greater flexibility and speed to market for new products.

No other matters or circumstances have arisen since 30 June 2010 that have 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' Report CONTINUED

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

Robert Bernard Moran LLB, B.Ec, MAICD

Non-Executive Chairman

Robert Moran was appointed Non-Executive Chairman in June 2010 having been a Director of iSOFT since November 2008 and having acted as an Alternate Director since May 2008.

Currently the Managing Director of Oceania Capital Partners Limited, he has been involved as a principal investor for over ten years and has been 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 health 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 and was previously responsible for the private equity business within the Allco Group.

Robert 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 three years): None.

Special responsibilities: Chairman of the Remuneration Committee, Member of Nomination Committee

Interests in shares: 580,937 ordinary shares.

Prof. Claire Jackson MD MBBS (Uni of QLD) MPH (UQ) CertHEcon (Monash) GradCert Management (QUT) FRACGP GAICD RACGP

Non-Executive Director

Professor Claire Jackson was appointed a Director of iSOFT in November 2004. She is a Professor of General Practice at the University of Queensland and has been a member of the Royal Australian College of General Practitioners (RACGP) Federal Council and served as Chair of the RACGP in 2002 and 2003 during a period of significant restructure. She was a member of Healthconnect Steering Committee in Brisbane South and has a long history of healthcare reform policy involvement at both state and national levels. A practicing GP with over 20 years experience in the delivery of primary care, general practice and primary health education, Claire was appointed to the National Primary Care Strategy Reference Group in June 2008.

Other current public company directorships: None.

Former public company directorships (in last three years): None.

Special responsibilities: Member of Nomination Committee.

Interests in shares: 39,620 ordinary shares.

Anthony Gardiner Sherlock B.Ec FCA

Non-Executive Director

Anthony Sherlock was appointed a Director of iSOFT in February 2000. A former senior partner of Coopers & Lybrand (now PricewaterhouseCoopers) with over 25 years experience in providing strategic and risk management advice to companies in a variety of industries, he has been appointed by both the Federal and NSW State Governments to a number of industry committees.

Other current public company directorships: Director of Stockland Capital Partners Limited, Director of Export Finance Insurance Corporation Limited.

Former public company directorships (in last three years): Director of Sydney Attractions Group Ltd (formerly Sydney Aquarium Ltd) (1997 – 2008).

Special responsibilities: Chairman of the Audit and Compliance Committee, Member of Nomination Committee.

Interests in shares: 60,000 ordinary shares.

Ian Tsicalas BA, B.Com

Non-Executive Director

Appointed a Director in May 2008, Ian has significant operational and management experience with both public and private companies. Ian is the former Managing Director of Australian Discount Retail. Prior to this he was Chief Executive of the Warehouse Group Limited and a Managing Director at Commander Communications Limited and Howard Smith Limited.

Other current public company directorships: Independent Chairman of Oceania Capital Partners Limited, Independent Director of STW Communications Group Limited.

Former public company directorships (in last three years): Independent Chairman of Allco Managed Investment Funds Limited.

Special responsibilities: Member of the Remuneration Committee, Member of Audit and Compliance Committee, Member of Nomination Committee.

Interests in shares: None.

Directors' Report CONTINUED

Peter Wise DipID

Non-Executive Director

Peter Wise was appointed a Director of iSOFT in September 1999. He serves as a member of the Remuneration and the Audit and Compliance Committees and is chairman of the Nomination Committee. He has over 35 years experience in both executive and non-executive capacities for public and private companies and is currently the Chairman of Tag Pacific Limited.

Other current public company directorships: Chairman of Tag Pacific Limited.

Former public company directorships (in last three years): None.

Special responsibilities: Chairman of Nomination Committee, Chairman of Strategic Options Committee, Member of the Audit and Compliance Committee, Member of the Remuneration Committee.

Interests in shares: 11,266,913 ordinary shares.

Ronald Charles Series B.Com, CA, MBA, H. Dip Tax Law

Executive Director

Ronald Series was appointed Executive Director in September 2010.

Over the past 20 years, Ronald has been on the Board of several international companies with operations in transport, logistics, shipping real estate and information technology, including UK-listed companies such as Davies and Newman plc and Lep Group plc, and a number of Private Equity backed businesses. He has operated in North America, Europe, the Far East, Australasia and Africa. In most recent instances this has involved businesses going through a period of change and restructuring. Most recently, he has been instrumental in the successful restructuring of Nakheel PJSC, the real estate arm of Dubai World.

Ronald has a strong financial and corporate management background. His specific area of expertise is in optimising the management and financial structure of companies and developing the most effective strategies to create value for all stakeholders in a company. He brings proven capabilities in engaging with customers, management, suppliers, banks and other financial stakeholders to develop the right management, plans, strategies and action agendas to drive the business forward and achieve its goals.

Other current public company directorships: None.

Former public company directorships (in last three years): None.

Special responsibilities: Member of Nominations Committee.

Interests in shares: None.

Alternate Director

Lachlan MacGregor BCom

Alternate Director to Robert Moran and Ian Tsicalas

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 eight 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 leading Australian and New Zealand debt recovery firm, Baycorp (Trans Tasman Collections Holdings Pty Limited).

Other current public company directorships: None.

Former public company directorships (in last three years): None.

Special responsibilities: Member of the Audit and Compliance Committee.

Interests in shares: None.

General Counsel and Company Secretary

Howard T. Edelman BA JD

Howard Edelman joined iSOFT in November 2006. He has extensive experience in finance, mergers and acquisitions and general corporate law. Prior to joining iSOFT, Mr Edelman was a senior lawyer at Allens Arthur Robinson in their Corporate & Commercial Department after having worked in the Regulatory Policy Branch of ASIC.

In addition to being an Australian qualified solicitor, Mr Edelman is US qualified and was a partner at Pillsbury Winthrop in Sydney after having spent seven 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		Nomination Committee	
	A	B	A	B	A	B	A	B
Current Directors								
Robert Moran	19	19	-	-	5	5	1	1
Claire Jackson	19	16	-	-	-	-	1	0
Anthony Sherlock	19	18	8	8	-	-	1	1
Peter Wise	19	19	8	7	5	5	1	1
Ian Tsicalas	19	19	8	8	5	5	1	1
Ronald Series ¹	-	-	-	-	-	-	-	-
Former Director								
Stephen Garrington ²	17	17	-	-	-	-	1	1
James Fox ³	17	15	-	-	4	4	1	1
Gary Cohen ⁴	19	19	-	-	-	-	1	1
Alternate Director								
Lachlan MacGregor	-	-	8	7	-	-	-	-

Notes:

(A) = Number of meetings eligible to attend.

(B) = Number of meetings attended.

1. Ronald Series joined as a Director on 24 September 2010

2. Stephen Garrington resigned as a Director on 15 June 2010.

3. James Fox resigned as a Director on 15 June 2010.

4. Gary Cohen resigned as a Director on 30 September 2010.

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
31 July 2006	26 July 2011	\$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	\$0.6911	11,900,000
18 November 2009	18 November 2014	\$0.7874	7,000,000
6 April 2010	6 April 2015	\$0.578	2,000,000

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 25 to 44 and forms part of the Directors' Report for the year ended 30 June 2010.

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 29 in the financial report.

The Directors are of the opinion that the provision of non-audit services as disclosed in Note 29 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 45 and forms part of the Directors' Report for the year ended 30 June 2010.

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 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.



Robert Moran
Non-Executive Chairman



Anthony Sherlock
Non-Executive Director

Dated at Sydney, 30 September 2010

Remuneration Report (audited)

Whilst FY2010 has been a difficult year for iSOFT, the Remuneration practices in place throughout 2010 have focused on attracting and engaging talented executives in order to sustain operational performance and continue to support shareholder interests.

We remain committed to turning the business and financial results around and the following are some of the measures we are taking at the Executive level:

- We have implemented a freeze on Key Management Personnel (KMP) salaries for FY2011;
- Performance Hurdles for shares and options were changed during FY2010 to reflect market best practice for our shareholders and this year, we will continue to evaluate and where necessary modify these to ensure we offer plans which engage our executives and drive shareholder returns;
- With the full support of the Board members, our Board of Director Fees have been reduced by 10% for FY2011;
- Fees for the Chairman of the Board have been waived to assist the cost reduction planned for FY2011;
- No STI payment will be made to KMPs and other executives in relation to FY2010 results (with the exception of Central Europe, where we have a contractual requirement); and
- To secure continued focus of our current leadership team, we have implemented an executive retention scheme (following Gary Cohen stepping down as Executive Chairman and CEO), which aims to retain and focus our executives through our restructure. The arrangement offers a retention bonus to selected executives to be paid after September 2011.

With the business undergoing significant restructure and change in the next year, we will continue to review and focus our short term and long term remuneration structures and practices to drive; profitable revenue, cost management and iSOFT's strategy for long-term success. In addition, we will expand the global skill set of our executive team to further enable them to engage iSOFT management and employees as we execute the business strategy during this critical time.

This report offers a transparent view of the remuneration arrangements in place for Directors and executives of the iSOFT Consolidated Entity, as detailed in the following sections.

Section 1: Key Management Personnel and other Executives

Section 2: Remuneration Governance

Section 3: Executive Remuneration Philosophy

Section 4: Executive Remuneration Approach

Section 5: Relationship with Company Performance

Section 6: Executive Remuneration Details and other Disclosures

Section 7: Non-executive Director Remuneration Framework

Section 8: Relevant interest in ordinary shares of the Directors and Other Executives



Robert Moran

Chairman of the Remuneration Committee

Remuneration Report (audited) CONTINUED

SECTION 1: Key Management Personnel ¹ (KMP) and other Executives

Non-Executive Directors		Group Executives	
Robert Moran	Chairman – Appointed 15 June 2010 (previously Director)	Andrea Fiumicelli ²	Chief Operating Officer
Claire Jackson	Independent	Brian Cohen	Chief Technology Officer
Anthony Sherlock	Independent	Martin Deda	Group Finance Director
Ian Tsicalas		Stephen Garrington	Director, Business Development Ceased as Executive Director 15 June 2010
Peter Wise	Independent	Mike Jackman	Executive Vice President, Operations Appointed 22 February 2010
Executive Director		Other Executives ³	
Gary Cohen ²	Chief Executive Officer Ceased as Executive Chairman 15 June 2010 Ceased as a Director 30 September 2010	Peter Herrmann	Managing Director – Central Europe
Ronald Series	Appointed 24 September 2010	Wim Botermans	Managing Director – Asia Region

Alternate Non-Executive Director

Lachlan MacGregor Alternate to Robert Moran & Ian Tsicalas

The following executive ceased to be a member of Key Management Personnel during the financial year ended 30 June 2010:

Non-Executive Directors

James Fox Independent. Appointed 6 July 2009.
Appointed Deputy Chairman 28 May 2010
and ceased as a Director 15 June 2010

1. 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.
2. From 31 August 2010, Gary Cohen stepped down as Chief Executive Officer, and Andrea Fiumicelli has assumed responsibility as acting Chief Executive Officer.
3. Denotes two of the five highest paid executives of the Consolidated Entity as required to be disclosed under the *Corporations Act 2001*.

SECTION 2: Remuneration Governance

The Board has delegated oversight of the Consolidated Entity's remuneration policies and practices to the Remuneration Committee. The responsibilities and membership of the Remuneration Committee are set out in the Corporate Governance Statement. The operational role and responsibility of the Remuneration Committee is established in the Committee's Charter which was revised in the financial year to ensure that it was "fit for purpose".

The Remuneration Committee reviews executive remuneration and other terms of employment in relation to:

- the performance of the of the Consolidated Entity and individual performance;
- independent expert advice on market terms, conditions and compensation levels and relevant external comparative information for the regions – using independent external advisors; and
- industries and professions in which the Consolidated Entity operates and competes.

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

- review of performance hurdles and allocation of awards under the Consolidated Entity's Long-Term Incentive Schemes (LTI's) for the 2010 financial year;
- 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.

SECTION 3: 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 the talent required 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 based on 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 building a sustainable organization over 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 overall 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 (LTI) is designed to achieve three objectives:-

- Reward executives for meeting or exceeding their financial and non-financial objectives;
- Retain executives within the business to provide for consistent organisation performance; and
- 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, this was implemented and monitored in 2010. We will do a further review in 2011.

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 2009 to drive a greater emphasis for long-term outcomes.

Remuneration Report (audited) CONTINUED

SECTION 4: Executive Remuneration Approach

Purpose

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 the achievement of the budgeted targets required at three levels:
 - Consolidated Entity;
 - Business unit; and
 - Individual performance
- 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.

Total Fixed Remuneration (TFR)	Variable Remuneration: Short Term Incentives (STI)	Variable Remuneration: Long Term Incentives (LTI)
	AT RISK AND PERFORMANCE RELATED	
Base salary, pension, superannuation and non-monetary benefits	Cash, deferred equity plans	Share/ option equity based plans
To reflect capabilities and expertise	Rewards achievement and balances organisation/ individual performance	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

Total Fixed Remuneration (TFR)

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.

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.

Short-Term Incentives (STI)

The aim of the STI plan is to link the achievement of the Consolidated Entity's financial and operational performance with the remuneration of the executives responsible for those targets. The total potential STI available is set at a level which provides sufficient incentive to the executive to achieve the operational objectives, and which is affordable for the Consolidated Entity 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:

- Consolidated Entity/Regional Business Unit EBITDA;
- Consolidated Entity/Regional Business Unit Cash Collection;
- Team Objectives; and
- Individual Objectives.

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 financial gateways 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, approves the amount, if any, of the STI to be paid to each executive. The process usually occurs within 3 months after the reporting date, once the Consolidated Entity releases its financial results and performance is assessed.

Long-Term Incentive (LTI)

The objective of the LTI plans is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth and the long-term interest of Group executives with those of the shareholders. LTI issued is of sufficient value to facilitate the retention of the talent required to achieve the long term growth of the organisation.

Structure

LTI grants to executives are delivered in the form of shares, options or performance rights under the following LTI Plans:

Plan	Description	Performance Hurdles for the three plans listed
Employee Loan Plan (ELP 3 Year Shares)	Shares with vesting over a period of three years subject to meeting performance hurdles, with no opportunity to retest	For grants issued after 1 July 2009 1. 50% Earnings Per Share (EPS); and 2. 50% Relative Total Shareholder Return (TSR) For grants issued prior to 1 July 2009 1. 50% Earnings Per Share (EPS); and 2. 50% Share Price Growth (SPG)
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	
Employee Incentive Performance Rights (EIPR)	Options vesting over a period of three years subject to meeting performance hurdles, with no opportunity to retest	

In financial year 2010 Relative Total Shareholder Return was introduced as a performance hurdle (replacing SPG) as it is widely recognised as one of the most appropriate indicators of shareholder value creation. The Consolidated Entity has continued the use of combined performance hurdles weighted equally, to focus executives on the long term performance of the organisation.

In relation to the new TSR hurdle a comparator group of 15 ASX listed companies was adopted and the vesting of shares is based on iSOFT's performance compared to that comparator group.

Given the significant drop in the company share price during FY2010, the remuneration committee will review the executive holdings and performance measures of the plan and make changes if deemed necessary to ensure the continued focus by our Executives.

A detailed explanation of each of the above plans, and performance hurdle requirements can be found in this report.

Remuneration Report (audited) CONTINUED

Participants in the ELP, EIP or EIPR 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.

All ELP shares, EIP options and EIPR rights grants are subject to Remuneration Committee approval.

Structure and details of Long-Term Incentive plans

ELP 3 Year Share Options	
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 employee promotion.
Eligibility criteria	Selected executives, in line with past contribution and future potential.
Exercise price	5-day VWAP preceding grant date.
Performance hurdles (Grants prior to 1 July 2009)	<p>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):</p> <ul style="list-style-type: none"> • Below Median (50th percentile) of comparator group – 0% of shares 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. <p>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):</p> <ul style="list-style-type: none"> • 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.
Performance hurdles (Grants after 1 July 2009)	<p>Earnings Per Share (EPS) - 50% of ELP Share grant</p> <p>Based on achieving 15% or more EPS compound growth over a 3 year period.</p> <ul style="list-style-type: none"> • Less than 15% EPS compound growth – 0% of shares vest; and • 15% or greater EPS compound growth – 100% of shares vest <p>Relative Total Shareholder Return (TSR) - 50% of ELP Share grant Based on relative TSR performance over a three year measurement period against a comparator group (15 comparable ASX 200 organisation):</p> <ul style="list-style-type: none"> • 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 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 (Prior to 1 July 2009)	Right to dividends.
Right to Dividends (Post 1 July 2009)	Right to dividends are split 40% cash to employees and 60% applied to ELP loan.
Comparator Group	Please see Comparator Group Listing in this section

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 employee promotion.
Eligibility Criteria	Selected executives, in line with past contribution and future potential.
Exercise price	5-day VWAP preceding grant date.
Performance hurdles (Grants prior to 1 July 2009)	<p>Earnings Per Share (EPS) - 50% of EIP Option grant</p> <p>Based on the average annual compound EPS growth over a three year measurement period against a comparator group (15 comparable ASX 200 organisations):</p> <ul style="list-style-type: none"> • Below Median (50th percentile) of comparator group – 0% of shares 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. <p>Share Price Growth (SPG) - 50% of EIP Option grant</p> <p>Based on relative SPG performance over a three year measurement period against a comparator group (15 comparable ASX 200 organisations):</p> <ul style="list-style-type: none"> • 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.
Performance hurdles (Grants after 1 July 2009)	<p>Earnings Per Share (EPS) - 50% of EIP option grant</p> <p>Based on achieving 15% or more EPS compound growth over 3 year period.</p> <ul style="list-style-type: none"> • Less than 15% EPS compound growth – 0% of options vest; and • 15% or greater EPS compound growth – 100% of options vest. <p>Relative Total Shareholder Return (TSR) - 50% of EIP Option grant</p> <p>Based on TSR performance over a three year measurement period against a comparator group (15 comparable ASX 200 organisation):</p> <ul style="list-style-type: none"> • 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 • 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 lapse 5 years after grant date.
Right to Dividends	No dividend rights until option exercised.
Comparator Group	Please see Comparator Group Listing in this section.

Remuneration Report (audited) CONTINUED

EIP – Performance Rights	
Nature	Each EIP performance right entitles the participant to one share in the Company upon vesting, or equivalent cash award.
Grant frequency	Annual grant and ad-hoc on commencement of employment and employee promotion.
Eligibility Criteria	Selected executives, broadly in line with past contribution and future potential.
Exercise price	\$0.00
Performance hurdles	<p>Earnings Per Share (EPS) - 50% of EIP performance rights grant</p> <p>Based on achieving 15% or more EPS compound growth over 3 year period.</p> <ul style="list-style-type: none"> • Less than 15% EPS compound growth – 0% of rights vest; and • 15% or greater EPS compound growth – 100% 0% of rights vest. <p>Relative Total Shareholder Return (TSR) - 50% of EIP performance rights grant</p> <p>Based on TSR performance over a three year measurement period against a comparator group (15 comparable ASX 200 organisation):</p> <ul style="list-style-type: none"> • Below Median (50th percentile) of comparator group - 0% of performance rights vest; • Median of comparator group - 25% of performance rights vest • 62.5nd percentile of comparator group - 50% of performance rights vest; • 75th percentile of comparator group - 75% of performance rights vest; • 80th percentile of comparator group - 100% of performance rights vest; and • Performance right vesting levels are interpolated between each percentile above.
Vesting Period	Three years from grant date. No retesting.
Exercise period and expiry	Exercised upon vesting in the form of a share or equivalent cash award.
Right to Dividends	No right to dividends until shares received.
Comparator Group	Please see Comparator Group Listing in this note.

ELP 15 Month Share Options	
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. This is not currently being offered.
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 from grant date.
Exercise period and expiry	Exercisable upon vesting with no lapse restriction.
Right to Dividends	Right to dividends.

Comparator Group for grants prior to 1 July 2009

	ASX	Company Name
1	ALS	Alesco Corporation Limited
2	EHL	Emeco Holdings Limited
3	HSP	Healthscope Limited
4	HST	Hastie Group Limited
5	IDL	Industrea Limited
6	IRE	IRESS Market Technology Limited
7	MYO	MYOB Limited
8	OKN	Oakton Limited
9	PXS	Pharmaxis Ltd
10	SGT	Singapore Telecommunications Limited
11	SKE	Skilled Group Limited
12	SLM	Salmat Limited
13	SLX	Silex Systems Limited
14	SPT	Spotless Group Limited
15	WTF	Wotif.com Holdings Limited

Reserve list

	ASX	Company Name
1	FWD	Fleetwood Corporation Limited
2	GWT	GWA International Limited
3	IFL	IOOF Holdings Limited
4	TAL	Tower Australia Group Limited

Comparator Group for grants from to 1 July 2009

	ASX	Company Name
1	AHD	Amalgamated Holdings Limited
2	ANN	Ansell Limited
3	CDU	Cudoco Limited
4	CXP	Corporate Express Australia Limited
5	EHL	Emeco Holdings Limited
6	FPH	Fisher & Paykel Healthcare Corporation Limited
7	HSP	Healthscope Limited
8	IRE	IRESS Market Technology Limited
9	PXS	Pharmaxis Ltd
10	SAI	SAI Global Limited
11	SIP	Sigma Pharmaceuticals Limited
12	SLM	Salmat Limited
13	SOT	SP Telemedia Limited
14	SPT	Spotless Group Limited
15	WTF	Wotif.com Holdings Limited

Reserve list

	ASX	Company Name
1	CRG	Crane Group Limited
2	FWD	Fleetwood Corporation Limited
3	GWT	GWA International Limited
4	IFL	IOOF Holdings Limited
5	TAL	Tower Australia Group Limited

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.

