ANNUAL REPORT 2018

ORION HEALTH

Contents

There are forward-looking statements included in this Annual Report. As forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to OHE, its operations, the markets in which it competes and other factors (some of which are beyond OHE's control). As a result, actual results and conditions may differ materially from those expressed or implied by such statements.

Chairman and CEO Report

Dear Shareholder,

Financial Year 2018 was a year of repositioning Orion Health for stronger future growth. As part of a comprehensive strategic review of the global business, which is now in its final stages, we have reorganised the business to improve operating performance and realign the cost structure.

The Company continues to make solid progress executing on options that have come out of the strategic review, which began last year. Work on due diligence and structure is now substantially complete and documentation is well advanced. The Board is carefully reviewing its options. However, until any final agreement has been reached, there is no certainty that any transaction will result, or the terms of any such transactions that might transpire.

This Annual Report has been published on 29 June 2018, after the financial statements were published on 29 May 2018.

Operating revenue of $170 million was at the low end of the FY 2018 revised guidance range of $170 million to $173 million, due to timing of a major contract near year end. Annual recurring revenue continued to increase from 46% in FY 2017 to 50% in FY 2018 reflecting a continuing shift amongst the healthcare sector to migrate their systems to the cloud. There was an increase in FY 2018 operating losses to $40.4 million, however the second half of the 2018 financial year was the lowest half yearly operating loss in four years, consistent with the Company's ongoing focus on driving a long term sustainable and profitable business model.

The Company has sufficient capital to execute on its business plan in the forthcoming period with the projected revenue pipeline, a material reduction in the Group's costs, the return of receivables to a normalised level, a contracted sale of surplus land, and a renewed working capital facility of $20 million with ASB.

The reorganisation focuses the Company on where we see the greatest market potential for Orion Health solutions - Rhapsody™ integration engine, our Population Health suite of products and Hospitals information systems. These three main business units will leverage the recent product investments in our cloud platform, the culmination of significant R&D investments over the last three years and new analytics services using machine learning models. Fundamentally, this focus sets up a better organisational structure moving forward and will