SECTION 5: Relationship with Company Performance

Relationship with Company Performance						
Year-on-year performance						
	2010	2009	2008	2007	2006	2005
Revenue (\$millions)	434.9	540.1	360.9	74.8	59.2	42.4
Net Profit After Tax (NPAT) attributable to ordinary equity holders (\$millions)	(381.8)	35.1	14.4	22.9	14.5	14.5
Earnings Per Share (cents)	(37.93)	4.30	2.08	6.76	5.5	3.6
Dividends Per Share (cents)	-	1.0	-	1.0	1.0	0.5
Share Price Growth (%)	(73.6)	18.8	(47.8)	57.8	50.1	n/a
Share price as at 30 June (\$)	0.17	0.645	0.543	1.04	0.659	0.439

Remuneration Report (audited) CONTINUED

SECTION 6: 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. All Employment Service Agreements are compliant with the legal framework in which the Executive is resident and operating. 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 and position as at 30 June 2010 are set out below:

Name Position (Residence)	Term of Agreement	Annualised Base Remuneration ¹ (effective from 1 July 2009) ²	Special Arrangements ^{2,3}	Termination of Employment
Gary Cohen ⁶ Chief Executive Officer (Australia)	Open ended Commencing 1-Jul-09	\$659,944	• Other non-monetary benefits \$14,896 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 of time worked • Non-solicitation and non-competition clauses
Stephen Garrington Director, Business Development (Australia)	Open ended Commencing 12-Jul-04	\$460,368	• Other non-monetary benefits \$55,503 p.a.	• 6 months notice by either party • Non-solicitation and non-competition clauses
Andrea Fiumicelli Chief Operating Officer (Italy / United Kingdom)	Open ended Commencing 7-Apr-08	\$317,395	• Other non-monetary ⁴ benefits \$558,018 p.a.	• 6 months notice by either party • 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 (Singapore)	Open ended Commencing 15-Feb-00	\$456,125	• Other non-monetary ⁴ benefits \$158,499 p.a.	• 3 months notice by either party • Non-solicitation and non-competition clauses
Martin Deda Group Finance Director (Australia)	Open ended Commencing 14-Jul-08	\$564,461	• Other non-monetary benefits \$13,682 p.a.	• 6 months notice by either party • Company may elect to pay 6 months in lieu of notice • Non-solicitation and non-competition clauses
Mike Jackman Executive Vice President, Operations (United States of America)	Open ended Commencing 22-Feb-10	\$316,473	• Other non-monetary benefits \$61,039 p.a.	• 30 Days notice by either party • Non-solicitation and non-competition clauses • 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 • Involuntary termination or death/disability then entitled to 12 months severance payment
Peter Herrmann Managing Director, Central Europe (Germany)	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	\$427,055	• Other non-monetary benefits \$97,776 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 Managing Director, Asia Region (Malaysia)	Open ended Commencing 15-Aug-00	\$478,292	• Other non-monetary ⁴ benefits \$153,129 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 2010 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 and pension scheme contributions.

4. Expatriate benefits are included in non-monetary benefits and are provided to executives as a result of secondment/ fixed term assignment. The expatriate benefit may include housing, health insurance, tax equalisation and other standard expatriate benefits, if appropriate.

5. From 1 July 2010, Brian Cohen's package has been localised to Singapore. His secondment arrangement to India has been terminated.

6. Gary Cohen stepped down as Chief Executive Officer effective 31 August 2010.

Remuneration of Executive Director, Group Executives and other Executives

		Short-term employee benefits			Share-based payments ¹		Post - employment			
		Base Salary and Fees	Cash Bonus ⁷	Non-Monetary Benefits ^{6,8}	ELP Shares ^{2,5}	EIP Options ⁹	Superannuation	Total	% Remuneration Performance related	% Remuneration that consists of options
AUD dollars										
Executive Director										
Gary Cohen	2010	645,483	-	14,896	28,155	399,805	14,461	1,102,800	38.8%	38.8%
	2009	645,484	645,000	10,708	(201,365)	-	13,745	1,113,572	39.9%	0.00%
Group Executives										
Stephen Garrington ¹⁰	2010	445,907	-	55,503	(55,839)	33,317	14,461	493,349	0.0%	0.0%
	2009	431,640	282,000	51,315	(110,444)	-	13,745	668,256	25.8%	0.0%
Andrea Fiumicelli ⁴	2010	316,942	-	558,018	-	337,738	-	1,212,698	27.9%	27.9%
	2009	333,794	431,500	571,429	-	73,552	-	1,410,275	35.8%	5.2%
Brian Cohen ⁴	2010	426,283	-	158,499	142,527	99,951	-	827,260	29.3%	29.3%
	2009	416,208	280,000	97,257	50,332	-	-	843,797	39.1%	5.9%
Martin Deda ⁴	2010	550,000	-	13,682	76,513	-	14,461	654,656	11.7%	11.7%
	2009	533,780	412,000	43,169	36,776	-	13,745	1,039,470	43.2%	3.5%
Mike Jackman ³	2010	112,084	-	-	-	19,221	-	131,305	14.6%	14.6%
Other Executives										
Peter Herrmann ⁴	2010	427,055	208,188	97,776	-	41,748	-	774,767	32.3%	5.4%
	2009	496,220	387,448	126,046	-	29,421	-	1,039,135	40.1%	2.9%
Wim Botermans ⁴	2010	446,553	-	153,129	-	47,940	31,739	679,361	7.1%	7.1%
	2009	466,471	-	392,200	-	36,776	-	895,447	4.1%	4.1%

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. Mike Jackman joined iSOFT on 22 February 2010 - the salary represented is pro-rated from his start date
4. Denotes one of the five highest paid executives of the Consolidated Entity 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 Regional Business Unit performance where applicable based on achievement of agreed objectives set at the beginning of the performance year. In 2010, a bonus will be payable to Peter Herrmann due to a contractual obligation in Germany.
8. Expatriate benefits are included in non-monetary benefits and are provided to executives as a result of secondment/ fixed term assignment. The expatriate benefit may include housing, health insurance, tax equalisation and other standard expatriate benefits, if appropriate.
9. EIP includes Options and Performance Rights.
10. Stephen Garrington ceased to be a Director on 15 June 2010.

Remuneration Report (audited) CONTINUED

Equity Based Compensation of Key Management Personnel and other Executives Employee Loan Plan 2010

For the year ended 30 June 2010

	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 Director							
Gary Cohen	2,554,347	2,000,000	(1,374,673)	(277,500)	-	2,902,174	-
Group Executives							
Brian Cohen	573,952	1,500,000	-	(59,249)	-	2,014,703	-
Martin Deda	500,000	500,000	-	-	-	1,000,000	-
Stephen Garrington ²	1,320,040	500,000	(700,694)	(223,979)	-	895,367	-
Total	4,948,339	4,500,000	(2,075,367)	(560,728)	-	6,812,244	-

1. Fair value is determined by taking the market value of the Company shares as at 30 June 2010 and reducing them by the outstanding note at that date.

2. Stephen Garrington ceased to be an Executive Director effective 15 June 2010.

Equity Based Compensation of Key Management Personnel and other Executives Employee Loan Plan 2009

For the year ended 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 Director							
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	-
Group Executives							
Brian Cohen	49,645	573,952	-	(49,645)	-	573,952	-
Martin Deda	-	500,000	-	-	-	500,000	-
<i>Ceased to be a KMP during the year:</i>							
Executives							
Gordon Mackay ²	728,152	-	-	-	(728,152)	-	-
Total	5,886,193	1,122,604	(625,000)	(707,306)	(728,152)	4,948,339	-

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.

Equity Based Compensation of Key Management Personnel and other Executives
Employee Incentive Plan
Options and Performance Rights 2010

For the year ended 30 June 2010

	Balance of unvested EIP options ¹ 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 Director						
Gary Cohen	-	3,000,000	-	-	-	3,000,000
Group Executives						
Andrea Fiumicelli	1,000,000	3,000,000	-	-	-	4,000,000
Brian Cohen	-	750,000	-	-	-	750,000
Stephen Garrington	-	250,000	-	-	-	250,000
Mike Jackman	-	800,000	-	-	-	800,000
Other Executives						
Wim Botermans	500,000	-	-	-	-	500,000
Peter Herrmann	400,000	100,000	-	-	-	500,000
Total	1,900,000	7,900,000	-	-	-	9,800,000

1. Performance Rights were issued for the first time during FY2010

Equity Based Compensation of Key Management Personnel and other Executives
Employee Incentive Plan
Options and Performance Rights 2009

For the year ended 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
Group Executives						
Andrea Fiumicelli	-	1,000,000	-	-	-	1,000,000
Other Executives						
Wim Botermans	-	500,000	-	-	-	500,000
Peter Herrmann	-	400,000	-	-	-	400,000
Total	-	1,900,000	-	-	-	1,900,000

Remuneration Report (audited) CONTINUED

EIP Option Holdings of Key Management Personnel and other Executives 2010

For the year ended 30 June 2010

	Plan type ¹	Hurdle type ²	Weighted grant date fair value ³ per option (\$)	Weighted option exercise price (\$) ⁴	Options balance at the start of the year	Granted during the year	Balance of unvested options at the end of the year
Group Executives							
Andrea Fiumicelli	EIP	EPS	0.2776	0.7553	500,000	1,000,000	1,500,000
		SPG	0.2703	0.6911	500,000	-	500,000
		TSR	0.1953	0.7874	-	1,000,000	1,000,000
Mike Jackman	EIP	EPS	0.1999	0.5780	-	200,000	200,000
		TSR	0.1593	0.5780	-	200,000	200,000
Other Executives							
Wim Botermans	EIP	EPS	0.3016	0.6911	250,000	-	250,000
		SPG	0.2703	0.6911	250,000	-	250,000
Peter Hermann	EIP	EPS	0.3016	0.6911	200,000	-	200,000
		SPG	0.2703	0.6911	200,000	-	200,000
Total					1,900,000	2,400,000	4,300,000

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 Long-Term incentive plans in earlier section of this Remuneration Report.

3. Weighted grant date fair value. For details of EIP option remuneration fair values, please refer to earlier section of this Remuneration Report.

4. Weighted option exercise price.

EIP Performance Rights Holdings of Key Management Personnel and other Executives 2010

For the year ended 30 June 2010

			Weighted grant date fair value ³ per option (\$)	Options exercise price (\$) ^{4,5}	Options balance at the start of the year	Granted during the year	Balance of unvested options at the end of the year
	Plan type ¹	Hurdle type ²					
Executive Director							
Gary Cohen	EIP Performance Rights	EPS	0.7509	-	-	1,500,000	1,500,000
		TSR	0.3804	-	-	1,500,000	1,500,000
Group Executives							
Andrea Fiumicelli	EIP Performance Rights	EPS	0.7509	-	-	500,000	500,000
		TSR	0.3804	-	-	500,000	500,000
Brian Cohen	EIP Performance Rights	EPS	0.7509	-	-	375,000	375,000
		TSR	0.3804	-	-	375,000	375,000
Stephen Garrington	EIP Performance Rights	EPS	0.7509	-	-	125,000	125,000
		TSR	0.3804	-	-	125,000	125,000
Mike Jackman	EIP Performance Rights	EPS	0.5517	-	-	200,000	200,000
		TSR	0.3139	-	-	200,000	200,000
Other Executives							
Peter Herrmann	EIP Performance Rights	EPS	0.5614	-	-	50,000	50,000
		TSR	0.3190	-	-	50,000	50,000
Total						5,500,000	5,500,000

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 Long-Term incentive plans in earlier section of this Remuneration Report.

3. Weighted grant date fair value. For details of EIP option remuneration fair values, please refer to earlier section of this Remuneration Report.

4. Weighted option exercise price.

5. Options with a zero exercise price are shown with a dash (-).

ELP Option Holdings of Key Management Personnel and other Executives 2010**For the period ending 30 June 2010**

	Plan type ¹	Hurdle type ²	Weighted grant date fair value ³ per option	Weighted 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	Balance of vested and unvested options at the end of the year
Executive Director									
Gary Cohen	ELP	EPS	0.4145	0.9611	1,652,174	1,000,000	(472,500)	-	2,179,674
		SPG	0.3645	1.0699	2,277,173	-	(902,173)	-	1,375,000
		Other	0.2974	0.6686	1,000,000	-	-	-	1,000,000
		TSR	0.1938	0.7874	-	1,000,000	-	-	1,000,000
Group Executives									
Brian Cohen	ELP	EPS	0.2913	0.7730	250,000	750,000	-	-	1,000,000
		SPG	0.2703	0.7297	250,000	-	-	-	250,000
		Other	0.1810	0.3885	777,110	-	-	-	777,110
		TSR	0.1938	0.7874	-	750,000	-	-	750,000
	ELP 15m	n/a	0.1460	0.4295	575,152	-	-	-	575,152
Martin Deda	ELP	EPS	0.2965	0.7586	250,000	250,000	-	-	500,000
		SPG	0.2703	0.7297	250,000	-	-	-	250,000
		TSR	0.1938	0.7874	-	250,000	-	-	250,000
Stephen Garrington	ELP	EPS	0.5273	1.1436	885,694	250,000	(315,000)	-	820,694
		SPG	0.3541	0.6996	1,635,694	-	(385,694)	-	1,250,000
		Other	0.4301	0.3500	3,000,000	-	-	-	3,000,000
		TSR	0.1938	0.7874	-	250,000	-	-	250,000
	ELP 15m	n/a	0.2343	0.6840	191,889	-	-	-	191,889
Total					12,994,886	4,500,000	(2,075,367)	-	15,419,519

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 Long-Term incentive plans in earlier section of this Remuneration Report.

3. Weighted grant date fair value. For details of ELP option fair values, please 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.

Remuneration Report (audited) CONTINUED

ELP Option Holdings of Key Management Personnel and other Executives 2009

For the period ending 30 June 2009

	Plan type ¹	Hurdle type ²	Weighted grant date fair value ³ per option	Weighted 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	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
Group 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:									
Other 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

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 to structure and details of Long-Term incentive plans in earlier section of this Remuneration Report.
3. Weighted grant date fair value. For details of ELP option fair values, please 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.
5. Shares sold or transferred out of the ELP Plan. Transferred out does not mean that the individual has left the Consolidated Entity.

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.

SECTION 7: Non-executive Director Remuneration Framework

Objective

The remuneration arrangements for Non-executive Directors aims to attract and retain suitably qualified Non-executive Directors, and reward them appropriately for their role and commitment in providing sound governance and in 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 schemes 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 2010 the total was \$1,000,000.

The schedule of fees (inclusive of statutory superannuation where appropriate) for the Board and Board Committees for the 2010 and 2011 financial year was as follows:

		Board \$	Board Audit and Compliance Committee \$	Board Remunera- tion Committee \$
Chairman	2011	160,000	30,000	25,000
	2010	-	30,000	25,000
Member	2011	85,000	15,000	15,000
	2010	85,000	15,000	15,000

To emphasise the Board's strong support for the business whilst it undergoes cost reductions, it has been agreed that there will be a 10% reduction (from the above) in all Director and Committee membership fees for FY11. In addition, fees related to the services of Robert Moran (Chairman), will be waived for FY2011.

Applicable rates are shown below:

	2011	Board \$	Board Audit and Compliance Committee \$	Board Remunera- tion Committee \$
Chairman		-	27,000	22,500
Member		76,500	13,500	13,500

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	2010	77,982	7,018	85,000
	2009	70,417	6,337	76,754
Robert Moran ¹	2010	110,000	-	110,000
	2009	55,452	-	55,452
Anthony Sherlock ²	2010	105,505	9,495	115,000
	2009	90,000	8,100	98,100
Ian Tsicalas	2010	105,505	9,495	115,000
	2009	87,897	7,911	95,808
Peter Wise ¹	2010	115,000	-	115,000
	2009	90,000	8,100	98,100
Alternate Non-Executive Director				
Lachlan MacGregor ¹	2010	15,000	-	15,000
	2009	6,493	-	6,493
<i>Ceased to be KMP:</i>				
James Fox ³	2010	92,943	8,257	101,200

1. Robert Moran, Lachlan MacGregor and Peter Wise 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 have been exercised.

3. James Fox was appointed 6 July 2009 and resigned at 15 June 2010.

2010 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	Issued under DRP	Acquired during the year	Disposed during the year	Transferred out during the year	Balance at the end of the year	Balance at 30 Sep 10
Executive Director							
Gary Cohen ^B	69,483,502	577,270	45,173,156	(61,148,788)	(1,446,113)	52,639,027	52,639,027
Non-executive Directors							
Claire Jackson	39,620	-	-	-	-	39,620	39,620
Robert Moran	580,937	-	-	-	-	580,937	580,937
Anthony Sherlock ⁴	10,000	-	100,000	(50,000)	-	60,000	60,000
Ian Tsicalas	-	-	-	-	-	-	-
Peter Wise	11,516,913	-	-	(250,000)	-	11,266,913	11,266,913
James Fox ¹	-	-	100,000	-	(100,000)	-	-
Alternate Director							
Lachlan MacGregor	-	-	-	-	-	-	-
Group Executives							
Stephen Garrington ²	5,841,542	-	750,000	-	(700,694)	5,890,848	5,890,848
Brian Cohen ^B	67,074,676	577,270	35,044,242	(53,453,015)	(1,374,673)	47,868,500	47,868,500
Martin Deda	527,273	-	500,000	-	-	1,027,273	1,027,273
Andrea Fiumicelli	62,780	-	-	-	-	62,780	62,780
Mike Jackman ³	-	-	40,000	-	-	40,000	40,000
Other Executives							
Wim Botermans	209,525	-	-	-	-	209,525	209,525
Peter Herrmann	-	-	-	-	-	-	-

1. Dr James Fox resigned as a Director on 15 June 2010.

2. Stephen Garrington resigned as a Director on 15 June 2010 and remained a Key Management Person.

3. Mike Jackman became a Key Management Person as at 22 February 2010.

4. Includes 100,000 shares acquired during the year by Anthony Sherlock upon exercise of EIP options.

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. The balance at 30 June 2010 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 30,375,042 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

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 entitle- ment 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 Director							
Gary Cohen ^B	72,546,550	3,514,285	8,326,602	(14,528,935)	(375,000)	69,483,502	69,483,502
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 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 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%.

Auditor's independence declaration



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 2010, 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.

A handwritten signature in black ink that reads 'PKF'. The signature is written in a stylized, cursive-like font.

PKF

A handwritten signature in black ink that reads 'Bruce Gordon'. The signature is written in a cursive, flowing style.

Bruce Gordon
Partner

30 September 2010

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

Financial Statements

Consolidated income statement	48
Consolidated statement of comprehensive income	49
Consolidated statement of financial position	50
Consolidated statement of changes in equity	51
Consolidated statement of cashflows	52
Notes to the Financial Statements	53

Consolidated income statement FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
Sales revenue		430,513	538,851
Gain on sale of land and buildings		1,200	-
Other revenue		3,192	1,273
Revenue	4	434,905	540,124
Expenses excluding finance costs, depreciation, amortisation and impairment	5	(404,844)	(407,736)
EBITDA	7	30,061	132,388
Depreciation	14	(6,894)	(8,351)
Amortisation of intangible assets	15	(37,153)	(45,612)
Impairment of intangible assets	15	(341,059)	-
Finance costs	6	(21,350)	(34,006)
(Loss)/earnings before income tax expense		(376,395)	44,419
Income tax expense	8	(6,519)	(9,688)
(Loss)/profit for the year		(382,914)	34,731
Attributable to:			
Equity holders of the parent entity		(381,870)	35,086
Non-controlling interest		(1,044)	(355)
(Loss)/profit for the year		(382,914)	34,731
		Cents	Cents
Basic earnings per share attributable to ordinary equity holders	37	(37.93)	4.30
Diluted earnings per share attributable to ordinary equity holders	37	(37.93)	4.26

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

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
(Loss)/profit for the year		(382,914)	34,731
Other comprehensive income/(expense)			
Changes in the fair value of cash flow hedges	26	(1,374)	-
Defined benefit plan actuarial (losses)/gains	23,26	(3,560)	1,711
Irrecoverable element of minimum funding requirement	23,26	3,979	(2,339)
Foreign currency translation differences	26	(103,623)	3,071
Tax effects	26	3,190	51
Total other comprehensive (expense)/income for the year		(101,388)	2,494
Total comprehensive (expense)/income for the year		(484,302)	37,225
Total comprehensive (expense)/income for the year is attributable to:			
Equity holders of the parent entity		(483,258)	37,580
Non-controlling interest		(1,044)	(355)
Total comprehensive (expense)/income for the year		(484,302)	37,225

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position AS AT 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
Current Assets			
Cash and cash equivalents	9	31,577	85,737
Trade and other receivables	10	71,949	73,884
Inventories	11	564	192
Income tax receivable	16	1,590	2,007
Accrued revenue	12	56,120	73,220
Other current assets	13	16,316	15,019
Total Current Assets		178,116	250,059
Non-Current Assets			
Property, plant and equipment	14	25,146	24,461
Intangible assets	15	480,687	920,484
Deferred tax assets	16	53,450	91,282
Accrued revenue	17	20,127	13,815
Total Non-Current Assets		579,410	1,050,042
Total Assets		757,526	1,300,101
Current Liabilities			
Trade and other payables	18	89,841	108,136
Borrowings	19	34,978	55,788
Derivative financial instruments	28	996	-
Income tax liabilities	16	3,374	2,028
Provisions	20	7,877	5,740
Deferred income	21	58,938	67,898
Total Current Liabilities		196,004	239,590
Non-Current Liabilities			
Trade and other payables	24	8,342	812
Borrowings	22	191,265	186,382
Derivative financial instruments	28	378	-
Deferred tax liabilities	16	71,251	100,439
Provisions	20	832	630
Retirement benefit obligations	23	24,996	30,710
Total Non-Current Liabilities		297,064	318,973
Total Liabilities		493,068	558,563
Net Assets		264,458	741,538
Equity			
Contributed equity	25	747,441	728,960
Reserves	26	(106,527)	(4,478)
Retained earnings/accumulated losses	26	(375,407)	17,061
Total equity attributable to equity holders of the parent entity		265,507	741,543
Non-controlling interest	26	(1,049)	(5)
Total Equity		264,458	741,538

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

Consolidated statement of changes in equity FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
Total equity at the beginning of the year		741,538	578,183
Total comprehensive (expense)/income for the year		(484,302)	37,225
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity	26	18,846	131,569
Cost of raising capital	26	(365)	(4,937)
Dividends - ordinary shares	26	(10,138)	-
Dividends - convertible notes	26	(460)	-
Other equity movements:			
Share based payments	26,39	2,507	1,424
Net issue of treasury shares	26	(3,168)	(3,373)
Warrants issued	26	-	1,447
Total equity at the end of the year		264,458	741,538

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST/purchase tax)		479,081	589,461
Payments to suppliers and employees (inclusive of GST/purchase tax)		(471,189)	(516,320)
Interest received		352	1,619
Income tax paid		(8,938)	(10,509)
Net cash from operating activities	35	(694)	64,251
Cash flows from investing activities			
Payment for purchase of property, plant and equipment	14	(6,655)	(9,216)
Payment for acquisition of business entity, net of cash	32	(18,882)	(4,696)
Payment for development expenditure	15	(22,380)	(17,989)
Payment for deferred consideration		-	(918)
Proceeds from sales of property, plant and equipment		1,593	202
Net cash from investing activities		(46,324)	(32,617)
Cash flows from financing activities			
Proceeds from issue of shares	25	12,863	116,448
Proceeds from issue of convertible notes	22	-	7,224
Share issue costs		(365)	(4,490)
Proceeds from borrowings		54,801	31,210
Debt establishment fees		(6,640)	-
Repayment of borrowings		(26,730)	(88,910)
Finance costs paid		(11,887)	(25,660)
Repayment of contract funding and other funding		(14,634)	(37,552)
Finance lease principal repayments		(627)	(677)
Dividends paid - ordinary shares	27	(8,520)	-
Dividends paid - convertible notes	27	(460)	-
Net cash from financing activities		(2,199)	(2,407)
Net (decrease)/increase in cash and cash equivalents		(49,217)	29,227
Cash and cash equivalents held at 1 July	9	85,737	54,218
Effect of exchange rate changes on cash and cash equivalents		(4,943)	2,292
Cash and cash equivalents held at 30 June		31,577	85,737

The above cash flow statements should be read in conjunction with the accompanying notes

Contents

Note	Content	Page
1	Summary of significant accounting policies	54
2	Critical accounting estimates and judgements	66
3	Segment information	67
4	Revenue	71
5	Expenses	72
6	Finance costs	72
7	EBITDA calculation	73
8	Income tax expense	73
9	Cash and cash equivalents	74
10	Trade and other receivables – current	74
11	Inventories	74
12	Accrued revenue – current	74
13	Other assets – current	74
14	Property, plant and equipment	75
15	Intangible assets	76
16	Tax assets and liabilities	80
17	Accrued revenue – non-current	81
18	Trade and other payables – current	81
19	Borrowings – current	82
20	Provisions – current and non-current	83
21	Deferred income – current	84
22	Borrowings – non-current	84
23	Retirement and post-employment benefit obligations – non-current	87
24	Trade and other payables – non-current	92
25	Contributed equity	93
26	Reconciliation of movement in capital, reserves, retained earnings and non-controlling interest	94
27	Dividends	97
28	Financial instruments	97
29	Remuneration of auditors	104
30	Contingent liabilities	105
31	Commitments	106
32	Business combinations	107
33	Subsidiaries	110
34	Jointly controlled entities	112
35	Reconciliation of profit/(loss) after income tax to net cash flows from operating activities	113
36	Non-cash investing and financing activities	113
37	Earnings per share	114
38	Key Management Personnel disclosures	115
39	Share-based payments	122
40	Related party transactions	134
41	Exchange rates	136
42	Parent entity disclosures	136
43	Events occurring after balance date	137

Notes to the Financial Statements CONTINUED

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 to all the years presented, unless otherwise stated.

This financial report as at and for the year ended 30 June 2010 comprises the consolidated financial statements of iSOFT Group Limited (the "Company") and its controlled entities/subsidiaries (together referred to as the "Consolidated Entity" or "Group") and interests in jointly controlled entities for the year ended 30 June 2010.

The Revised Corporations Act 2001, as amended by the Corporations Amendment Regulations 2010 (No. 6) no longer requires an entity to prepare parent entity financial statements, provided the entity prepares consolidated financial statements, however, key parent entity disclosures are required by way of a separate note. As a result of this change the Consolidated Entity has not prepared separate parent entity financial statements and the required parent entity disclosures are included in Note 42.

(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 ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The financial report of the Consolidated Entity complies with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

(ii) Going concern

In June 2010, the Group commenced discussions with its senior lenders and their advisors in connection with the reorganisation of its senior debt facilities and equity capital raising strategies for the Group in light of the Group's prospective financing requirements.

As a result of these discussions, the senior lenders have issued fully underwritten, credit approved and binding commitment documentation setting out the terms on which the senior lenders have agreed to extend the Group's existing senior debt facilities and advance a new senior debt facility to the Group of up to GBP40 million. This provides stability in the financing of the Group and will facilitate the ongoing business operations of the Group (refer to Note 22 and Note 43). The financial covenants under the senior debt facilities have been reset in accordance with the terms of the commitment documentation. Final documentation is expected to be completed before 20 October 2010.

After consideration of the agreement reached with the Group's senior lenders and in light of all other relevant circumstances, including all of the conditions to the restructured facilities and the matters set out in the following paragraphs, the Directors have

confidence in the availability of adequate financing for the Group for the Directors to be of the opinion that the Group will be able to continue to pay all of its debts as and when they fall due and accordingly that the financial report is correctly prepared on a going concern basis.

As part of the arrangements with the senior lenders, the Group is undertaking a cash management and cost mitigation exercise and is also investigating the initiatives described below.

The Group is undertaking a review of its capital structure with the assistance of financial and legal advisers, with the objective of reducing the overall level of indebtedness of the Group.

The Group is also in the process of completing a detailed review of its operations and business activities. In connection with this review, the Group is considering the disposal of certain assets and has, subsequent to the reporting date, commenced a sale process for one asset with a number of prospective purchasers. The timing and outcome of such disposal is still being determined.

(iii) Rounding of amounts

The Consolidated Entity 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.

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

The Consolidated Entity has applied the pronouncements to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

As a result of the Consolidated Entity applying AASB 101 *Presentation of Financial Statements* (revised from 1 July 2009), the financial report includes a Consolidated Statement of Comprehensive Income (which replaces the Statement of Recognised Income and Expense), a Consolidated Statement of Financial Position (which replaces the Balance Sheet) and a Consolidated Statement of Changes in Equity. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs.

The Consolidated Entity has restated the prior period balance sheet and equity for an adjustment relating to recognition of a defined benefit pension scheme in the Netherlands in accordance with AASB 119 *Employee Benefits*. The prior period adjustment causes an increase to prior period opening equity and prior period closing equity of \$3.2 million, net of tax (refer Note 23).

The Consolidated Entity has made reclassifications in prior year comparatives in order to align with the presentation in this financial report.

With effect from 1 July 2009, the Consolidated Entity has adopted AASB 8 *Operating Segments*. This is a new disclosure standard which has led to a change in the Consolidated Entity's reportable segments and has introduced certain new disclosures as set out in Note 3. As part of the Annual Improvements to Australian Accounting Standards 2009, the AASB modified the requirement to disclose total assets and liabilities for each reportable segment. This disclosure is now required only if a measure of total assets by segment is reported to the CODM. The amendment to AASB 8 is mandatory for accounting periods commencing on or after 1 January 2010 however can be early adopted which the Consolidated Entity has elected to do. Comparative information of segmental reporting has been restated to reflect current reportable segments.

(v) Historical cost convention

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

(vi) 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.

(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 2010 and the results and cash flows of all subsidiaries for the year 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)).

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and consolidated statement of financial position 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 (the "Trust") to administer the Consolidated Entity's employee loan plan (ELP). The Trust is consolidated as the substance of the relationship is that the trust is controlled by the Consolidated Entity.

Shares held by the trust are disclosed as treasury shares and deducted from equity (refer Note 26).

(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 consolidated statement of financial position and the proportionate beneficial interest in revenues and expenses are recognised in the consolidated 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.

Notes to the Financial Statements CONTINUED

(c) Segment reporting

The Consolidated Entity applies AASB 8 *Operating Segments* and determines its operating segments to be based on its geographical locations as this is the how the business is organised and reported internally. Operating segments are 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 consolidated 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.

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 consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position
- income and expenses for each consolidated 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 software 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 from implementation services is generally recognised on a percentage of completion basis over the duration of the implementation.

Revenue received in relation to support and maintenance services is initially credited to deferred revenue 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, implementation and maintenance services. Revenue for product development is recognised on a percentage of completion basis, as licence revenue. Revenue for additional development services and implementation is recognised as earned. Maintenance services are recognised 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 implementation 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 consolidated income statements 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 consolidated 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.

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.

Notes to the Financial Statements CONTINUED

(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 consolidated statement of financial position.

(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. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Derivative financial instruments

The Consolidated Entity has used derivative financial instruments to hedge its foreign currency exposures and interest rate exposures. 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 consolidated statement of changes in equity. 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 3 to 20 years and purchased plant and equipment is 2 to 12 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. Operating lease payments are charged to the consolidated 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 consolidated 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.

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 consolidated 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 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 and fair value less costs to sell, 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 from 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.

Notes to the Financial Statements CONTINUED

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 effective 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 consolidated 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.

(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
- defined benefit superannuation obligations

(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 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 consolidated statement of comprehensive income.

Notes to the Financial Statements CONTINUED

The Consolidated Entity has applied the pronouncement in accordance with 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. 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 comprehensive income.

(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 comprehensive income (refer Note 23).

(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 39).

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 contributed 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

Subsequent to 1 July 2009

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities assumed by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business

combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Consolidated Entity acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be a liability, will be recognised in accordance with AASB 139 in the consolidated income statement. If the contingent consideration is classified as equity, it is not remeasured.

Prior to 1 July 2009

The purchase method of accounting was 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 were acquired. The consideration transferred in a business combination was measured at fair value, which was calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities assumed by the acquirer to former owners of the acquiree and the equity issued by the acquirer. Where equity instruments were issued in an acquisition, the fair value of the instruments was 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 was an unreliable indicator of fair value and that other evidence and valuation methods provided a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments were recognised directly in equity.

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

Where settlement of any part of cash consideration was deferred, the amounts payable in the future were 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. Any contingent consideration to be transferred by the acquirer was recognised at fair value at the acquisition date. Contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised was not restated.

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 were 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 were restated. The assets and liabilities acquired were 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 were added to the same components within Consolidated Entity equity. Any cash paid for the acquisition was 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 37).

(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.

(ee) Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of associated GST/VAT, unless the GST/VAT 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/VAT receivable or payable. The net amount of GST/VAT recoverable from, or payable to, taxation authorities is included in other receivables or other payables in the consolidated statement of financial position.

Notes to the Financial Statements CONTINUED

Cash flows are presented on a gross basis. The GST/VAT 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 net realisable 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 share options is measured using a binomial lattice model for EPS hurdle options and using the Monte Carlo simulation model for SPG or TSR hurdle options (refer Note 39). 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 in issue 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 accounting standards issued but not yet effective as at 30 June 2010.

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 101, 107, 117, 118, 136 & 139] (effective from 1 January 2010)*. The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:
 - The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined.

- The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.
- The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity:
 - i. has primary responsibility for providing the goods or service;
 - ii. has inventory risk;
 - iii. has discretion in establishing prices;
 - iv. bears the credit risk.
- The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in AASB 8 before aggregation for reporting purposes.
- The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
- The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.

The Consolidated Entity has not yet determined the potential effect of the amendment.

- *AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share Based Payment Transactions [AASB 2] (effective from 1 January 2010)* The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Consolidated Entity share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. The Consolidated Entity will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the Consolidated Entity's financial report.
- *AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)* In October 2009, the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price

is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Consolidated Entity will apply the amended standard from 1 July 2010. As the Consolidated Entity has not made any such rights issues, the amendment will not have any effect on the Consolidated Entity's financial report.

- *AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)* AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Consolidated Entity's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Consolidated Entity is yet to assess its full impact. However, initial indications are that it is unlikely to materially affect the Consolidated Entity's accounting for its financial assets. The Consolidated Entity has not yet decided when to adopt AASB 9.
- *Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)* In December 2009, the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Consolidated Entity will apply the amended standard from 1 July 2011. When the amendments are applied, the Consolidated Entity will need to disclose any transactions between its subsidiaries and its jointly controlled entities. However, it has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.
- *Revised AASB 8 Operating Segments and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)* In December 2009, the AASB issued a revised AASB 8 *Operating Segments*. The amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 *Operating Segments* to require an entity to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Consolidated Entity has not yet determined the potential effect of the amendment.

Notes to the Financial Statements CONTINUED

- AASB Interpretation 19 *Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)*. AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Consolidated Entity will apply the interpretation from 1 July 2010. It is not expected to have any impact on the Consolidated Entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the Consolidated Entity has not entered into any debt for equity swaps since that date.
- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)*. In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the Consolidated Entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Consolidated Entity does not make any such prepayments. The amendment is therefore not expected to have any impact on the Consolidated Entity's financial statements. The Consolidated Entity intends to apply the amendment from 1 July 2011.
- AASB 2010-3 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB3, AASB7, AASB 121, AASB128, AASB131, AASB 132 and AASB 139]*. The amendments are summarised as below and will be effective from 1 July 2010:
 - Limit the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value.
 - Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.
 - Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated.
 - Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.

The Consolidated Entity has not yet determined the potential effect of the amendments.

- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 7 and AASB 134]*. In April 2010, the AASB made amendments to AASB7 *Financial Instrument: Disclosure* and AASB 134 *Interim Financial Reporting*, and is effective from 1 July 2011. Listed below are the summaries:
 - Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.
 - Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions

The Consolidated Entity has not yet determined the potential effect of the amendments for interim reporting at the half year.

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 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 makes 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, the significant judgements 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 assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Fair value less cost to sell 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 fair value less cost to sell calculations then an impairment loss would be recognised, up to the maximum carrying value of goodwill and intangibles at 30 June 2010.

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 with Computer Sciences Corporation ("CSC") 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. 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 16.8% (2009: 23.5%) to the Consolidated Entity's total revenue in the year to 30 June 2010. 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.

Apart from CSC, the largest customer of the Consolidated Entity, the Consolidated Entity does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Consolidated Entity defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to CSC did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year.

Note 3. Segment information

The Consolidated Entity has implemented AASB 8 *Operating segments* with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the entity which are regularly reviewed by the 'chief operating decision maker' (determined by iSOFT to be the Board of Directors) in order to allocate resources to the segments and to assess their performance. The Consolidated Entity operates in various geographical regions and for the purposes of risk management procedures and internal reporting to the CODM, reports the various geographical countries together into segments according to their location and economic characteristics. Each operating segment has a segment manager who reports into the CODM and is responsible for the reporting of the financial results. Applying the new requirements

of AASB 8 has led to operating segments being determined to exist at a lower geographical level than previously reported under the requirements of AASB 114. Comparative information has been restated to reflect the current reportable segments.

Each reportable segment below includes earnings derived from development and licensing of computer software and the supply of services to the health industry.

UKI – United Kingdom and Ireland

CE – Central Europe

SELA – Southern Europe and Latin America

ANZ – Australia and New Zealand

Other – The remaining operations of the Consolidated Entity are aggregated and included within the 'Other' category to reconcile to the consolidated results. This also includes intersegment and eliminations not allocated to other operating segments.

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.

Performance is measured based on EBITDA (refer Note 7) which is defined as the operating profit or loss before depreciation, amortisation, net finance expense and taxation. EBITDA is considered to be a useful measure of the operating performance of the different segments because it reflects the underlying cash by eliminating depreciation and amortisation. Amortisation is recognised and allocated on the basis of the location of where future economic benefits are expected to flow. Finance costs are not allocated to the reportable segments as this cost is managed by the treasury function which manages the overall net debt position of the group. Similarly, tax expense is not allocated as this is managed by the Group Tax function centrally. Group costs are allocated in proportion to the amount of revenue they generate as this most accurately matches the cash flows which are generated in each operating segment. The allocation of Group R&D costs has changed this year. Previously Group R&D costs were allocated in proportion to a reasonable estimate of usage consumption. In 2010 this has changed to being allocated on the basis of direct effort expended on each product according to where those products earn revenue. The 2009 allocation has not been restated.

Notes to the Financial Statements CONTINUED

Note 3. Segment information - continued

2010	United Kingdom and Ireland \$'000	Central Europe \$'000	Australia and New Zealand \$'000	Southern Europe and Latin America \$'000	Other \$'000	Consolidated \$'000
Sales to external customers	186,443	105,041	63,510	21,951	53,568	430,513
Other income	2,845	144	124	22	57	3,192
Gain on sale of land and buildings	-	-	-	-	1,200	1,200
Total segment revenue	189,288	105,185	63,634	21,973	54,825	434,905
% of total revenue	44%	24%	15%	5%	13%	100%
RBU contribution	101,258	30,023	24,117	7,270	12,218	174,886
Group R&D allocated ¹	(31,997)	(9,635)	(9,635)	(1,676)	(11,729)	(64,672)
Group costs allocated ²	(32,409)	(18,258)	(11,039)	(3,816)	(9,308)	(74,830)
Adjusted segment EBITDA pre exceptional items	36,852	2,130	3,443	1,778	(8,819)	35,384
Restructuring	(1,505)	(980)	(1,982)	(215)	(293)	(4,975)
Other ³	1,952	-	(2,300)	-	-	(348)
Segment EBITDA	37,299	1,150	(839)	1,563	(9,112)	30,061
EBITDA margin %	20%	1%	-1%	7%	-17%	7%
Impairment ⁴	(110,493)	(50,374)	(63,088)	(721)	(116,383)	(341,059)
Depreciation	(1,653)	(1,032)	(1,977)	(1,013)	(1,219)	(6,894)
Amortisation ⁵	(17,553)	(5,856)	(10,034)	(1,341)	(2,369)	(37,153)
Segment result	(92,400)	(56,112)	(75,938)	(1,512)	(129,083)	(355,045)
Finance costs						(21,350)
Income tax expense						(6,519)
Loss for the year						(382,914)
Total assets	286,935	171,938	116,131	96,941	85,581	757,526
Total liabilities	(297,994)	(51,186)	(93,557)	(13,842)	(36,489)	(493,068)

1. Research and development costs expensed during the year.

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

3. Other exceptional items relate to: in UK & Ireland this is a reversal of the FSA provision no longer required, in ANZ these include litigation and other settlement provision (refer to Note 20).

4. Impairment includes goodwill acquired arising from acquisitions (refer Note 15).

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

Note 3. Segment information - continued

2009	United Kingdom and Ireland \$'000	Central Europe \$'000	Australia and New Zealand \$'000	Southern Europe and Latin America \$'000	Other \$'000	Consolidated \$'000
Sales to external customers	268,840	122,693	62,997	20,119	64,202	538,851
Other income	191	400	452	50	180	1,273
Total segment revenue	269,031	123,093	63,449	20,169	64,382	540,124
% of total revenue	50%	23%	12%	4%	12%	100%
RBU contribution	152,165	40,467	25,630	4,945	28,759	251,966
Group R&D allocated ¹	(45,729)	(2,847)	(6,627)	(467)	(10,604)	(66,274)
Group costs allocated ²	(26,594)	(12,137)	(6,232)	(1,990)	(6,351)	(53,304)
Adjusted segment EBITDA pre exceptional items	79,842	25,483	12,771	2,488	11,804	132,388
Other ³	-	-	-	-	-	-
Segment EBITDA	79,842	25,483	12,771	2,488	11,804	132,388
EBITDA margin %	30%	21%	20%	12%	18%	25%
Depreciation	(2,179)	(744)	(1,312)	(148)	(3,968)	(8,351)
Amortisation ⁴	(21,747)	(9,472)	(6,655)	(1,541)	(6,197)	(45,612)
Segment result	55,917	15,267	4,804	799	1,638	78,425
Finance costs						(34,006)
Income tax expense						(9,688)
Profit for the year						34,731
Total assets	522,845	274,117	187,008	110,423	205,708	1,300,101
Total liabilities	(338,033)	(66,619)	(97,651)	(16,031)	(40,029)	(558,563)

1. Research and development costs expensed during the year.

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

3. There were no exceptional items in the comparative period.

4. Amortisation includes acquired intangibles amortisation arising from acquisitions and other intangibles. There was no impairment in the comparative period.

Notes to the Financial Statements CONTINUED

Note 3. Segment information - continued

Capital expenditure Year ended 30 June 2010	United Kingdom and Ireland	Central Europe	Australia and New Zealand	Southern Europe and Latin America	Other	Consolidated
PPE	2,140	1,684	2,231	136	3,469	9,660
Intangible assets	22,736	10,877	9,130	2,770	8,165	53,678
Capital expenditure	24,876	12,561	11,361	2,906	11,634	63,338

Year ended 30 June 2009	United Kingdom and Ireland	Central Europe	Australia and New Zealand	Southern Europe and Latin America	Other	Consolidated
PPE	1,735	1,727	7,843	657	2,123	14,085
Intangible assets	14,118	3,848	2,244	186	7,032	27,428
Capital expenditure	15,853	5,575	10,087	843	9,155	41,513

Revenue by products and services

Revenue split by products and services is shown in note 4 together with comparatives.

Geographic information

Australia is the Consolidated Entity's country of domicile. The geographic analysis of revenue is on the basis of the country of origin in which the customer is invoiced.

External Revenue At 30 June	2010 \$'000	2009 \$'000
United Kingdom and Ireland ¹	218,109	305,328
Central Europe	105,041	122,693
Australia	56,749	55,374
Southern Europe and Latin America	21,951	20,119
Asia, Middle East and Africa	20,104	27,714
New Zealand	6,761	7,623
North America	1,798	-
Total	430,513	538,851

1. Includes revenue from operating segments UKI and IBS whose revenue are both derived from United Kingdom and Ireland. IBS is not a reportable segment and has been included within the "Other" column. The revenue from IBS is \$31.7 million (2009 \$36.5 million).

Note 3. Segment information - continued**Non- current assets****At 30 June**

	2010 \$'000	2009 \$'000
United Kingdom and Ireland	260,812	476,637
Central Europe	143,965	231,894
Australia	86,215	142,494
Southern Europe and Latin America	7,546	101,064
Asia, Middle East and Africa	76,293	93,686
New Zealand	4,557	4,267
North America	22	-
Total	579,410	1,050,402

Non-current assets other than derivative financial instruments and deferred tax assets are allocated based on the location of the assets.

Information about major customers

The Consolidated Entity earns revenue from the NPfIT contract in the UK which is greater than 10% of total revenue (refer Note 2). Revenue of \$72.5 million (2009: \$126.7 million) was recognised in the year and this is reported in the UKI segment.

Note 4. Revenue

	2010 \$'000	2009 \$'000
Sales Revenue		
Licences	134,289	185,925
Implementation	87,592	106,109
Maintenance and Support	188,425	215,761
Third party hardware	9,461	16,577
Third party software	8,715	10,529
Other	2,031	3,950
	430,513	538,851
Gain on sale of land and buildings	1,200	-
Other revenue		
Interest income	3,192	1,273
	3,192	1,273
Total revenue	434,905	540,124

Notes to the Financial Statements CONTINUED

Note 5. Expenses

	2010 \$'000	2009 \$'000
Expense excluding finance costs, amortisation, depreciation and impairment is comprised as follows:		
Consultancy, insurance and professional fees	22,549	23,499
Consumables	59,283	66,861
Doubtful debts	4,005	973
Employee benefits expense	238,385	247,823
Marketing	12,968	6,619
Occupancy	20,548	21,649
Telecommunications	7,988	7,509
Travel	18,816	22,797
Other	15,327	10,006
Restructuring costs	4,975	-
	404,844	407,736
<i>Employee Benefit Expense</i>		
Salaries and bonuses	218,101	231,499
Termination benefits	-	1,498
Associated personnel expenses	9,433	8,565
Defined contribution superannuation contributions	7,667	7,280
Defined benefit superannuation contributions (refer Note 23)	533	(2,443)
Share-based payments expense	2,651	1,424
	238,385	247,823
 Rental expense relating to operating leases		
Minimum lease payments	14,266	12,556

Note 6. Finance Costs

	2010 \$'000	2009 \$'000
<i>Finance costs</i>		
Interest and finance charges paid/payable		
Senior secured borrowings	11,732	20,027
Subordinated secured borrowings	-	8,517
Convertible notes	2,767	2,527
Contract Funding	1,759	3,242
Finance lease interest	50	1,532
Other	4,570	3,509
	20,878	39,354
 Net foreign exchange (gains)/losses - realised	(731)	(10,688)
Net foreign exchange (gains)/losses - unrealised	1,203	5,340
	21,350	34,006

Other finance costs include interest cost of defined benefit obligations (refer Note 23).

Note 7. EBITDA calculation

	2010 \$'000	2009 \$'000
(Loss)/profit before tax	(376,395)	44,419
Amortisation of intangible assets	37,153	45,612
Impairment of intangible assets	341,059	-
Depreciation	6,894	8,351
Finance costs	21,350	34,006
	30,061	132,388

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

Note 8. Income tax expense

	2010 \$'000	2009 \$'000
<i>a) Income tax expense recognised in the income statement</i>		
Current tax	9,133	14,903
Deferred tax	(3,709)	(845)
Under/(over) provision in prior years	1,095	(4,370)
Aggregate income tax expense	6,519	9,688

Deferred income tax expense included in income tax expense companies:

Decrease/(increase) in deferred tax assets (note 16)	13,632	8,325
(Decrease)/increase in deferred tax liabilities (note 16)	(17,341)	(9,170)
	(3,709)	(845)

b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit/(loss) before income tax expense	(376,395)	44,419
Tax at the Australian tax rate of 30%	(112,919)	13,325

Tax effect amounts which are not deductible/(taxable) in calculating taxable income:

Non-deductible depreciation and amortisation	(2,223)	37
Non-deductible entertainment and legal	516	499
Other non-deductible/(non-assessable) items	93,512	6,679
	(21,114)	20,540

Under/(over) provision in prior years	1,111	(4,370)
Current year tax losses not recognised	11,614	1,427
Prior year tax losses not recognised now recouped	7,782	(1,388)
Prior year temporary differences not recognised now recognised	9,136	(717)
Difference in overseas tax rates	(5,008)	(5,942)
Temporary differences not brought to account	2,254	138
Irrecoverable withholding tax	744	-
Income tax expense	6,519	9,688

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	(4,549)	1,305
Deferred tax	1,359	(1,356)
	(3,190)	(51)

d) Tax losses not recognised

Unused tax losses for which no deferred tax asset has been recognised	431,036	217,544
Potential tax benefit at regional rates between 12.5% and 39 %	120,986	62,920

Notes to the Financial Statements CONTINUED

Note 9. Cash and cash equivalents

	2010 \$'000	2009 \$'000
Cash at bank	30,979	82,786
Cash on deposit	598	2,951
	31,577	85,737

Included in cash is an amount of \$2.1 million (2009: \$2.3 million) which serves as collateral for bank guarantees.

Note 10. Trade and other receivables – current

	2010 \$'000	2009 \$'000
Trade receivables	85,514	84,951
Less: Provision for doubtful debts	(13,565)	(11,067)
	71,949	73,884

Bad and doubtful trade receivables

The Consolidated Entity has recognised a loss of \$4.0 million (2009: \$1.0 million) in respect of bad and doubtful trade receivables during the year ended 30 June 2010. The loss has been included in "other expenses" in the income statement. The Consolidated Entity utilised \$1.6 million of provisions (2009: \$0.6 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. The increase in provisions is a result of changes in the collectability assessments with respect to a number of customers.

Note 11. Inventories

	2010 \$'000	2009 \$'000
Finished goods - carried at cost	564	192
Total finished goods	564	192

Note 12. Accrued Revenue – current

	2010 \$'000	2009 \$'000
Accrued Revenue	56,120	73,220
	56,120	73,220

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

Note 13. Other assets – current

	2010 \$'000	2009 \$'000
Prepayments and sundry debtors	16,316	15,019
	16,316	15,019

Prepayments and other debtors represent the aggregate of prepaid expenses including insurance premiums, hardware and software support contracts, rent, rates and utilities.

Note 14. Property, plant and equipment

	Land & Buildings \$'000	Leasehold Improvements \$'000	Plant & Equipment \$'000	Leased Plant & Equipment \$'000	Total \$'000
Opening balance at 1 July 2008					
Cost	2,884	6,216	27,907	1,487	38,494
Accumulated depreciation	(422)	(392)	(16,758)	(809)	(18,381)
Accumulated currency translation adjustments	(4)	(923)	775	-	(152)
Net carrying amount	2,458	4,901	11,924	678	19,961
Movement during the year ended 30 June 2009					
Additions	84	7,563	6,056	382	14,085
Depreciation	(48)	(870)	(7,085)	(348)	(8,351)
Disposals - cost	-	-	(2,923)	-	(2,923)
Disposals - accumulated depreciation	-	-	1,175	-	1,175
Effect of foreign exchange movements	2	49	449	14	514
	38	6,742	(2,328)	48	4,500
Balance at 1 July 2009					
Cost	2,969	13,778	32,215	1,869	50,831
Accumulated depreciation	(471)	(1,261)	(23,843)	(1,157)	(26,732)
Accumulated currency translation adjustments	(2)	(874)	1,224	14	362
Net carrying amount	2,496	11,643	9,596	726	24,461
Movement during the year ended 30 June 2010					
Additions	-	1,705	4,885	1,939	8,529
Fair value recognised from business combinations	980	-	151	-	1,131
Depreciation	(34)	(1,444)	(5,067)	(349)	(6,894)
Disposals - cost	(378)	-	(1,512)	-	(1,890)
Disposals - accumulated depreciation	154	-	1,373	-	1,527
Effect of foreign exchange movements	(372)	(646)	(664)	(36)	(1,718)
	350	(385)	(834)	1,554	685
Balance at 30 June 2010					
Cost	3,571	15,483	34,332	3,701	57,087
Accumulated depreciation	(351)	(2,705)	(26,026)	(1,323)	(30,405)
Accumulated currency translation adjustments	(374)	(1,520)	456	(98)	(1,536)
Net carrying amount	2,846	11,258	8,762	2,280	25,146

**2010
\$'000** **2009
\$'000**

The reconciliation between additions and the cash outflow in respect of property plant and equipment is set out below:

Property, plant and equipment additions	8,529	14,085
Property, plant and equipment from lease incentive	(911)	(3,200)
Paid in respect of prior year accrued amounts	1,669	-
Acquired for but not yet paid at the reporting date	(2,632)	(1,669)
Cash outflow in respect of property, plant and equipment	6,655	9,216

Notes to the Financial Statements CONTINUED

Note 15. Intangible assets

Intangible assets include goodwill, capitalised software development, intellectual property (including in process R&D acquired), customer contracts and patents and trademarks. Goodwill and intangibles are recognised in different functional currencies of the Consolidated Entity's subsidiaries and cash generating units (CGUs) 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 consolidated income statements. There is impairment during the reporting period. Information on impairment testing for CGUs containing goodwill is contained further in this Note.

	Goodwill \$'000	Capitalised Development \$'000	Intellectual Property \$'000	Customer Contracts \$'000	Patents and trademarks \$'000	Total \$'000
Opening 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 value 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 1 July 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
Movement during the year ended 30 June 2010						
Additions	-	22,380	-	-	-	22,380
Fair value recognised from business combinations	23,280	-	8,018	-	-	31,298
Amortisation	-	(4,090)	(11,782)	(19,202)	(2,079)	(37,153)
Impairment ¹	(286,672)	(16,867)	(22,249)	(14,533)	(71)	(340,392)
Effect of foreign exchange movements	(63,054)	(4,431)	(20,397)	(18,039)	(10,009)	(115,930)
	(326,446)	(3,008)	(46,410)	(51,774)	(12,159)	(439,797)
Balance at 30 June 2010						
Cost	556,109	76,663	229,434	140,319	54,637	1,057,162
Accumulated amortisation and impairment	(286,672)	45,491	(62,342)	(58,059)	(6,894)	(459,458)
Accumulated currency translation adjustments	(64,140)	(4,420)	(19,778)	(18,412)	(10,267)	(117,017)
Net carrying amount	205,297	26,752	147,314	63,848	37,476	480,687

1. An additional \$667,000 of impairment to deferred tax assets has been recognised this year which is not shown in this note. In total \$341,059,000 has been debited to the income statement.

Note 15. Intangible assets – continued

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. No contingent consideration is recognised (refer Note 32).

On 11 August 2009, the Consolidated Entity acquired BridgeForward, Inc., a company that is domiciled in Boston, Massachusetts in United States. The purchase consideration was settled in US\$4.5 million cash, with a further cash settled earn-out, which is capped at US\$10 million payable over five years, if pre-determined sales revenue is achieved by the subsidiary. As at 30 June 2010, contingent consideration of approximately US\$3.9 million has been recognised. The fair value estimates are based on a discount rate of 13.5%. The acquisition resulted in goodwill of US\$8.4 million (refer Note 32).

On 26 November 2009, the Consolidated Entity acquired Patient Safety International Pty Ltd ("PSI"), a company domiciled in Australia. The initial purchase consideration was settled in 1.4 million shares of the Company's equity at a fair value of \$0.78 per share at the closing bid price, amounting to \$1.1 million, which resulted in goodwill of \$1.1 million. Further earn-out, capped at \$5 million, may be paid over three years in cash or shares at the Consolidated Entity's election upon achievement of minimum revenue targets as specified in the purchase agreement. As at 30 June 2010, a contingent consideration of approximately \$3.9 million has been recognised. The fair value estimates are based on a discount rate of 13.5% (refer Note 32).

On 15 January 2010, the Consolidated Entity acquired TravelBlitz Pty Ltd ("TravelBlitz"), a company domiciled in Australia. The purchase consideration was settled in approximately \$0.3 million in cash, which resulted in goodwill of \$0.32 million. The goodwill is attributable to the cost savings on travel expenses as a result of this acquisition (refer Note 32).

On 19 February 2010, the Consolidated Entity acquired Ultragenda NV ("Ultragenda"), a company domiciled in Belgium. The initial purchase consideration was settled in cash of EUR11.5 million. A further cash settled earn-out which is capped at EUR 2.5 million may be payable over two years if pre-determined sales revenue is achieved by the subsidiary as defined in the purchase agreement. As at 30 June 2010, a contingent consideration of approximately EUR 0.35 million has been recognised. The total purchase consideration of EUR11.9 million has resulted in goodwill of approximately EUR5.7 million. Refer Note 32 for more detail of this acquisition.

Adjustments to fair values in the comparative period include the correction of a presentation error of \$115.7 million between customer contracts and intellectual property relating to the acquisition of iSOFT Group on 31 October 2007.

Purchase price allocation for Hatrix Pty Limited is finalised but for all other recent acquisitions purchase price allocation has been provisionally determined at 30 June 2010.

Impairment testing for cash-generated units containing goodwill:

For the purposes of impairment testing, goodwill is allocated to the Consolidated Entity's operating divisions 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:

Goodwill is allocated to the following cash generating units:	30 June 2010 \$'000	30 June 2009 \$'000
Asia, Middle East and Africa	-	60,095
Australia and New Zealand	25,926	82,486
United Kingdom and Ireland	43,396	163,871
IBS (iSOFT Business Solutions)	10,120	24,104
Southern Europe and Latin America	58,324	69,574
Central Europe	67,531	131,613
	205,297	531,743

Notes to the Financial Statements CONTINUED

Note 15. Intangible assets – continued

The recoverable amount of each cash-generating unit above is determined based on a fair value less cost to sell calculation in the functional currency of the respective CGU. In the absence of observable market price for each CGU, fair value less cost to sell is calculated based on the present value of cash flow projections over a five year period using a p.a. estimated growth rate applicable to each CGU. These are based on management's estimates taking into account past historical performance and expected long-term operating conditions. Terminal growth rates applicable to the CGU beyond the five year period are extrapolated using the estimated long term inflation rates and 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 11.2% to 15.4%. Details are set out in the table on key assumptions below. The cash flows are based on budgets and forecasts for each CGU for a five year period. A five year period was justified due to uncertainty associated with forecasting for longer periods. 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 pre-tax and reflect management's estimate of the time value of money for the CGU using the Capital Asset Pricing Model approach.

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

	Discount rates		Per annum growth rates		Terminal value growth rates	
	2010	2009	2010	2009	2010	2009
Asia, Middle East and Africa	15.40%	15.00%	25.40%	43.60%	3.00%	3.00%
Australia and New Zealand	13.80%	13.50%	7.10%	13.10%	2.50%	2.50%
United Kingdom and Ireland	11.90%	12.00%	0.60%	4.30%	2.00%	2.00%
IBS (iSOFT Business Solutions)	11.90%	12.00%	7.40%	7.80%	2.00%	2.00%
Southern Europe and Latin America	12.80%	11.50%	30.00%	24.90%	2.00%	2.00%
Central Europe	11.20%	11.50%	5.40%	10.90%	2.00%	2.00%

Average per annum growth rates have not been determined on a compound basis.

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:

Sensitivity assumption Increase/decrease	Discount rates	Terminal value growth rates	\$'000
Low			
Asia, Middle East and Africa	1%	-0.50%	(8)
Australia and New Zealand	1%	-0.50%	(5,693)
United Kingdom and Ireland	1%	-0.50%	(14,639)
IBS (iSOFT Business Solutions)	1%	-0.50%	-
Southern Europe and Latin America	1%	-0.50%	(10,110)
Central Europe	1%	-0.50%	(18,315)
High			
Asia, Middle East and Africa	-1%	0.50%	131
Australia and New Zealand	-1%	0.50%	5,631
United Kingdom and Ireland	-1%	0.50%	18,501
IBS (iSOFT Business Solutions)	-1%	0.50%	-
Southern Europe and Latin America	-1%	0.50%	-
Central Europe	-1%	0.50%	26,007

Note 15. Intangible assets – continued

The Consolidated Entity has recognised material impairments in all its CGUs except Southern Europe and Latin America. During the reporting period economic conditions impacted the markets for the Consolidated Entity's products and services in the CGUs where impairments have been recognised. Management has taken this impact as the basis for revising its projections for those markets going forward. The Consolidated Entity is only required to impair a CGU's assets where the recoverable amount is lower than carrying value. As a result Other Intangibles including Deferred Tax Assets have been impaired, however for all other assets the carrying value is deemed to be lower than recoverable value.

In addition to market discount rates, a potential acquirer of the Company or of an individual CGU may consider other valuation methods such as trading multiples and transaction multiples. Therefore, in addition to the DCF impairment model the following have been considered to test whether this supports the DCF derived valuation and this was found to be the case:

- Review of valuation trading multiples of comparable companies
- Considered whether there were comparable transactions that should be considered (no recent transactions were found that were comparable)

CGU

	Carrying value of goodwill 2010	Carrying value of Other Intangibles 2010	CGU impairment 2010	Impairment allocated against goodwill	Impairment allocated against Other intangibles
Asia, Middle East and Africa	66,345	37,870	(104,215)	(66,345)	(37,870)
Australia and New Zealand	80,437	39,720	(54,511)	(54,511)	-
United Kingdom and Ireland	150,508	124,140	(107,114)	(107,114)	-
IBS (iSOFT Business Solutions)	20,787	22,010	(10,667)	(10,667)	-
Southern Europe and Latin America	58,326	17,154	-	-	-
Central Europe	114,885	72,367	(47,354)	(47,354)	-
	491,288	313,261	(323,861)	(285,991)	(37,870)

In relation to Southern Europe and Latin America the critical changes in assumptions which would cause an impairment to be recognised when applied simultaneously is as follows: Discount Rate +0.3%, Terminal Value Growth Rate -0.25%.

Notes to the Financial Statements CONTINUED

16. Tax assets and liabilities

	2010 \$'000	2009 \$'000
a) Income tax receivable		
Income Tax Receivable	1,590	2,007
Income Tax Payable	(3,374)	(2,028)
b) Deferred tax assets		
Amounts recognised in profit or loss:		
Tax losses	16,960	44,567
Retirement benefit obligations	323	6,019
Provisions	6,236	2,181
Creditors and accruals	9,819	8,059
Property, plant and equipment	658	5,308
Intangible assets	20,303	21,864
	(1,073)	1,811
Recognised in Equity		
Retirement Benefit Obligations	224	1,473
	-	-
Deferred tax asset	53,450	91,282
Deferred tax asset to be recovered within 12 months	6,266	27,649
Deferred tax asset to be recovered after more than 12 months	47,184	63,633
	53,450	91,282
Movements:		
Opening balance	91,282	98,337
Credited/(charged) to the income statement (note 8)	(13,632)	(8,325)
Amount charged to impairment	(667)	-
Effect of foreign currency movements	(22,284)	-
Amounts recognised in equity	(1,249)	1,270
Closing balance	53,450	91,282
c) Deferred tax liability		
Amounts recognised in profit or loss:		
Accrued revenue	(3,805)	(4,443)
Capitalised development	(867)	(1,498)
Intangibles	(63,232)	(91,317)
Interest on convertible notes	763	-
Other	1,080	1,899
	(66,061)	(95,359)
Amounts recognised in equity:		
Convertible notes	(3,082)	(3,082)
Retirement Benefit Obligations	(2,252)	(1,998)
Other	144	-
	(5,190)	(5,080)
Deferred tax liability	(71,251)	(100,439)

16. Tax assets and liabilities – continued

	2010 \$'000	2009 \$'000
Deferred tax liability to be settled within 12 months	(11,573)	(13,140)
Deferred tax liability to be settled after more than 12 months	(59,678)	(87,299)
	(71,251)	(100,439)
Movements:		
Opening balance	(100,439)	(117,289)
Credited/(charged) to the income statement (note 8)	17,341	9,170
Amounts recognised in equity	(110)	86
Convertible notes issued	-	(123)
Effect of foreign currency movements	14,696	2,341
Acquired in business combinations (note 32)	(2,739)	5,376
Closing balance	(71,251)	(100,439)
d) Net deferred tax (liabilities)	(17,801)	(9,157)

Note 17. Accrued Revenue – non-current

	2010 \$'000	2009 \$'000
Accrued Revenue	20,127	13,815
	20,127	13,815

Accrued revenue represents the non-current portion of revenue recognised but not yet invoiced (refer Note 1 (e) and 2). The non-current position is recognised initially at fair value, with any subsequent discount unwind recognised in interest income in the consolidated income statement.

Note 18. Trade and other payables – current

	2010 \$'000	2009 \$'000
Trade payables	22,999	28,283
Contingent consideration ¹	2,521	2,271
Employee related	16,256	25,089
Payments received on account	-	344
Cost of sales accruals	7,422	13,219
Exceptional cost accruals	-	2,528
Purchase/Sales taxes	8,755	11,635
Other payables	31,888	24,767
	89,841	108,136

1. Refer Note 32 for details of contingent consideration.

Notes to the Financial Statements CONTINUED

Note 19. Borrowings - current

	2010 \$'000	2009 \$'000
Senior secured borrowings	22,456	39,597
Contract funding	11,157	15,193
Other borrowings	157	444
Finance lease liability	1,208	554
	34,978	55,788

Senior secured borrowings:

Short term component of long term funding amounting to \$22.5 million is provided by a syndicate of banks, consisting of Barclays, Clydesdale/Yorkshire banks (wholly owned by National Australia Bank), Westpac, Bank of Ireland, KfW Group and Banco Santander.

At 30 December 2009 the Consolidated Entity refinanced its existing debt facility. The facility comprises a term loan and revolving credit facility. The term loan is GBP 60 million (with the option to extend under an incremental accordion facility to GBP 80 million). The Revolving Credit Facility (RCF) was increased to GBP 60 million from previously GBP 47.5 million. The facility reduced levels of debt servicing and provides additional working capital and funding headroom through an increase in the revolver. Quarterly amortisation payments have been reduced from GBP 6.66 million per quarter to GBP 3.75 million commencing 31 March 2010. A balloon payment on the term loan of GBP 11.25 million is payable on the termination date of the facility which is 23 June 2013, extended from 21 August 2011. The RCF is repayable upon expiry of the facility being 23 June 2013 and GBP 25 million of cancellations that existed in the RCF have been removed. Interest is at 3.75% above LIBOR for the period which can reduce to 3.25% depending on the Consolidated Entity's leverage ratio. During the current period, the Consolidated Entity made GBP7.5 million of term repayments and entered into an Interest rate swap (refer Note 28).

The Consolidated Entity has recently completed negotiations with the Syndicate to amend the terms and conditions of the facility. The resulting amendment has been disclosed in Note 22 and Note 43.

Contract funding:

Prior to the acquisition of iSOFT Group plc at 31 October 2007, iSOFT Group plc borrowed from third party lenders against expected future cash flows from Maintenance and Support and other contracts. 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 \$14.6 million (2009: \$37.6 million) of contract funding.

Finance lease liability:

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

Mortgage on property:

The Consolidated Entity has a \$0.3 million (2009: Nil) facility secured by a mortgage over land and buildings in Belgium. The short-term component of the facility amounted to \$0.07 million. The land and buildings, acquired during the year (refer Note 32), have a fair value of \$0.98 million and a net book value of \$0.94 million as at 30 June 2010. The facility has a fixed 4.0% interest rate and expires on 1 February 2014.

Note 20. Provisions – current and non-current

	Lease make good \$'000	Onerous contracts \$'000	Restructuring \$'000	Long Service Leave \$'000	Other \$'000	Total \$'000
Current	2,038	3,702	-	-	-	5,740
Non-current	-	-	-	630	-	630
Carrying amount at 1 July 2009	2,038	3,702	-	630	-	6,370
Movement during period						
Additional provisions recognised	-	1,425	4,065	202	3,370	9,062
Disposals	-	(2,253)	-	-	-	(2,253)
Utilisation	(1,212)	-	(2,333)	-	-	(3,545)
Foreign Exchange	(313)	(546)	(66)	-	-	(925)
Carrying amount at 30 June 2010	513	2,328	1,666	832	3,370	8,709
Current	513	2,328	1,666	-	3,370	7,877
Non-current	-	-	-	832	-	832
Total carrying amount at end of period	513	2,328	1,666	832	3,370	8,709

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 within 12 months.

Onerous contracts

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.

Restructuring

This provision represents the unavoidable cost of restructuring within the business. These are expected to be settled within 12 months.

Long Service Leave

This provision includes the estimated cost of additional holiday for staff payable after long periods of service within Australia and New Zealand. These are expected to be settled after 12 months.

Other

This represents one off claim settlements, which the Consolidated Entity is expecting to settle within one year.

Reclassifications

The Consolidated Entity has reclassified provisions for onerous contracts as at 1 July 2009 from Trade and Other Payables (current), the amount being \$3.9 million. This has had a nil impact on the income statement.

Notes to the Financial Statements CONTINUED

Note 21. Deferred income - current

	2010 \$'000	2009 \$'000
Deferred income	58,938	67,898
	58,938	67,898

Deferred income represents revenue invoiced to customers in accordance with contractual agreements. The amounts will be released to revenue as the contracts are fulfilled.

Note 22. Borrowings - non-current

	2010 \$'000	2009 \$'000
Senior secured borrowings	146,721	133,271
Contract funding	9,819	23,136
Convertible notes payable	32,205	29,445
Other borrowings	522	-
Finance lease liability	1,998	530
	191,265	186,382

Senior secured borrowings and contract funding refer Note 19.

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 of 55 cents each taking up its non-renounceable pro-rata entitlement, which were subsequently converted on 14 June 2009. There have been no movements in the reporting period.

Date	Details	Number of Notes	Issue Price \$	Amount \$'000
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	0.550	7,224
14/06/2009	Conversion into ordinary shares by OCP	(13,134,134)	0.550	(7,224)
30/06/2009	Closing balance at the end of the year	45,969,469		39,718
		-		-
30/06/2010	Closing balance at the end of the year	45,969,469		39,718

Note 22. Borrowings - non-current - continued

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

Movements in carrying values of convertible notes

	2010 \$'000	2009 \$'000
Carrying amount of liability at the beginning of the year	29,445	26,918
Accreted interest	2,760	2,527
Carrying amount of liability at the end of the year	32,205	29,445

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. Land and buildings with a book value of \$0.94 million is mortgaged with an amount of \$0.3 million (refer Note 19).

The lease liabilities are effectively secured as the rights to the leased assets recognised in the consolidated statement of financial position (refer Note 14) revert to the lessor in the event of default.

Financing arrangements

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

	2010 GBP'000	2009 GBP'000	2010 \$'000	2009 \$'000
Total facilities				
Senior secured term loan	52,500	60,000	92,332	123,127
Senior secured revolver	60,000	47,500	105,522	97,476
	112,500	107,500	197,854	220,603
Used at balance date				
Senior secured term loan	52,500	60,000	92,332	123,127
Senior secured revolver	54,312	32,675	95,519	67,052
	106,812	92,675	187,851	190,179
Unused at balance date				
Senior secured term loan	-	-	-	-
Senior secured revolver	5,688	14,825	10,003	30,424
	5,688	14,825	10,003	30,424

Notes to the Financial Statements CONTINUED

Note 22. Borrowings – non-current (under Financing arrangements) - continued

Reorganisation of Senior Debt Facilities

Owing to the recent trading position of the Consolidated Entity, a restructure of the Consolidated Entity's senior debt facilities is required as well as a review of its capital structure. On 29 September 2010, the Consolidated Entity received a commitment letter from the senior lenders, which is fully underwritten, credit approved and binding commitment documentation setting out the terms on which the senior lenders have agreed to extend the Consolidated Entity's existing senior debt facilities and advance a new senior debt facility to the Consolidated Entity of up to GBP40 million. Final documentation is expected to be completed before 20 October 2010. The Consolidated Entity's ability to access the additional funding will be subject to a number of conditions. In the Directors' view, these conditions are either procedural in nature, in which case they believe the Consolidated Entity will be able to satisfy the conditions within the required time frame, or they are otherwise capable of being complied with by the Consolidated Entity. The Consolidated Entity anticipates that these conditions will be satisfied by 20 October 2010.

The new senior debt facilities will provide unrestricted access to the following lines of credit, with unchanged ranking of security:

	Maximum maturity	BFT maturity ¹	GBP'000	\$'000
Total facilities				
Senior secured term loan A	23 June 2013	15 March 2012	52,500	92,332
Senior secured term loan B	15 March 2012	N/A	30,000	52,761
Senior secured revolver	23 June 2013	15 March 2012	30,000	52,761
Senior secured bridge revolver	31 December 2011	N/A	40,000	70,348
			152,500	268,202

Term loan A amortises at GBP3.75m per quarter with a bullet at maturity. Amortisation is deferred until the Bridge facility is discharged or 31 December 2011 whichever is earlier. During that time the Term loan is divided into two tranches: Tranche A being the original term facility and attracts UK Libor plus a margin of 500bps plus 6% PIK. Tranche B is the deferred amortisation payments which attracts UK Libor plus a margin of 550bps + 6% PIK; the PIK increases from 1 January 2011 by 125bps per quarter.

Term loan B and revolver attract UK Libor plus a margin of 450bps plus 5% PIK. There is bullet repayment at maturity.

The bridge revolver attracts UK Libor plus a margin of 550bps plus 14% PIK; the PIK increases from 1 January 2011 by 125bps per quarter. There is bullet repayment at maturity.

1. Certain conditions subsequent, if not met by 15 November 2010, would shorten the maturity of certain tranches as a result of a bring forward trigger (BFT).

Note 23. 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 \$7.2 million (2009: \$12.7 million). At 30 June 2010, there were \$0.3 million (2009: \$2.2 million) of outstanding contributions included in payables.

The Consolidated Entity provides in Australia 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 \$3.1 million (2009: \$2.6 million). At 30 June 2010, there were Nil (2009: \$0.4 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, labour 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 31 December 2009, the Dutch pension scheme had a 108% statutory funding level cover, where legally a 105% minimum funding level is required. 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 four funded schemes: SMS Staff Benefits Plan in the United Kingdom (UK) and three 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 next statutory valuation date is 1 January 2011. 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 three 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 2010 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 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 2010 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.

Notes to the Financial Statements CONTINUED

Note 23. Retirement and post-employment benefit obligations – non-current - continued

A defined benefit pension scheme is operated in the Netherlands (Article 10.6 Pension Plan 2010 of Pensioenfond's Zorg & Welzijn) and is a Conditional Career Average pension scheme (early retirement benefit scheme). This is an unfunded scheme and there are no assets available. iSOFT does not have to pay any additional premiums for the Plan. Pension rights are vested in Pensioenfond's Zorg & Welzijn in case the participants become 55 years old before 1 January 2021 or at 1 January 2021 for all other participants. In case that iSOFT decides to terminate the contract with Pensioenfond's Zorg & Welzijn the active participants lose the pension rights covered in the scheme. Only in that case iSOFT will be required to give compensation to the active members left in the plan for the loss of those pension rights. The plan is closed to new entrants.

The SMS Staff Benefits Scheme operated in the UK is disclosed separately, with the plans operated in the Netherlands, 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 2010 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:

	2010	UK plan 2009	2010	Indian plans 2009	2010	Dutch and German plans 2009
Discount rate for scheme liabilities	5.55%	6.45%	8.10%	7.40%	4.60%	6.25%
Expected return on plan assets	6.29%	6.68%	7.50%	7.50%	N/A	N/A
Rate of increase in salaries	N/A	N/A	10.00%	9.00%	2.50%	2.50%
Rate of increase to pension in payment	3.55%	3.85%	N/A	N/A	2.00%	2.00%

SMS Staff Benefits Scheme – mortality

Standard actuarial mortality 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:

		2010	UK plan 2009
Retiring today at age 65:	Male	N/A	N/A
	Female	N/A	N/A
Retiring in 20 years at age 65:	Male	24.3	24.2
	Female	26.7	26.6

SMS Staff Benefits Scheme – Sensitivities

The SMS Staff Benefits Scheme is the largest scheme within the Group, representing 91% (2009: 92%) 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)	2010 \$'000	Defined Benefit Obligation 2009 \$'000
A 0.1% p.a. increase in the assumed discount rate would have the following effect:	(1,407)	(1,231)
A 0.1% p.a. increase in the assumed inflation rate would have the following effect:	879	1,026
Change in the mortality assumption to: "Long Cohort" allowance for future improvements	(2,286)	(2,052)

Note 23. Retirement and post-employment benefit obligations – non-current - continued*(iv) IFRIC 14*

The table below shows the position at each of the subsequent statements of financial position dates:

	2010 \$'000	UK plan 2009 \$'000	2010 \$'000	Other plans 2009 \$'000
IAS 19 net defined benefit obligation	20,867	22,664	4,130	4,067
Future minimum funding requirements	(21,293)	(26,643)	-	-
Potential future pension surplus	426	3,979	4,130	4,067
Irrecoverable element of potential future pension surplus	-	(3,979)	-	-
Recoverable element of potential future pension surplus	-	-	4,130	4,067
Movement in irrecoverable element of potential future pension surplus before tax	(3,979)	2,339	-	-

The net pension liability at 30 June 2009 included the liability arising on the irrecoverable element of the potential pension surplus. During the financial year, the Trustee of the SMS staff benefit plan amended the funding agreement with the Consolidated Entity which resulted in the removal of this irrecoverable element of the minimum funding requirement. As a result, in accordance with IFRIC 14, the provision for the irrecoverable element of the potential pension surplus is removed and taken directly to the consolidated statement of comprehensive income.

(v) Defined benefit schemes – income and expenses

The amounts that have been recognised in the consolidated income statement and consolidated statement of comprehensive income for the year ended 30 June 2010 and 30 June 2009 are set out below:

<i>Amounts recognised in the consolidated income statement</i>	2010 \$'000	UK plan 2009 \$'000	2010 \$'000	Other plans 2009 \$'000	2010 \$'000	Total 2009 \$'000
Current service cost	-	-	1,029	874	1,029	874
Interest cost	3,067	3,509	317	286	3,384	3,795
Expected return on plan assets	(1,975)	(2,499)	(90)	(67)	(2,065)	(2,566)
Curtailment losses/(gains)	-	-	-	257	-	257
Total	1,092	1,010	1,256	1,350	2,348	2,360
Actual return on plan assets	4,432	(1,947)	70	59	4,502	(1,888)

Amounts recognised in the consolidated statement of comprehensive income

	2010 \$'000	UK plan 2009 \$'000	2010 \$'000	Other plans 2009 \$'000	2010 \$'000	Total 2009 \$'000
Actuarial (loss)/gain recognised in the year	(3,954)	1,553	394	158	(3,560)	1,711
Cumulative actuarial (losses)/gains recognised	218	4,172	852	458	1,070	4,630
Movement in irrecoverable amount of potential future pension surplus (Note 23 (iv))	(3,979)	2,339	-	-	(3,979)	2,339

Interest cost is included in other finance cost in the consolidated income statement.

Notes to the Financial Statements CONTINUED

Note 23. Retirement and post-employment benefit obligations – non-current - continued

(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 2010 were as follows:

	UK plan		Other plans		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Reconciliation of the present value of the defined benefit obligation, which is						
Balance at the beginning of the year	55,436	59,701	5,023	3,925	60,459	63,626
Exchange adjustments	(8,061)	(637)	(550)	166	(8,611)	(471)
Current service cost	-	-	1,029	876	1,029	876
Interest cost	3,067	3,509	317	286	3,384	3,795
Actuarial losses/(gains)	6,411	(6,000)	(414)	(166)	5,997	(6,166)
Benefits paid	(1,573)	(1,137)	(45)	(64)	(1,618)	(1,201)
Balance at the end of the year	55,280	55,436	5,360	5,023	60,640	60,459
Reconciliation of the fair value of plan assets:						
Balance at the beginning of the year	32,772	32,095	956	627	33,728	32,722
Exchange adjustments	(4,795)	(342)	47	46	(4,748)	(296)
Expected return on plan assets	1,975	2,499	90	67	2,065	2,566
Actuarial gains/(losses)	2,457	(4,447)	(20)	(8)	2,437	(4,455)
Benefits paid	(1,573)	(1,137)	(29)	(50)	(1,602)	(1,187)
Employer contributions	3,578	4,104	186	274	3,764	4,378
Balance at the end of the year	34,414	32,772	1,230	956	35,644	33,728

(vii) Defined benefit plans – reconciliation of consolidated statement of financial position amounts

Reconciliation of assets and liabilities recognised in the consolidated statement of financial position at each of the subsequent balance dates:

	UK plan		Other plans		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Present value of the defined benefit obligation	55,280	55,436	5,360	5,023	60,640	60,459
Fair value of the defined benefit plan assets	(34,414)	(32,772)	(1,230)	(956)	(35,644)	(33,728)
Net liability before IFRIC 14	20,866	22,664	4,130	4,067	24,996	26,731
Irrecoverable element of potential future pension surplus	-	3,979	-	-	-	3,979
Net liability	20,866	26,644	4,130	4,067	24,996	30,710
The net liability is presented on the balance sheet as follows:						
Non-current retirement benefit obligations	20,866	26,644	4,130	4,067	24,996	30,710
Net liability	20,866	26,644	4,130	4,067	24,996	30,710

Note 23. Retirement and post-employment benefit obligations – non-current - 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 \$3.5 million (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 \$49.9 million (GBP 27.4 million) as at 1 January 2008, the date of the latest actuarial valuation. This will be reviewed and updated at the next valuation, which is due 1 January 2011.

(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 2010 are:

	UK plan		Indian plans		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Equities	20,725	19,702	-	-	20,725	19,702
Bonds	4,175	7,226	-	-	4,175	7,226
Other assets	9,514	5,844	1,230	956	10,744	6,800
	34,414	32,772	1,230	956	35,644	33,728
Equities	7.15%	7.30%	N/A	N/A		
Bonds	4.93%	6.37%	N/A	N/A		
Other assets	5.00%	5.00%	5.70%	8.76%		

The Dutch early retirement benefit plan and the German pension plan are unfunded defined benefit plans.

Notes to the Financial Statements CONTINUED

Note 23. Retirement and post-employment benefit obligations – non-current - continued

(ix) *Defined benefit schemes – history of experience adjustments*

All schemes were acquired iSOFT defined benefit plans. The disclosures provide the history of experience adjustments since acquisition on 31 October 2007.

	Funded schemes		Unfunded schemes	
	UK plan \$'000	Indian plans \$'000	Dutch and German plans \$'000	Total \$'000
Year ended 30 June 2010				
Present value of defined benefit obligation	55,280	2,339	3,021	60,640
Fair value of plan assets	(34,414)	(1,230)	-	(35,644)
Deficits in the plan	20,866	1,109	3,021	24,996
Experience adjustments on plan liabilities	1,894	42	24	1,960
Experience adjustments on plan assets	2,457	(20)	-	2,437
Year ended 30 June 2009				
Present value of defined benefit obligation	55,436	1,776	3,247	60,459
Fair value of plan assets	(32,772)	(956)	-	(33,728)
Deficits in the plan	22,664	820	3,247	26,731
Experience adjustments on plan liabilities	(349)	21	14	(314)
Experience adjustments on plan assets	(4,447)	(8)	-	(4,455)
Year ended 30 June 2008				
Present value of defined benefit obligation	59,701	1,217	2,708	63,626
Fair value of plan assets	(32,095)	(627)	-	(32,722)
Deficits in the plan	27,606	590	2,708	30,904
Experience adjustments on plan liabilities	303	-	-	303
Experience adjustments on plan assets	(2,949)	1	-	(2,948)

Cumulative actuarial gains and losses

The cumulative amounts of actuarial gains and losses recognised since 31 October 2007, which is the date of acquisition of iSOFT Group plc, in the consolidated statement of comprehensive income is a loss of \$10.9 million (2009: \$7.4 million).

Note 24. Trade and other payables – non-current

	2010 \$'000	Total 2009 \$'000
Trade and other payables	1,161	812
Contingent consideration ¹	7,181	-
	8,342	812

1. Refer Note 32 for details of contingent considerations.

Note 25. Contributed equity*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up 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
1/07/2008	Opening balance at the beginning of the financial year	776,486,191		602,328
16/07/2008	Issued under iSOFT Group Employee Loan Plan	224,903	0.5900	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	0.7250	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	0.6400	132
27/03/2009	Issued under non-renounceable rights issue to institutional investors	151,848,337	0.5500	83,517
15/04/2009	Issued under non-renounceable rights issue to retail shareholders	59,448,794	0.5500	32,697
5/05/2009	Issued under non-renounceable rights issue to retail shareholder	425,715	0.5500	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	0.5500	7,224
	Less: transaction costs arising on non-renounceable rights issue, net of tax			(4,937)
1/07/2009	Opening balance at the beginning of the financial year	1,013,757,888		728,960
3/07/2009	Issued to Share Plan Managers for employee quarterly share allocation	140,775	0.6400	90
6/10/2009	Issued under Dividend Reinvestment Plan to shareholders	1,887,026	0.8300	1,566
15/10/2009	Issued under Share Purchase Plan to shareholders	16,705,644	0.7700	12,863
11/11/2009	Issued on exercise of options from Employee Incentive Plan	100,000	0.7200	72
23/11/2009	Issued under iSOFT Group Employee Loan Plan	4,036,500	0.7900	3,189
26/11/2009	Issue in consideration for acquisition of Patient Safety International Pty Limited	1,366,190	0.7800	1,066
	Less: transaction costs arising on non-renounceable rights issue, net of tax			(365)
30/06/2010	Balance at the end of the financial year	1,037,994,023		747,441

Notes to the Financial Statements CONTINUED

Note 26. Reconciliation of movement in capital, reserves, retained earnings and non-controlling interest

	Contributed equity \$'000	Treasury shares \$'000	Cash Flow hedging reserve \$'000	Options / warrants reserve \$'000	Share-based payments reserve \$'000
Balance at 1 July 2008	602,328	(9,823)	-	4,983	3,933
Equity issued during the year	131,569	-	-	1,447	-
Costs of raising capital	(4,937)	-	-	-	-
Net movement in treasury shares	-	(3,373)	-	-	-
Foreign currency translation	-	-	-	-	-
Actuarial gains/(losses)	-	-	-	-	-
Irrecoverable element of minimum funding requirement	-	-	-	-	-
Share-based payments	-	-	-	-	1,424
Tax effects	-	-	-	-	-
Profit for the year	-	-	-	-	-
At 30 June 2009	728,960	(13,196)	-	6,430	5,357
Balance at 1 July 2009	728,960	(13,196)	-	6,430	5,357
Equity issued during the year	18,846	-	-	-	-
Costs of raising capital	(365)	-	-	-	-
Net movement in treasury shares	-	(3,168)	-	-	-
Foreign currency translation	-	-	-	-	-
Changes in fair value	-	-	(1,374)	-	-
Actuarial gains/(losses)	-	-	-	-	-
Irrecoverable element of minimum funding requirement	-	-	-	-	-
Share-based payments	-	-	-	-	2,507
Tax effects	-	-	-	-	-
Dividends paid - ordinary shares	-	-	-	-	-
Dividends paid - convertible notes	-	-	-	-	-
Profit / (Loss) for the year	-	-	-	-	-
At 30 June 2010	747,441	(16,364)	(1,374)	6,430	7,864

Foreign currency translation \$'000	Option premium reserve \$'000	Retirement benefits reserve \$'000	Total reserves \$'000	Retained earnings \$'000	Parent Interest \$'000	Non- controlling interest \$'000	Total equity \$'000
(5,540)	10,273	(10,296)	(6,470)	(18,025)	577,833	350	578,183
-	-	-	1,447	-	133,016	-	133,016
-	-	-	-	-	(4,937)	-	(4,937)
-	-	-	(3,373)	-	(3,373)	-	(3,373)
3,071	-	-	3,071	-	3,071	-	3,071
-	-	1,711	1,711	-	1,711	-	1,711
-	-	(2,339)	(2,339)	-	(2,339)	-	(2,339)
-	-	-	1,424	-	1,424	-	1,424
(389)	-	440	51	-	51	-	51
-	-	-	-	35,086	35,086	(355)	34,731
(2,858)	10,273	(10,484)	(4,478)	17,061	741,543	(5)	741,538
(2,858)	10,273	(10,484)	(4,478)	17,061	741,543	(5)	741,538
-	-	-	-	-	18,846	-	18,846
-	-	-	-	-	(365)	-	(365)
-	-	-	(3,168)	-	(3,168)	-	(3,168)
(103,623)	-	-	(103,623)	-	(103,623)	-	(103,623)
-	-	-	(1,374)	-	(1,374)	-	(1,374)
-	-	(3,560)	(3,560)	-	(3,560)	-	(3,560)
-	-	3,979	3,979	-	3,979	-	3,979
-	-	-	2,507	-	2,507	-	2,507
3,444	-	(254)	3,190	-	3,190	-	3,190
-	-	-	-	(10,138)	(10,138)	-	(10,138)
-	-	-	-	(460)	(460)	-	(460)
-	-	-	-	(381,870)	(381,870)	(1,044)	(382,914)
(103,037)	10,273	(10,319)	(106,527)	(375,407)	265,507	(1,049)	264,458

Notes to the Financial Statements CONTINUED

Note 26. Reconciliation of movement in capital, reserves, retained earnings and non-controlling interest - continued

Description of components of equity is set out below:

Contributed equity, refer to Note 25.

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 statements (refer Note 1 (aa) and (b) (ii)). At 30 June 2010, the Consolidated Entity held 23.0 million of the Company's shares (2009: 21.2 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 39). 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 (2009: 5.6 million). On 31 July 2006, 5.0 million options were issued with an exercise price of \$0.85 and expire on 31 July 2011. 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 40).

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 39).

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 statement 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.

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 23), net of income tax.

Retained earnings

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

Non-controlling interests

Non controlling 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 Consolidated Entity.

Note 27. Dividends

	2010 \$'000	2009 \$'000
Dividends paid		
Dividends paid – ordinary shares	8,520	-
Dividends paid – convertible notes	460	-
	<u>8,980</u>	<u>-</u>
 Dividends reinvested in the reporting period - ordinary shares	 1,617	 -
	<u>10,597</u>	<u>-</u>
Dividends proposed		
Dividends (including convertible notes distributions) not recognised at the end of the year	-	10,597
	<u>-</u>	<u>10,597</u>
 Franking credits		
Franking credits available for subsequent financial years based on a tax rate of 30%	193	178
Exempting credits available for subsequent financial years based on a tax rate of 30%	<u>13,584</u>	<u>13,510</u>

Note 28. 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 has interest rate swaps over GBP term debt.

Financial 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 and interest rate swaps. 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
- 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 2010 compared to the year ended 30 June 2009.

Notes to the Financial Statements CONTINUED

Note 28. Financial instruments - continued

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, the Treasury Function 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 renegotiated syndicated bank facility which matures on 23 June 2013. This new senior debt facility is described further in Note 22, including the amount of undrawn new committed GBP 40 million bridge revolving facility which is a key measure of the Consolidated Entity's liquidity (also refer Note 43).

Liquidity management is centralised through inter-company funding structures, under the control of the Treasury Function. 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 development 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 2010 and 30 June 2009 based on contractual undiscounted payments:

	Carrying Amount ¹ \$'000	Expected cash flows \$'000	Up to 1 year \$'000	1 - 2 Years \$'000	2-5 Years \$'000	More than 5 years \$'000
2010						
Trade & other payables ¹	98,182	94,268	88,599	2,901	2,768	-
Other borrowings	679	1,190	667	90	224	209
Bank loans	169,177	200,202	34,793	33,324	132,085	-
Contract funding	20,976	22,263	11,431	9,759	1,073	-
Convertible notes	32,205	39,718	-	-	39,718	-
Derivative financial instruments	1,374	1,390	681	463	246	-
Lease liability	3,206	3,449	893	1,198	1,358	-
Unrecognised loan commitments; Letters of credit	-	8,050	8,050	-	-	-
Total	325,799	370,530	145,114	47,735	177,472	209
2009						
Trade & other payables	108,948	108,948	108,084	864	-	-
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	351,118	410,829	186,804	100,887	123,138	-

1. Carrying amount includes an equity settled contingent consideration of \$3.9 million which is not reflected in the expected cashflows.

Note 28. Financial instruments - continued**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 2010 and 30 June 2009, in line with the Consolidated Entity having a net cash position, iSOFT Group Limited had no significant fixed rate borrowings. From 1 July 2010 to the end of the Facility, GBP interest is hedged against movements in Libor with interest rate swaps.

The interest rate profiles of the Consolidated Entity's cash and cash equivalents and short and long-term borrowings are set out in Notes 9, 19 and 22 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 consolidated statement of financial position notes.

Interest rate risk sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the LIBOR rate, 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 2010 and 2009.

	LIBOR Increase / decrease	Effect on profit before tax increase / (decrease) 2010 \$'000	Effect on profit before tax increase / (decrease) 2009 \$'000
Borrowings	- 1%	874	1,579
Borrowings	+ 1%	(874)	(1,579)

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 Group 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.

Notes to the Financial Statements CONTINUED

Note 28. Financial instruments - continued

Translation exposure

The majority of the Consolidated Entity's operating capital is employed in overseas locations and is denominated in foreign currencies, particularly Pound 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 2010 \$'000	Euro 2010 \$'000	Malaysia Ringgit 2010 \$'000	Other (excl AUD) 2010 \$'000	GBP 2009 \$'000	Euro 2009 \$'000	Malaysia Ringgit 2009 \$'000	Other (excl AUD) 2009 \$'000
Net financial assets on non-AUD functional currency entities	(166,305)	5,395	6,490	11,493	(172,095)	2,995	10,065	11,516
Net unhedged monetary assets not held in entities' functional currencies	289	(7,654)	-	8,003	56	(14,771)	-	762
Gross exposure	(166,016)	(2,259)	6,490	19,496	(172,039)	(11,776)	10,065	12,278

Note 28. Financial instruments - continued

The exchange rates of significant revenue generating countries of the Consolidated Entity that applied during the year are set out in Note 41.

Currency risk sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the Pound 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 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 value of year end net assets held by non-AUD functional currency entities.

	Strength- ening / weakening of currency rate	Effect on equity: increase / (decrease) 2010 \$'000	Effect on profit before tax: increase / (decrease) 2010 \$'000	Effect on equity: increase / (decrease) 2009 \$'000	Effect on profit before tax: increase / (decrease) 2009 \$'000
Pound Sterling	+10%	(16,630)	29	(17,210)	6
Pound Sterling	-10%	15,119	(26)	15,645	(5)
Euro	+10%	625	(765)	300	(1,477)
Euro	-10%	(568)	696	(272)	1,343
Malaysian Ringgit	+10%	649	-	1,007	-
Malaysian Ringgit	-10%	(590)	-	(915)	-

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 the Consolidated Entity's entities whose functional currency is other than Australian Dollar.

Price risk

The consolidated entity is 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 consolidated statement of financial position date.

Notes to the Financial Statements CONTINUED

Note 28. Financial instruments - continued

The following table summarises the aging profile of the Consolidated Entity's financial assets at 30 June 2010 and 2009:

	Total gross amount \$'000	Total carrying value \$'000	Neither past due nor impaired \$'000	Past due but not impaired						Collectively impaired \$'000	Individually impaired \$'000
				< 30 days \$'000	30 - 60 days \$'000	60 - 90 days \$'000	90 - 120 days \$'000	> 120 days \$'000			
2010											
Cash and cash equivalents	31,577	31,577	31,577	-	-	-	-	-	-	-	-
Receivables	85,514	71,949	25,203	24,124	8,292	3,796	2,590	7,944	106	13,459	
Total	117,091	103,526	56,780	24,124	8,292	3,796	2,590	7,944	106	13,459	
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	

Derivatives

The Consolidated Entity is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the group's financial risk management policies (refer to note 2).

Capital management

The credit facility in place at 30 June 2010 provides liquidity for the Consolidated Entity until 23 June 2013 and supports the objectives of the Consolidated Entity. This facility is described further in Note 19 and 22. 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. Reference is made to the reorganisation of senior debt facilities as set out in Note 22 and Note 43.

There were no significant changes in the Consolidated Entity's approach to capital management during the years ended 30 June 2010 and 2009.

The Consolidated Entity's capital structure is as follows:

	2010 \$'000	2009 \$'000
Capital employed	459,124	897,971
Cash and cash equivalents	31,577	85,737
Borrowings	(226,243)	(242,170)
Net borrowings	(194,666)	(156,433)
Total equity - funds	264,458	741,538

The Consolidated Entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it 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 \$16.7 million under a Share Purchase Plan. In 2009, \$123 million of equity was raised under a non-renounceable rights issue. With those proceeds, the Consolidated Entity repaid the \$61.9 million bridge-to-equity loan inclusive of interest provided by OCP, \$9 million loans provided by HSBC and \$20 million on the RBS 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.

Note 28. Financial instruments - continued

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.

The Consolidated Entity entered into an Agreement on 14 May 2010 for a \$30 million equity line of credit facility with US-Based Investment fund YA Global Master SPV Ltd (YA Global). The Consolidated Entity plans to use the facility in order to provide flexibility in cash management. It will initially be used to replenish cash balances drawn down to fund acquisitions and other capital investments undertaken during the 2010 financial year. Under the terms of the facility, the Consolidated Entity may, as its discretion, issue shares to YA Global at any time over the 60 months duration of the Agreement up to a total of \$30 million and may draw down these in tranches of up to \$2.5 million, although this may be varied by agreement with YA Global.

Shares issued to YA Global will be priced based on a formula that takes the lowest daily VWAP over the pricing period and applies a discount of 3% to the price. The Company can set a minimum acceptable price. The shares issued will be ordinary shares and be entitled to dividends.

(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's derivative financial instruments as at 30 June 2010 is as follows:

Interest rate swaps

Bank loans of the Consolidated Entity currently bear an average variable interest rate of 4.3% over the year ended 2010. It is policy to protect part of the loans from exposure to fluctuations in interest rates. Accordingly, the Consolidated Entity has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover 100% (2009 - Nil) of the variable GBP term loan principal outstanding and are timed to expire as each loan repayment falls due. From 1 July 2010, the interest rates are set at 5.6% and the variable rates are 3.75% above the one month LIBOR rate which at the end of the reporting period was 0.35%.

The contract requires settlement of net interest receivable or payable monthly. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. In the year ended 30 June 2010, \$1.4 million was recognised in other comprehensive income and deferred in equity in the hedging reserve. It is reclassified into profit or loss when the hedged interest expense is recognised. In the year ended 30 June 2010 Nil was reclassified into profit or loss (2009 - Nil) and included in finance costs. There was no hedge ineffectiveness in the current year.

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.

In 2010, the Consolidated Entity held INR/GBP forward contracts during the year ended 30 June 2010 and 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.

(iii) Ineffectiveness recognised in the income statement

No amounts were recognised in the income statement relating to the ineffectiveness of cash flow hedges (2009: Nil).

Notes to the Financial Statements CONTINUED

Note 29. 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:

	2010 \$'000	2009 \$'000
Audit services - PKF		
Audit or review of the financial report	1,004,963	720,514
	<u>1,004,963</u>	<u>720,514</u>
Other services - PKF		
Advisory services	-	55,590
Taxation	375,572	410,467
	<u>375,572</u>	<u>466,057</u>
	<u>1,380,535</u>	<u>1,186,571</u>
Audit services - related practices		
Audit or review of the financial report	1,457,227	1,232,281
	<u>1,457,227</u>	<u>1,232,281</u>
Audit services - other than PKF		
Audit or review of the financial report	10,025	46,028
Other services - other than PKF		
Advisory services	77,561	121,937
	<u>87,585</u>	<u>167,965</u>

It is the Consolidated Entity's policy to employ 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 30. Contingent liabilities

Contingent liabilities in respect of claims and potential claims:

The following are material claims that have been raised against the Consolidated Entity:

- a) iSOFT Health Management (India) Private Limited (formerly IBA Health (India) Private Limited) is the subject of a petition to windup the entity, over an alleged failure to pay a USD 1 million (\$ 1.13 million) claim. The wind up petition is currently stayed by the highest court in India, and is awaiting a decision after a final hearing was heard in August. The Consolidated Entity does not expect to be judged liable for any payments in relation to this matter nor that the wind up petition will be allowed to proceed;
- 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 \$4.6 million (excluding legal costs). In the view of the Directors, the outcome is unknown and they cannot estimate the likelihood of an unfavourable decision; 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 \$24.9 million. 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 2010.

Contingencies arising from contractual obligations:

The Consolidated Entity from time to time incurs delays in delivery of project implementations. Such delays may trigger penalty clauses under contracts. The contingent liability from such contractual obligations has been estimated at \$2.5 million as at 30 June 2010. In the view of the Directors, the likelihood of a payment is remote and as a result, no provision has been made as at 30 June 2010.

Unrecognised loan commitments

The Consolidated Entity has letters of credit amounting to \$8.1 million with financial institutions as at 30 June 2010 (2009: \$10.1 million), refer Note 28.

Contingent considerations

Acquisition of Hatrix Pty Limited: the total maximum earn out is \$13 million over three years commencing from the date of acquisition on 24 April 2009. There is no earn-out payment due in respect of the period ended 30 June 2010.

Other

The Consolidated Entity has provided an indemnity to the purchaser of the land and buildings (refer Note 14) in respect of losses that could arise from the wind up petition of iSOFT Health Management (India) Private Limited with respect of this property sale.

Notes to the Financial Statements CONTINUED

Note 31. Commitments

	2010 \$'000	2009 \$'000
Lease commitments - operating		
Committed at reporting date but not recognised as liabilities, payable:		
Within one year	13,952	12,952
One to five years	30,314	32,547
More than five years	35,225	30,684
	79,491	76,183
Lease commitments - finance		
Committed at reporting date and recognised as liabilities, payable:		
Within one year	1,213	578
One to five years	2,004	536
More than five years	-	-
	3,217	1,114
Total commitment		
Less: Future finance charges	(11)	(30)
	3,206	1,084
Net commitment recognised as liabilities		
Representing:		
Lease liability - current (refer Note 19)	1,208	554
Lease liability - non-current (refer Note 22)	1,998	530
	3,206	1,084

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 Consolidated Entity entered into a new lease in Leiden, the Netherlands, with a lease term of 10 years expiring 31 December 2020. The Consolidated Entity will be receiving a lease incentive of \$3.8 million (EUR2.7 million) worth of leasehold improvements.

In the year ended 30 June 2009, the Company entered into a lease in Sydney with a lease term of 10 years expiring in February 2019. The Consolidated Entity received a lease incentive of \$3.2 million worth of leasehold improvements (refer Note 14) during the comparative period.

Jointly controlled entities do not have commitments as at 30 June 2010 and 30 June 2009.

The Consolidated Entity has no capital commitments as at 30 June 2010 and 30 June 2009.

Note 32. Business combinations**Prior year acquisition***Hatrix Pty Limited*

The Consolidated Entity acquired on 24 April 2009 100% of the equity and voting rights of Hatrix Pty Ltd, 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 Ltd 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.

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 \$2.2 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. No contingent consideration has been recognised as performance cannot be measured reliably. Any subsequent recognition will be in accordance with AASB 3 applicable at the date of transaction and won't affect profit or loss. The cost of the acquisition includes \$0.1 million of directly attributable costs, such as due diligence and legal fees.

Current year acquisitions*BridgeForward, Inc.*

On 11 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. This company 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. BridgeForward, Inc. has been renamed iSOFT Integration Systems, Inc. subsequent to acquisition.

The purchase consideration was settled in US\$4.5 million cash. A further cash settled earn-out, which is capped at US\$10 million may be payable over five years, if pre-determined sales revenue are achieved by the subsidiary. As at 30 June 2010, a contingent consideration of approximately US\$3.9 million has been recognised, the fair value estimates based on a discount rate of 12.5%. The acquisition resulted in goodwill of US\$8.4 million, and is attributable to an embryonic presence in United States, and expected cost savings in development function in the integration product area as a result of acquisition.

Patient Safety International Pty Ltd

On 26 November 2009, the Consolidated Entity acquired 100% of the issued share capital and voting rights of Patient Safety International Pty Ltd (PSI), a company domiciled in Australia. PSI is a leading provider of incident management software and provides the Consolidated Entity with state-of-the-art patient safety software that will enable it to record, monitor and take relevant management action to minimise future adverse medical events. PSI's AIMS solution software captures adverse event and near miss information across acute care, community care, disability care, mental health and residential aged care (nursing homes). Unlike other systems, AIMS includes a standardised classification (ontology) that is recognised by the World Health Organization and the US Institute of Medicine. In addition to facilitating benchmarking, the AIMS Classification enables use of business intelligence and decision support tools for a truly strategic approach to patient safety and quality improvement. Currently used in Australia, South Africa and the United States, the AIMS solution can be applied in most markets including the emerging Patient Safety Organizations in the United States. PSI has been renamed iSOFT Solutions (International) Pty Ltd subsequent to acquisition.

The initial purchase consideration was settled in 1.4 million of the Company's equity at a fair value of \$0.78 per share at the closing bid price, amounting to \$1.1 million, which resulted in goodwill of \$1.1 million. Further earn-out, capped at \$5 million may be paid over three years and payable in cash or shares at the Consolidated Entity's election upon achievement of minimum revenue target as specified in the purchase agreement. As at 30 June 2010, a contingent consideration of approximately \$3.9 million has been recognised, the fair value estimates being based on a discount rate of 13.5%. Goodwill is attributable to the workforce and synergies acquired. No detailed disclosures are made in this Note because of the relatively insignificant size of the acquisition.

Notes to the Financial Statements CONTINUED

Note 32. Business combinations - continued

TravelBlitz Pty Ltd

On 15 January 2010, the Consolidated Entity acquired 100% of the issued share capital and voting rights of TravelBlitz Pty Ltd ("TravelBlitz"), a company domiciled in Australia. TravelBlitz is a travel agent providing airlines and hotels reservation services. The acquisition is expected to provide the Consolidated Entity with the ability to access to a travel agency online bookings system and hence minimise cost on agency fees. The purchase consideration was settled in approximately \$0.30 million in cash, which resulted in goodwill of \$0.32 million. The goodwill is attributable to the cost savings on travel expenses as a result of this acquisition. No detailed disclosures are made in this Note because of the relatively insignificant size of the acquisition.

UltraGenda NV

On 19 February 2010, the Consolidated Entity acquired 100% of the issued share capital and voting rights of Ultragenda NV ("Ultragenda"), a company domiciled in Belgium. Ultragenda provides a software solution that enables health care organisations to schedule resources on an enterprise wide basis and therefore improve operational efficiency within operational provider organisations. The software is an enterprise-wide scheduling solution which is highly configurable and therefore meets the requirements of all departments and clinics. It acts as the primary planning layer in the healthcare organisation and is web native. Via the softwares developed by Ultragenda, family doctors (or other authorised personnel) can make an online referral to a hospital in accordance with all the specific referral rules of the clinic (or even individual physician) involved. The patient can make his appointment either by phone (the hospital picks up the referral and converts it) or online. Certain patients (dialysis patients, for example) or patient groups can even be granted the right to book a specific appointment online without prior referral. All the bookings take into consideration the specific rules of the clinic.

The initial purchase consideration was settled in EUR11.5 million cash. A further cash settled earn-out which is capped at EUR 2.5 million may be payable over two years if pre-determined sales revenue is achieved by the subsidiary as defined in the purchase agreement. As at 30 June 2010, a contingent consideration fair value of approximately EUR 0.35 million has been recognised. The total purchase consideration of EUR11.9 million has resulted in goodwill of approximately EUR5.7 million, which is attributable to workforce and synergies in cost saving as a result of this acquisition.

Note 32. Business combinations – continued

	UltraGenda		BridgeForward		Other		Total	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Current Assets								
Cash and cash equivalents	4,169	4,169	15	15	137	137	4,321	4,321
Trade receivables	2,632	2,632	673	673	87	87	3,392	3,392
Investments	608	619	-	-	-	-	608	619
Income tax receivable	-	-	-	-	13	13	13	13
Accrued revenue	-	-	182	182	6	6	188	188
Other current assets	43	27	212	346	-	-	255	373
Total Current Assets	7,452	7,447	1,082	1,216	243	243	8,777	8,906
Non-Current Assets								
Property, plant and equipment	1,098	1,098	10	10	64	64	1,172	1,172
Organisational Cost	-	-	32	-	-	-	32	-
Intangible assets - capitalised development	-	-	-	-	1,551	-	1,551	-
Intangible assets - Intellectual Property	12	5,322	-	1,626	-	1,070	12	8,018
Total Non-Current Assets	1,110	6,420	42	1,636	1,615	1,134	2,767	9,190
Total Assets	8,562	13,867	1,124	2,852	1,858	1,377	11,544	18,096
Current Liabilities								
Trade payables	(97)	(97)	(309)	(309)	(5)	(5)	(411)	(411)
Other payables	(603)	(734)	(1,077)	(1,324)	(194)	(194)	(1,874)	(2,252)
Borrowings	(328)	(328)	-	-	-	-	(328)	(328)
Deferred income	(1,615)	(1,615)	(465)	(466)	(175)	(175)	(2,255)	(2,256)
Total Current Liabilities	(2,643)	(2,774)	(1,851)	(2,099)	(374)	(374)	(4,868)	(5,247)
Non-Current Liabilities								
Deferred tax liabilities	-	(1,795)	-	(623)	-	(321)	-	(2,739)
Total Non-Current Liabilities	-	(1,795)	-	(623)	-	(321)	-	(2,739)
Total Liabilities	(2,643)	(4,569)	(1,851)	(2,722)	(374)	(695)	(4,868)	(7,986)
Net Assets	5,919	9,298	(727)	130	1,484	682	6,676	10,110
Provisional fair value of identifiable net assets		9,298		130		682		10,110
Goodwill arising on acquisition		8,717		9,938		4,621		23,276
		18,015		10,068		5,303		33,386
Acquisition date fair value of consideration transferred:								
Shares issued, at fair value		-		-		1,066		1,066
Cash paid		17,482		5,398		323		23,203
Contingent consideration transferred		533		4,670		3,914		9,117
Consideration transferred		18,015		10,068		5,303		33,386
Direct cost relating to acquisition		163		221		-		384
Total cash outflow on acquisition is as follow:								
Net cash acquired with the subsidiary		4,169		15		137		4,321
Cash paid		(17,482)		(5,398)		(323)		(23,203)
Net consolidated cash inflow		(13,313)		(5,383)		(186)		(18,882)
Undiscounted potential future payment		533		5,611		3,930		10,074

Notes to the Financial Statements CONTINUED

Note 33. 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	
		2010 %	2009 %
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
iSOFT Australia Pty Limited	Australia	100	100
iSOFT eHealth Pty Ltd	Australia	100	100
iSOFT Health Pty Ltd	Australia	100	100
iSOFT Healthcare Systems Pty Limited	Australia	100	100
iSOFT Holdings Pty Limited	Australia	100	100
iSOFT Solutions Pty Ltd	Australia	100	100
iSOFT Systems Pty Ltd ³	Australia	100	100
Paramedical Pty Ltd	Australia	100	100
iSOFT Solutions (International) Pty Ltd ⁴	Australia	100	-
TravelBlitz Pty Ltd	Australia	100	-
UltraGenda NV	Belgium	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 Sanidad Dominicana, S.R.L.	Dominican Republic	99	-
iSOFT GmbH & Co KG	Germany	100	100
iSOFT Health Gm=bH	Germany	100	100
iSOFT Health Verwaltungs-GmbH	Germany	100	100
iSOFT Business Solutions (HK) Limited	Hong Kong	100	100
iSOFT Health Management Private Limited ⁵	India	100	100
iSOFT Health Services (India) Private Limited	India	100	100
i SOFT 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
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
Implementaciones Soft Sanidad, S.A. de C.V.	Mexico	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
iSOFT NZ Limited	New Zealand	100	100
IBA Health (Middle East) LLC	Oman	100	100
Implementaciones Soft Sanidad Peru, S.A.C.	Peru	100	-
iSOFT South Africa (Proprietary) Limited ⁷	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

Note 33. Subsidiaries – continued

Name	Country of incorporation	Ownership interest	
		2010 %	2009 %
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
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 Limited	United Kingdom	100	100
The Warwick Bepos Group Limited	United Kingdom	100	100
iSOFT Integration Systems, Inc. ⁶	USA	100	-
iSOFT, Inc	USA	100	-
iHealthcare Information Systems Corporation	USA	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
4. Formerly known as Patient Safety International Pty Ltd
5. Formerly known as IBA Health (India) Private Ltd
6. Formerly known as BridgeForward, Inc.
7. Formerly known as iSOFT Health (South Africa) (Proprietary) Limited

Notes to the Financial Statements CONTINUED

Note 34. 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		Consolidated ownership interest		Consolidated amount of net assets	
			2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
UTE Indra sistemas, Everis, Isoft y Telvent Interactiva	Maintenance, development and implementation of Diraya project for Servicio Andaluz de Salud	Spain	-	-	22%	22%	-	-
STERIA	Implementation of Electronic Prescription for Conselleria de Sanidad Valenciana	Spain	(99.3)	-	50%	-	(98.8)	-
Isoft Sanidad SA e Informatica El Corte Inglés SA UTE	Implementation of Electronic Prescription for Servicio Navarro de Salud	Spain	(137.9)	-	60%	60%	(159.2)	-
Novasoft Sanidad y Selective Outsourcing Information Technologies SA UTE	Maintenance services for Information system for Tortosa Hospital.	Spain	-	(0.1)	50%	50%	(13.5)	64.7
Guadaltel- Novasoft Sanidad SA UTE- Project 7577	System control development for waste management fo Consejeria de Medio Ambiente de la Junta de Andalucia.	Spain	13.5	-	45%	45%	(0.1)	-
Guadaltel- Novasoft Sanidad SA UTE- Project 7578	Project Wonda development for Consejeria de Justicia y Admon Publica de la Junta de Andalucia	Spain	-	-	40%	40%	(4.7)	-
Novasoft Servicios Inforamticos SA y RSI-Ross system Iberica SL UTE	Service of equipment acquisition and developments	Spain	-	-	50%	50%	-	96.5
Novasoft Sanidad y Bull España UTE	Technical maintenance for Abucasi I project	Spain	-	-	80%	80%	-	-
Isoft Sanidad SA y Bull España UTE	Technical maintenance for Abucasi I project	Spain	-	-	50%	50%	-	141.0
Novasoft Servicios Inforamticos SA- Indra Sistemas UTE	Consultancy for design, installation and go live for Public health system for Andalucia (CEIS).	Spain	-	(0.3)	50%	50%	15.2	6.5
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	(27.7)	(0.4)	50%	50%	(277.8)	221.5
UTE Indra- Novasoft-Sadiel	Professional services for Information centre and for the province.	Spain	-	-	33%	33%	(13.8)	0.9
Novasoft Sanidad SA- Servinform SA UTE	Service of Management and Digital archive	Spain	-	-	50%	50%	(29.7)	26.7
			(251.4)	(0.8)			(582.4)	557.8

Note 35. Reconciliation of profit/(loss) after income tax to net cash flows from operating activities

	Notes	2010 \$'000	2009 \$'000
(Loss)/profit after income tax expense		(382,914)	34,731
Adjustments for:			
Depreciation and amortisation		44,047	53,963
Impairment of intangibles		341,059	-
Net (profit)/loss on sale of non-current assets		(1,119)	127
Non cash employee benefits expense - share based payments	5,39	2,507	1,092
Income tax expense	8	6,519	9,688
Finance costs	6	21,350	34,006
Reserve movements		(1,754)	-
Operating profit before changes in working capital and provisions		29,695	133,607
Change in operating assets and liabilities:			
(Increase)/decrease in trade and other receivables		(3,680)	3,455
(Increase)/decrease in inventories		(439)	217
(Increase)/decrease in accrued revenue		(2,305)	7,149
(Increase)/decrease in other operating assets		1,107	(6,121)
Increase/(decrease) in trade and other payables		(9,089)	10,955
Increase/(decrease) in deferred income		(3,820)	(18,115)
Increase/(decrease) in other provisions		1,977	(5,912)
Increase/(decrease) in other operating liabilities		(5,202)	(50,475)
		8,244	74,760
Income taxes paid		(8,938)	(10,509)
Net cash (outflow)/inflow from operating activities		(694)	64,251

Note 36. Non-cash investing and financing activities

	2010 \$'000	2009 \$'000
Shares issued in part consideration for business combinations	1,066	1,210
Shares issued under employee loan plan	3,279	6,687
	4,345	7,897

Notes to the Financial Statements CONTINUED

Note 37. Earnings per share

Earnings per share (EPS) attributable to ordinary equity holders	2010 Cents	2009 Cents
Basic	(37.93)	4.30
Diluted	(37.93)	4.26

Reconciliation of earnings used in the calculation of basic earnings per share	\$'000	\$'000
(Loss)/profit for the period	(382,914)	34,731
(Loss)/profit attributable to non-controlling interest	(1,044)	(355)
Total earnings used in the calculation of basic earnings per share	(381,870)	35,086

Reconciliation of earnings used in the calculation of diluted earnings per share		
Earnings used in the calculation of basic earnings per share	(381,870)	35,086
Add interest saving on convertible notes	-	1,769
Total earnings used in the calculation of dilutive earnings per share	(381,870)	36,855

	Number	Number
Weighted average number of ordinary shares used in calculating basic EPS	1,006,841,063	816,034,299
Adjustments for calculation of diluted EPS:		
Options	-	3,532,398
Convertible notes	-	45,969,469
Weighted average number of ordinary shares used in calculating diluted EPS	1,006,841,063	865,536,166

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 non-controlling interest as shown above.

For the current year, 50.5 million options, 4.2 million warrants and 45.9 million convertible notes are outstanding at 30 June 2010 and are antidilutive because the conversion would decrease loss per share and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share. These options, warrants and convertible notes could potentially dilute basic EPS in the future.

In the comparative period, 4.2 million warrants outstanding were not included in the calculation of diluted EPS as they were antidilutive for the year ended 30 June 2009.

For terms and conditions of convertible notes, refer Note 22. For terms and conditions of warrants, refer Note 26. ELP and EIP disclosure, refer Note 39.

Since the reporting date, the Company issued 32,601,849 shares to YA Global Master SPV Ltd under the Yorkville Agreement, raising \$4,631,583 refer Note 43.

Note 38. 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 2010:

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

Non-Executive Directors:

Robert Moran	Appointed as Chairman on 15 June 2010 (previously Director)
Claire Jackson	Independent
Anthony Sherlock	Independent
Ian Tsicalas	
Peter Wise	Independent
Lachlan MacGregor	Alternate to Robert Moran & Ian Tsicalas

Executive Directors:

Ronald Series	Appointed 24 September 2010
----------------------	-----------------------------

Former Executive Director:

Gary Cohen ¹	Chief Executive Officer	Ceased to be Executive Chairman effective 15 June 2010 Ceased as a Director 30 September 2010
--------------------------------	-------------------------	--

Other Key Management Personnel (Group Executives):

Andrea Fiumicelli ¹	Chief Operating Officer	
Brian Cohen	Chief Technology Officer	
Mike Jackman	Executive Vice President, Operations	Appointed 22 February 2010
Martin Deda	Group Finance Director	
Stephen Garrington	Director, Business Development	Ceased to be an Executive Director effective 15 June 2010

(ii) Former Key Management Personnel

The following executive ceased to be a member of key management personnel during the financial year ended 30 June 2010:

Non-Executive Directors:

James Fox	Independent	Appointed 6 July 2009 Appointed Deputy Chairman 28 May 2010 Ceased as Director from 15 June 2010
------------------	-------------	--

Where applicable, where these individuals had balances in relation to shares or loans as at 30 June 2009, 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.

1. From 31 August 2010, Gary Cohen stepped down as Chief Executive Officer. Andrea Fiumicelli has assumed responsibility as acting Chief Executive Officer.

Notes to the Financial Statements CONTINUED

Note 38. Key management personnel disclosures - continued

(iii) Compensation

The aggregate compensation made to Directors and other members of Key Management Personnel of the Consolidated Entity is set out below:

	Base Salary and fees \$	Cash bonus \$	Short-term Non- monetary benefits \$	Share-based payments (equity settled) Shares & options \$	Post- employment Super- annuation \$	Total \$
2010	3,118,634	-	800,598	1,081,388	77,648	5,078,268
2009	2,810,231	2,050,500	752,620	(147,531)	72,173	5,537,993

(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 personally related parties, is as follows:

For the year ended 30 June 2010	Balance at the start of the year ^A	Issued under DRP	Acquired during the year	Disposed during the year	Transferred out during the year	Balance at the end of the year	Balance at 30-Sept-10
Executive Director							
Gary Cohen ^B	69,483,502	577,270	45,173,156	(61,148,788)	(1,446,113)	52,639,027	52,639,027
Non-executive Directors							
Anthony Sherlock	10,000	-	100,000	(50,000)	-	60,000	60,000
Peter Wise	11,516,913	-	-	(250,000)	-	11,266,913	11,266,913
Claire Jackson	39,620	-	-	-	-	39,620	39,620
Robert Moran	580,937	-	-	-	-	580,937	580,937
Ian Tsicalas	-	-	-	-	-	-	-
James Fox ¹	-	-	100,000	-	(100,000)	-	-
Alternate Director							
Lachlan MacGregor	-	-	-	-	-	-	-

Key management personnel during the year

Brian Cohen ^B	67,074,676	577,270	35,044,242	(53,453,015)	(1,374,673)	47,868,500	47,868,500
Martin Deda	527,273	-	500,000	-	-	1,027,273	1,027,273
Andrea Fiumicelli	62,780	-	-	-	-	62,780	62,780
Mike Jackman ²	-	-	40,000	-	-	40,000	40,000
Stephen Garrington ³	5,841,542	-	750,000	-	(700,694)	5,890,848	5,890,848

Ronald Series, appointed 24 September 2010 as an Executive Director, holds no equity instruments in the Company.

1. Dr James Fox resigned as a Director on 15 June 2010.

2. Mike Jackman commenced with iSOFT on 22 February 2010, as a Key Management Person.

3. Stephen Garrington resigned as a Director on 15 June 2010 and continues to be a Key Management Person.

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 an individual 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 30,375,042 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%.

Note 38. Key management personnel disclosures - continued

The movement during the 2009 financial year in the number of ordinary securities in the Company held directly, indirectly or beneficially, by each Key Management Person, including their personally related parties, is as follows:

For the year ended 30 June 2009	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	8,326,602	(14,528,935)	(375,000)	69,483,502	69,483,502
Stephen Garrington	6,463,594	-	227,948	(600,000)	(250,000)	5,841,542	5,841,542
Non-executive Directors							
Anthony Sherlock	10,000	-	-	-	-	10,000	10,000
Peter Wise	12,688,443	1,100,000	-	(2,271,530)	-	11,516,913	-
Claire Jackson	39,620	-	-	-	-	39,620	39,620
Robert Moran ¹	672,773	140,000	-	-	(231,836)	580,937	580,937
Ian Tsicalas	-	-	-	-	-	-	-
Donald Conway ²	250,000	-	-	-	(250,000)	-	-
Alternate Director							
Lachlan MacGregor ³	-	-	-	-	-	-	-
Key management personnel during the year							
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 13 July 2009.

5. Gordon Mackay ceased to be a Key Management Person as at 13 July 2009. Transfer out does not confirm the individual has disposed of the relevant interest or ceased employment with the Group.

A. All the shares are inclusive of vested and unvested shares under the iSOFT Employee Loan Plan where applicable. The balance of unvested shares held by an individual is disclosed in 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 share and incentive plans in respect of 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

Note 38. Key management personnel disclosures - continued

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 year ended 30 June 2010	Plan type ¹	Hurdle type ²	Weighted grant date fair value ³ per option (\$)	Weighted 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 Director									
Gary Cohen	ELP	EPS	0.4145	0.9611	1,652,174	1,000,000	(472,500)	-	2,179,674
		SPG	0.3645	1.0699	2,277,173	-	(902,173)	-	1,375,000
		Other	0.2974	0.6686	1,000,000	-	-	-	1,000,000
		TSR	0.1938	0.7874	-	1,000,000	-	-	1,000,000
Group Executives									
Brian Cohen	ELP	EPS	0.2939	0.7730	250,000	750,000	-	-	1,000,000
		SPG	0.2703	0.7297	250,000	-	-	-	250,000
		Other	0.1810	0.3885	777,110	-	-	-	777,110
		TSR	0.1938	0.7874	-	750,000	-	-	750,000
	ELP 15m	n/a	0.1460	0.4295	575,152	-	-	-	575,152
Martin Deda	ELP	EPS	0.2965	0.7586	250,000	250,000	-	-	500,000
		SPG	0.2703	0.7297	250,000	-	-	-	250,000
		TSR	0.1938	0.7874	-	250,000	-	-	250,000
Stephen Garrington	ELP	EPS	0.5273	1.1436	885,694	250,000	(315,000)	-	820,694
		SPG	0.3541	0.6996	1,635,694	-	(385,694)	-	1,250,000
		Other	0.4301	0.3500	3,000,000	-	-	-	3,000,000
		TSR	0.1938	0.7874	-	250,000	-	-	250,000
	ELP 15m	n/a	0.2343	0.6840	191,889	-	-	-	191,889
Total					12,994,886	4,500,000	(2,075,367)	-	15,419,519

1. For plan types, structure and details of Long-Term Incentive plans, refer Note 39. 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, structure and details of ELP options, refer Note 39.
3. Weighted grant date fair value. For details of individual ELP option fair values, refer Note 39.
4. Weighted option 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 refer Note 39.
5. Shares sold or transferred out of the ELP Plan. Transferred out does not mean that the individual has left the Consolidated Entity.

Note 38. Key management personnel disclosures - continued

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 year ended 30 June 2009	Plan type ¹	Hurdle type ²	Weighted grant date fair value ³ per option (\$)	Weighted 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 Director									
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
Group 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:									
Group 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, structure and details of Long-Term Incentive plans, refer Note 39. 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, structure and details of ELP options, refer Note 39.
3. Weighted grant date fair value. For details of individual ELP option fair values, refer Note 39.
4. Weighted option 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 refer Note 39.
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

Note 38. Key management personnel disclosures - continued

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:

EIP Option Holdings			Weighted grant date fair value ³ per option (\$)	Weighted 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 year ended 30 June 2010	Plan type ¹	Hurdle type ²					
Group Executives							
Andrea Fiumicelli	EIP	EPS	0.2776	0.7553	500,000	1,000,000	1,500,000
		SPG	0.2703	0.6911	500,000	-	500,000
		TSR	0.1953	0.7874	-	1,000,000	1,000,000
Mike Jackman	EIP	EPS	0.1999	0.5780	-	200,000	200,000
		TSR	0.1593	0.5780	-	200,000	200,000
Total					1,000,000	2,400,000	3,400,000

1. For plan types, structure and details of Long-Term incentive plans, refer Note 39.
2. For performance hurdles, structure and details of EIP options, refer Note 39.
3. Weighted grant date fair value. For details of EIP option fair values, refer Note 39.
4. Weighted option exercise price. For details of individual option exercise prices, refer Note 39.

EIP Performance Rights Holdings			Weighted grant date fair value ³ per option (\$)	Options at exercise price (\$) ^{4,5}	Options balance at the start of the year	Granted during the year	Balance of vested and unvested options at the end of the year
For the year ended 30 June 2010	Plan type ¹	Hurdle type ²					
Executive Director							
Gary Cohen	EIP Performance Rights	EPS	0.7509	-	-	1,500,000	1,500,000
		TSR	0.3804	-	-	1,500,000	1,500,000
Group Executives							
Andrea Fiumicelli	EIP Performance Rights	EPS	0.7509	-	-	500,000	500,000
		TSR	0.3804	-	-	500,000	500,000
Brian Cohen	EIP Performance Rights	EPS	0.7509	-	-	375,000	375,000
		TSR	0.3804	-	-	375,000	375,000
Stephen Garrington	EIP Performance Rights	EPS	0.7509	-	-	125,000	125,000
		TSR	0.3804	-	-	125,000	125,000
Mike Jackman	EIP Performance Rights	EPS	0.5517	-	-	200,000	200,000
		TSR	0.3139	-	-	200,000	200,000
Total						5,400,000	5,400,000

1. For plan types, structure and details of Long-Term incentive plans refer to earlier section of this Remuneration Report.
2. For performance hurdles, structure and details of Long-Term incentive plans refer to earlier section of this Remuneration Report.
3. Weighted grant date fair value. For details of EIP option remuneration fair values, refer to earlier section of this Remuneration Report.
4. Weighted option exercise price.
5. Options with a zero exercise price are shown with a dash (-).

Note 38. Key management personnel disclosures - continued

EIP Option Holdings							
For the year ended 30 June 2009	Plan type ¹	Hurdle type ²	Weighted grant date fair value per option³ (\$)	Weighted option exercise price (\$) ^{4,5}	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
Group Executives							
Andrea Fiumicelli ⁵	EIP	EPS	0.3016	0.6911	-	500,000	500,000
		SPG	0.2703	0.6911	-	500,000	500,000
Total					-	1,000,000	1,000,000

1. For plan types, structure and details of Long-Term incentive plans, refer Note 39.

2. For performance hurdles, structure and details of EIP options, refer Note 39.

3. Weighted grant date fair value. For details of EIP option fair values, refer Note 39.

4. Weighted option exercise price. For details of individual EIP option exercise prices, refer Note 39.

5. Option exercise price was reset in accordance with ASX listing rule 6.22.

Anthony Sherlock held 100,000 options under the Employee Incentive Plan. These options with an exercise price of \$0.72 and an expiry date of 4 November 2009 had all vested and were exercised on 4 November 2009.

Notes to the Financial Statements CONTINUED

Note 39. 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 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.

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, after repaying the loan, may direct that the trustee sell the shares or 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 in relation to rights and bonus issues, voting and dividends, but will not participate in any dividend reinvestment plan. From November 2009, rights to dividends are split; 40% cash to employees and 60% applied to the ELP loan.

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 financial year 2010 Relative Total Shareholder Return was introduced as a performance hurdle given that it is widely recognised as one of the best indicators of shareholder value creation. Additionally, the continued use of the combined performance hurdles weighted equally, motivate executives with a clear line of sight to a shareholder focussed result. A comparator group of 15 ASX listed companies was adopted and the vesting of shares is based on iSOFT's performance compared to the comparator group, in relation to the TSR hurdle.

The performance hurdles of the ELP 3 year share plan were changed as outlined below.

Performance Hurdles

FY2009	FY2010
1. 50% Earnings Per Share (EPS); and 2. 50% Share Price Growth (SPG)	1. 50% Earnings Per Share (EPS) hurdle; and 2. 50% Relative Total Shareholder Return (TSR)

Note 39. Share-based payments - continued

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

ELP 3 Year Share Options	
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 employee promotion.
Eligibility criteria	Selected executives, in line with past contribution and future potential.
Exercise price	5-day VWAP preceding grant date
Performance hurdles (Grants prior to 1 July 2009)	<p>Earnings Per Share (EPS) - 50% of ELP Share grant</p> <p>Based on the average annual compound EPS growth over a three year measurement period against a comparator group (15 comparable ASX 200 organisations):</p> <ul style="list-style-type: none"> • Below Median (50th percentile) of comparator group – 0% of shares 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. <p>Share Price Growth (SPG) - 50% of ELP Share grant</p> <p>Based on relative SPG performance over a three year measurement period against a comparator group (15 comparable ASX 200 organisations):</p> <ul style="list-style-type: none"> • 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.
Performance hurdles (Grants after 1 July 2009)	<p>Earnings Per Share (EPS) - 50% of ELP Share grant</p> <p>Based on achieving 15% or more EPS compound growth over a 3 year period.</p> <ul style="list-style-type: none"> • Less than 15% EPS compound growth – 0% of shares vest; and • 15% or greater EPS compound growth – 100% of shares vest <p>Relative Total Shareholder Return (TSR) - 50% of ELP Share grant</p> <p>Based on relative TSR performance over a three year measurement period against a comparator group (15 comparable ASX 200 organisation):</p> <ul style="list-style-type: none"> • 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 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 (Prior to 1 July 2009)	Right to dividends.
Right to Dividends (Post 1 July 2009)	Right to dividends are split 40% cash to employees and 60% applied to ELP loan.
Comparator Group	Please see Comparator Group Listing in this note.

Notes to the Financial Statements CONTINUED

Note 39. Share-based payments - continued

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

ELP 15 Month Share Options	
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. This is not currently being offered
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 from grant date
Exercise period and expiry	Exercisable upon vesting with no lapse restriction.
Right to Dividends	Right to dividends.

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 26).

Loan shares are in substance options. Similarly to EIP grants, fair value of loan shares granted with an EPS hurdle are independently determined using binomial option pricing model; those with a SPG or TSR hurdle using a 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 detailed below:

Option model inputs for Loan Shares granted in the ELP during the year ended 30 June 2010

Grant date	Plan type	Hurdle type	Share price at Grant date (\$)	Expected volatility (%)	Expected dividend yield (%)	Risk free rate (%)	Option exercise price (\$)
18-Nov-09	ELP	EPS	0.7800	42.07	1.495	4.909	0.7874
18-Nov-09	ELP	TSR	0.7800	42.07	1.495	4.909	0.7874
18-Dec-09	ELP	EPS	0.7300	39.94	1.495	4.489	0.7083
18-Dec-09	ELP	TSR	0.7300	39.94	1.495	4.489	0.7083
18-Dec-09	ELP	EPS	0.7300	39.94	1.495	4.489	0.7083
18-Dec-09	ELP	TSR	0.7300	39.94	1.495	4.489	0.7083

Note 39. Share-based payments - continued**Option model inputs for Loan Shares granted in the ELP during the year 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	0	7.77	0.5900
24-Sep-08	ELP 3yr	EPS	0.7202	45.9	0	5.5	0.7297
24-Sep-08	ELP 3yr	SPG	0.7202	45.9	0	5.5	0.7297
08-Oct-08	ELP 15 m	Service only	0.7602	51.73	0	5.22	0.7250
10-Dec-08	ELP 3yr	EPS	0.5593	49.21	0	3.5	0.5593
10-Dec-08	ELP 3yr	SPG	0.5593	49.21	0	3.5	0.5593
12-Jan-09	ELP 15 m	Service only	0.6034	53.14	0	3.22	0.6400
02-Apr-09	ELP 15 m	Service only	0.6050	54.36	0	2.9	0.6250
30-Jun-09	ELP 15 m	Service only	0.6450	54.03	0	3.43	0.6461
30-Jun-09	ELP 3yr	EPS	0.6450	49.46	0	4.57	0.6424
30-Jun-09	ELP 3yr	SPG	0.6450	49.46	0	4.57	0.6424

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 \$0.2357 (2009: \$0.2758). The weighted average exercise price is \$0.7793 (2009: \$0.7041). 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 2010 and 2009 grants by hurdle type

ELP Grants during the year ended 30 June 2010

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	0.3268	0.7696	5,367,146	2,506,625	(1,263,500)	(536,500)	6,073,771
Service only	0.2140	0.6427	581,017	-	-	(466,319)	114,698
SPG	0.2262	0.6714	3,917,144	-	(1,792,144)	-	2,125,000
TSR	0.1836	0.7793	-	2,506,625	-	-	2,506,625
			9,865,307	5,013,250	(3,055,644)	(1,002,819)	10,820,094

ELP Grants during the year 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

Notes to the Financial Statements CONTINUED

Note 39. Share-based payments - continued

The following tables summarised information about loan shares held by employees as at 30 June 2010 and 30 June 2009:

Unvested ELP Grants for the year ended 30 June 2010

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-Sep-09	EPS	0.5477	1.0184	1,450,000	-	(913,500)	(536,500)	-
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)	-	-
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	-	(200,000)	-	1,850,000
24-Sep-08	04-Sep-11	SPG	0.2703	0.7297	2,050,000	-	(200,000)	-	1,850,000
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	-	(150,000)	-	175,000
30-Jun-09	30-Jun-12	SPG	0.2824	0.6424	325,000	-	(150,000)	-	175,000
18-Nov-09	30-Jun-12	EPS	0.2913	0.7874	-	2,250,000	-	-	2,250,000
18-Nov-09	30-Jun-12	TSR	0.1938	0.7874	-	2,250,000	-	-	2,250,000
18-Dec-09	01-Mar-12	EPS	0.2570	0.7083	-	231,625	-	-	231,625
18-Dec-09	01-Mar-12	TSR	0.0867	0.7083	-	231,625	-	-	231,625
18-Dec-09	30-Jun-12	EPS	0.2671	0.7083	-	25,000	-	-	25,000
18-Dec-09	30-Jun-12	TSR	0.1614	0.7083	-	25,000	-	-	25,000
					9,865,307	5,013,250	(3,055,644)	(1,002,819)	10,820,094

As at 30 June 2010, the following ELP shares are outstanding and are held by the trust: 23,034,947 ELP shares in the Company (2009: 21,180,090), of which 10,820,094 are unvested (2009: 9,865,307), with the balance amounting to 12,214,853 shares vested and currently exercisable (2009: 11,314,783). No ELP shares expire as the life is unlimited.

Note 39. Share-based payments - continued**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
Total					6,313,809	5,531,017	(725,000)	(1,254,519)	9,865,307

Employee Incentive Plan (EIP)

The EIP was established in 2008 to provide equity incentives to executives including Executive Directors and key employees. Awards granted under the EIP may include options, performance rights, cash rights and stock appreciation rights. From 2008 EIP options have been granted. In 2009 the Remuneration Committee also approved the issuing of performance rights under the EIP plan. No cash rights and stock appreciation rights have been granted.

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). In FY2010 iSOFT introduced Relative Total Shareholder Return as a performance hurdle since it is widely recognised as one of the best indicators of shareholder value creation. Additionally, the continued use of the combined performance hurdles weighted equally, motivate executives with a clear line of sight to a shareholder focussed result. A comparator group of 15 ASX listed companies was adopted and the vesting of options is based on iSOFT's performance compared to the comparator group, in relation to the relative TSR hurdle.

The performance hurdles of the EIP were changed as outlined below.

Performance Hurdles

FY2009	FY2010
1. 50% Earnings Per Share (EPS); and 2. 50% Share Price Growth (SPG)	1. 50% Earnings Per Share (EPS) hurdle; and 2. 50% Relative Total Shareholder Return (TSR)

Notes to the Financial Statements CONTINUED

Note 39. Share-based payments - continued

The structure and details of EIP Options and Performance Rights issued to executives under the Plan are summarised in the following table:

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 (Grants prior to 1 July 2009)	<p>Earnings Per Share (EPS) - 50% of EIP Option grant</p> <p>Based on the average annual compound EPS growth over a three year measurement period against a comparator group (15 comparable ASX 200 organisations):</p> <ul style="list-style-type: none"> • Below Median (50th percentile) of comparator group – 0% of shares 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. <p>Share Price Growth (SPG) - 50% of EIP Option grant</p> <p>Based on relative SPG performance over a three year measurement period against a comparator group (15 comparable ASX 200 organisations):</p> <ul style="list-style-type: none"> • 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.
Performance hurdles (Grants after 1 July 2009)	<p>Earnings Per Share (EPS) - 50% of EIP option grant</p> <p>Based on achieving 15% or more EPS compound growth over 3 year period.</p> <ul style="list-style-type: none"> • Less than 15% EPS compound growth – 0% of options vest; and • 5% or greater EPS compound growth – 100% of options vest. <p>Relative Total Shareholder Return (TSR) - 50% of EIP Option grant</p> <p>Based on TSR performance over a three year measurement period against a comparator group (15 comparable ASX 200 organisation):</p> <ul style="list-style-type: none"> • 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 • 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 lapse 5 years after grant date.
Right to Dividends	No dividend rights until option exercised.
Comparator Group	Please see Comparator Group Listing in this note.

Note 39. Share-based payments - continued

EIP – Performance Rights	
Nature	Each EIP performance right entitles the participant to one share in the Company upon vesting, or equivalent cash award.
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	\$0.00
Performance hurdles	<p>Earnings Per Share (EPS) - 50% of EIP performance rights grant</p> <p>Based on achieving 15% or more EPS compound growth over 3 year period.</p> <ul style="list-style-type: none"> • Less than 15% EPS compound growth – 0% of rights vest; and • 15% or greater EPS compound growth – 100% of rights vest. <p>Relative Total Shareholder Return (TSR) - 50% of EIP performance rights grant</p> <p>Based on TSR performance over a three year measurement period against a comparator group (15 comparable ASX 200 organisation):</p> <ul style="list-style-type: none"> • Below Median (50th percentile) of comparator group - 0% of performance rights vest; • Median of comparator group - 25% of performance rights vest • 62.5nd percentile of comparator group - 50% of performance rights vest; • 75th percentile of comparator group - 75% of performance rights vest; • 80th percentile of comparator group - 100% of performance rights vest; and • Performance right vesting levels are interpolated between each percentile above.
Vesting Period	Three years from grant date. No retesting.
Exercise period and expiry	Exercised upon vesting in the form of a share or equivalent cash award.
Right to Dividends	No right to dividends until shares received.
Comparator Group	Please see Comparator Group Listing in this note.

Notes to the Financial Statements CONTINUED

Note 39. Share-based payments - continued

Fair value of granted with an EPS hurdle is independently determined using binomial option pricing model; those with a SPG or TSR 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:

Option model inputs for Options granted in the EIP during the year ended 30 June 2010

Grant date	Plan type	Hurdle type	Share price at Grant date (\$)	Expected volatility (%)	Expected dividend yield (%)	Risk free rate (%)	Option exercise ¹ price (\$)
18-Nov-09	EIP	EPS	0.7800	42.07	1.495	4.909	-
18-Nov-09	EIP	TSR	0.7800	42.07	1.495	4.909	-
18-Nov-09	EIP	EPS	0.7800	42.07	1.495	4.909	-
18-Nov-09	EIP	TSR	0.7800	42.07	1.495	4.909	-
18-Nov-09	EIP	EPS	0.7800	42.07	1.495	4.909	0.7874
18-Nov-09	EIP	TSR	0.7800	42.07	1.495	4.909	0.7874
06-Apr-10	EIP	EPS	0.5700	40.34	1.156	5.341	0.5780
06-Apr-10	EIP	TSR	0.5700	40.34	1.156	5.341	0.5780
06-Apr-10	EIP	EPS	0.5700	40.34	1.156	5.341	-
06-Apr-10	EIP	TSR	0.5700	40.34	1.156	5.341	-
13-Apr-10	EIP	EPS	0.5800	40.61	1.156	5.250	0.5800
13-Apr-10	EIP	TSR	0.5800	40.61	1.156	5.250	0.5800
13-Apr-10	EIP	EPS	0.5800	40.61	1.156	5.250	-
13-Apr-10	EIP	TSR	0.5800	40.61	1.156	5.250	-

1 Options with a zero exercise price are shown with a dash (-).

Option model inputs for Options granted in the EIP during the year 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 ¹ price (\$)
24-Sep-08	EIP	EPS	0.7202	45.9	0	5.5	0.7297
24-Sep-08	EIP	SPG	0.7202	45.9	0	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.

Note 39. Share-based payments - continued

The weighted average fair value of the share options granted during the year was \$0.3481 (2009: \$0.2860). The weighted average exercise price is \$0.5282 (2009: \$0.7202). The weighted average remaining contractual life of the share options at 30 June 2010 is 4.97 years (2009: 4.95 years). The following table summarised information about outstanding options held by employees, which are all non-exercisable, as at 30 June 2010 and 30 June 2009:

For the year ended 30 June 2010

Vesting date	Expiry Date	Hurdle type	Option Exercise price (\$)¹	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	0.7297	0.3016	6,600,000	-	(150,000)	6,450,000
30-Sep-11	04-Sep-13	SPG	0.7297	0.2703	6,600,000	-	(150,000)	6,450,000
30-Jun-12	18-Nov-14	EPS	-	0.7509	-	1,500,000	-	1,500,000
30-Jun-12	18-Nov-14	TSR	-	0.3804	-	1,500,000	-	1,500,000
30-Jun-12	18-Nov-14	EPS	-	0.7509	-	1,000,000	-	1,000,000
30-Jun-12	18-Nov-14	TSR	-	0.3804	-	1,000,000	-	1,000,000
30-Jun-12	18-Nov-14	EPS	0.7874	0.2913	-	1,000,000	-	1,000,000
30-Jun-12	18-Nov-14	TSR	0.7874	0.1938	-	1,000,000	-	1,000,000
06-Apr-13	06-Apr-15	EPS	0.5780	0.1999	-	350,000	-	350,000
06-Apr-13	06-Apr-15	TSR	0.5780	0.1593	-	350,000	-	350,000
06-Apr-13	06-Apr-15	EPS	-	0.5517	-	500,000	-	500,000
06-Apr-13	06-Apr-15	TSR	-	0.3139	-	500,000	-	500,000
06-Apr-13	06-Apr-15	EPS	0.5780	0.2066	-	100,000	-	100,000
06-Apr-13	06-Apr-15	TSR	0.5780	0.1664	-	100,000	-	100,000
06-Apr-13	06-Apr-15	EPS	-	0.5614	-	50,000	-	50,000
06-Apr-13	06-Apr-15	TSR	-	0.3190	-	50,000	-	50,000
					13,200,000	9,000,000	(300,000)	21,900,000

1. Options with a zero exercise price are shown with a dash (-).

For the year ended 30 June 2009

Vesting date	Expiry Date	Hurdle type	Option Exercise price (\$)¹	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	0.7297	0.3016	-	6,950,000	(350,000)	6,600,000
04-Sep-11	04-Sep-13	SPG	0.7297	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 were exercised on 4 November 2009 (refer Note 38).

Notes to the Financial Statements CONTINUED

Note 39. Share-based payments - 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. From 30 June 2009, offers under the EDIP have been indefinitely suspended.

Further information is summarised in the below table for the year ended 30 June 2010 and 30 June 2009:

For the year ended 30 June 2010

Balance at start of the year	Acquisitions during the year	Disposals during the year	Balance at the end of the year
4,162,424	-	(412,179)	3,750,245

For the year ended 30 June 2009

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 currently operational.

Other share-based payments

For warrants issued or outstanding during the period and comparative period, refer to Note 26. In total 0.6 million options are outstanding over ordinary shares in the Company that were issued in previous years in consideration of acquisitions (2009: 5.6 million); refer note 26.

Note 39. Share-based payments - continued**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:

	2010 \$'000	2009 \$'000
Fair value of loan shares granted under the ELP to participating employees during the year	1,182	1,526
Fair value of options granted under the EIP to participating employees during the year	3,929	3,975
	5,111	5,501
Share-based payments expense arising from:	2010 \$'000	2009 \$'000
Loan shares granted under the ELP	831	768
Options granted under the EIP	1,676	656
	2,507	1,424

Comparator Group for grants prior to 1 July 2009

ASX	Company Name
1	ALS
2	EHL
3	HSP
4	HST
5	IDL
6	IRE
7	MYO
8	OKN
9	PXS
10	SGT
11	SKE
12	SLM
13	SLX
14	SPT
15	WTF
Reserve list ASX	Company Name
1	FWD
2	GWT
3	IFL
4	TAL

Comparator Group for grants from 1 July 2009

ASX	Company Name
1	AHD
2	ANN
3	CDU
4	CXP
5	EHL
6	FPH
7	HSP
8	IRE
9	PXS
10	SAI
11	SIP
12	SLM
13	SOT
14	SPT
15	WTF
Reserve list ASX	Company Name
1	CRG
2	FWD
3	GWT
4	IFL
5	TAL

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.

Notes to the Financial Statements CONTINUED

Note 40. 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 2, Level 27, 201 Sussex Street, Sydney, New South Wales, Australia.

(ii) Subsidiaries

The Consolidated Entity's interest in subsidiaries is set out in Note 33. 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 and have been made on behalf of employees to defined contribution and defined benefit plans:

	2010 \$'000	2009 \$'000
Expenses		
Superannuation contributions paid on behalf of employees	11,431	11,627

(iii) Jointly controlled entities

The Consolidated Entity has interest in 13 jointly controlled entities (refer Note 34). There were no significant transactions with these entities during the current and comparative period.

(iv) Special purpose entities

In connection with the operation of the Employee Loan Plan, the Company has an unsecured, zero coupon loan amounting to \$4.1 million (2009: \$11.3 million) with the iSOFT Group ESP Managers Pty Limited, as trustee of the iSOFT Group ELP Trust. During the year, the Company advanced Nil (2009: \$3.8 million) to the trustee in connection with shares made available to the trustee representing share grants made.

(v) Key management personnel

Disclosures relating to key management personnel are set out in Note 38.

(vi) 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 as at 30 June 2010, a 25.3% (2009: 25.9%) equity interest in the Company. During the year, the following transactions occurred with OCP:

	2010 \$'000	2009 \$'000
Expenses		
Directors fee (refer Note 38)	240	186
Finance costs		
Interest on subordinated secured borrowings ¹	-	8,517
Interest on convertible notes ²	2,760	2,257

1. Including amortised fees

2. Imputed interest at comparable interest rate, non-payable (refer Note 22)

Note 40. Related party transactions - continued*Convertible notes and ordinary shares transactions with the Company*

	2010 \$'000	2009 \$'000
Subscription to convertible notes	-	7,224
Conversion into ordinary shares in the Company	-	(7,224)
	2010 Number of Shares	2009 Number of Shares
Non-renounceable rights issue subscription to ordinary shares in the Company	-	58,405,141

During the year ended 30 June 2009, the Company agreed with OCP to pay a funding advisory and structuring fee amounting to \$0.5 million.

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.

Warrants

During the reporting period, no warrants were issued (2009: 2,923,751) in connection with the terms and conditions of the subordinated secured borrowings from OCP, which were repaid during the corresponding period. 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

Notes to the Financial Statements CONTINUED

Note 41. Exchange rates

The Consolidated Entity's financial performance and financial position is significantly influenced by foreign exchange rate fluctuations. The exchange rates of significant operating countries of the Consolidated Entity that applied during the year are as follows:

	Year ended 30 June 2010 Average	Year end 30 June 2009 Average	As at 30 June 2010 Closing	As at 30 June 2009 Closing
AUD to 1 GBP	1.8054	2.1720	1.7587	2.0521
AUD to 1 Euro	1.5737	1.8577	1.4247	1.7455
AUD to 1 Malaysian Ringgit	0.3386	0.3791	0.3589	0.3510
AUD to 1 Indian Rupee	0.0244	0.0270	0.0251	0.0255

The average exchange rates have been calculated by applying a weighted average according to the revenue of the Consolidated Entity.

Note 42. Parent entity disclosures

For the year ended 30 June 2010, the parent company of the Group was iSOFT Group Limited.

Information relating to the parent entity

	2010 \$'000	2009 \$'000
Current assets	72,422	101,098
Total assets	318,290	742,562
Current liabilities	12,915	16,323
Total liabilities	53,888	51,564
Issued capital	747,441	728,960
Retained earnings	(507,633)	(59,988)
Options & Warrants reserve	6,430	6,430
Share-based payments reserve	7,863	5,357
Foreign currency translation reserve	28	(34)
Option premium reserve	10,273	10,273
Total shareholders' equity	264,402	690,998
(Loss) or profit of the parent entity	(437,048)	14,257
Other comprehensive income/(expense)		
Foreign currency translation differences	62	28
Total comprehensive income of the parent entity	(436,986)	14,285

Impairment expense amounting to \$405 million was recognised in the parent company (2009: NIL).

Parent Entity contingencies

The parent entity entered into Letters of Credit and guarantees amounting to \$5.39 million as at 30 June 2010 (2009: \$2.4 million).

Parent Entity capital commitments

The parent entity has not entered into any capital commitments as at 30 June 2010 (2009: NIL).

Parent Entity guarantees in respect of debts of its subsidiaries

The parent entity entered into guarantees in respect of debts of its subsidiaries amounting to \$1.74 million as at 30 June 2010 (2009: \$1.74 million).

Note 43. Events occurring after balance date**Issuance of equity**

Since the reporting date, the Company issued 32,601,849 shares to YA Global Master SPV Ltd under the Yorkville Agreement, raising \$4,631,583.

Reorganisation of Senior Debt Facilities

Owing to the recent trading position of the Consolidated Entity, a restructure of the Consolidated Entity's senior debt facilities is required as well as a review of its capital structure. On 29 September 2010, the Consolidated Entity received a commitment letter from the senior lenders, which is fully underwritten, credit approved and binding commitment documentation setting out the terms on which the senior lenders have agreed to extend the Consolidated Entity's existing senior debt facilities and advance a new senior debt facility to the Consolidated Entity of up to GBP40 million. Final documentation is expected to be completed before 20 October 2010. The Consolidated Entity's ability to access the additional funding will be subject to a number of conditions. In the Directors' view, these conditions are either procedural in nature, in which case they believe the Consolidated Entity will be able to satisfy the conditions within the required time frame, or they are otherwise capable of being complied with by the Consolidated Entity. The Consolidated Entity anticipates that these conditions will be satisfied by 20 October 2010.

The new senior debt facilities will provide unrestricted access to the following lines of credit, with unchanged ranking of security:

	Maximum maturity	BFT maturity¹	GBP'000	\$'000
Total facilities				
Senior secured term loan A	23 June 2013	15 March 2012	52,500	92,332
Senior secured term loan B	15 March 2012	N/A	30,000	52,761
Senior secured revolver	23 June 2013	15 March 2012	30,000	52,761
Senior secured bridge revolver	31 December 2011	N/A	40,000	70,348
			152,500	268,202

Term loan A amortises at GBP3.75m per quarter with a bullet at maturity. Amortisation is deferred until the Bridge facility is discharged or 31 December 2011 whichever is earlier. During that time the Term loan is divided into two tranches: Tranche A being the original term facility and attracts UK Libor plus a margin of 500bps plus 6% PIK. Tranche B is the deferred amortisation payments which attracts UK Libor plus a margin of 550bps + 6% PIK; the PIK increases from 1 January 2011 by 125bps per quarter.

Term loan B and revolver attract UK Libor plus a margin of 450bps plus 5% PIK. There is bullet repayment at maturity. The bridge revolver attracts UK Libor plus a margin of 550bps plus 14% PIK; the PIK increases from 1 January 2011 by 125bps per quarter. There is bullet repayment at maturity.

1. Certain conditions subsequent, if not met by 15 November 2010, would shorten the maturity of certain tranches as a result of a bring forward trigger (BFT).

The Board has appointed financial and legal advisers to undertake a comprehensive review of the Consolidated Entity's capital and debt structure and talks are ongoing with prospective strategic and institutional investors. In addition, the Consolidated Entity is considering potential asset disposals. Any such asset sales would be structured so as not to damage the Consolidated Entity's core business assets. The Consolidated Entity has, subsequent to the reporting date, commenced a sale process with a number of prospective purchasers, although there is no assurance that any sale transaction will occur.

The Consolidated Entity has commenced an in-depth review of the Consolidated Entity's business operations and a number of aspects of that review are already in the process of implementation. With a focus on key geographies with the best growth prospects, it has already targeted:

- operational cost savings to be achieved by end of June 2011, over half of which through headcount reductions. These are targeted reductions and are not expected to jeopardise the growth prospects of the Consolidated Entity
- accelerating the streamlining and harmonisation of its product portfolio, which has already been reduced from more than 200 to 150 products
- a reorientation of business development and R&D to achieve greater flexibility and speed to market for new products

No other matters or circumstances have arisen since 30 June 2010 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 2010

In the Directors' opinion:

- the financial statements and notes set out on pages 46 to 137 and the remuneration disclosures that are contained in pages 25 to 44 of the Directors' Report are in accordance with the Corporations Act 2001, including:
 - i. complying with Australian Accounting Standards (including the Australian Accounting interpretations) and the Corporations Regulations 2001, and
 - ii. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2010, and of its performance and cash flows for the financial year ended on that date, and
 - iii. compliance with International Financial Reporting Standards issued by the International Accounting Standards Board as per Note 1(a) to the financial statements, and
- there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Acting Chief Executive Officer and Group Finance Director required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

Signed in accordance with a resolution of Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors



Robert Moran

Non-Executive Chairman



Anthony Sherlock

Non-Executive Director

Dated this 30th day of September 2010
Sydney

Independent auditor's report



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 statement of financial position as at 30 June 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, selected explanatory notes and the directors' declaration of iSOFT Group Limited (the consolidated entity). The consolidated entity comprises the entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of iSOFT Group Limited 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditors' 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 auditors' 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.

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

Independent auditor's report

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditors' 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 consolidated entity's financial position as at 30 June 2010 and of its 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 consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. 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.

Auditors' Opinion

In our opinion the Remuneration Report of iSOFT Group Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



PKF



Bruce Gordon

Partner

30 September 2010

Shareholder information

The shareholder information set out below was applicable as at 22 September, 2010.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding

Range	Ordinary shares
1 - 1,000	1,561
1,001 - 5,000	3,204
5,001 - 10,000	1,992
10,001 - 100,000	4,476
100,001 and over	710
Total	11,943
Less than a marketable parcel	3,772

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	Shares held	% of total shares
Oceania Healthcare Technology Investments Pty Limited	262,823,130	24.64
J P Morgan Nominees Australia Limited	119,827,131	11.23
HSBC Custody Nominees (Australia) Limited	94,502,113	8.86
National Nominees Limited	47,616,867	4.46
iSOFT Group ESP Managers Pty Limited	28,526,407	2.67
Mr Mohammad Al Zubair	23,682,104	2.22
ANZ Nominees Limited	22,683,055	2.13
Citicorp Nominees Pty Limited	22,153,927	2.08
RJL Investments Pty Ltd	20,307,773	1.90
Techno Holdings Pty Limited	10,816,913	1.01
Quatro Capital Pty Ltd	7,615,545	0.71
JP Morgan Nominees Australia Limited	6,829,629	0.64
Bellite Pty Ltd	5,324,767	0.50
Garsu Holdings Pty Ltd	5,292,302	0.50
Monet Technologies Pty Ltd	3,007,000	0.28
Citicorp Nominees Pty Limited	2,979,132	0.28
Pan Australian Nominees Pty Limited	2,538,502	0.24
Evanston Investments Limited	2,462,605	0.23
Mr Peter James Bald	2,400,000	0.22
Queensland Investment Corporation	2,305,260	0.22
	693,694,162	65.02

Shareholder information

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	21,900,000	76
Warrants over ordinary shares issued	4,203,747	1

Substantial holders

	Ordinary shares Number held	% of total shares issued
Oceania Healthcare Technology Investments Pty Limited	262,823,130	24.64
RJL Investments Pty Limited	212,270,019	19.9
Orbis Investment Management ¹	74,672,299	7.2
BlackRock Investment Management Group ²	65,164,129	6.2

RJL Investments Pty Ltd ("RJL", associated with Gary and Brian Cohen) is a substantial holder of the Company, holding 1.9% 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%.

1. As notified to ASX on 7 July 2010
2. As notified to ASX on 28 July 2010

Voting rights

The voting rights attached to ordinary shares such that on a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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

Robert B Moran

Non-Executive Chairman

Ronald C Series

Executive Director

Prof Claire L Jackson

Non-Executive Director

Ian Tsicalas

Non-Executive Director

Peter H Wise

Non-Executive Director

Anthony G Sherlock

Non-Executive Director

Lachlan R MacGregor

Alternate Director

Company Secretary

Howard T Edelman

Share registry

Computershare Investor Services Pty Limited
Level 4, 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
ABN 66 063 539 702

www.isofthealth.com

Copyright © 2010 iSOFT Group Limited. All rights reserved.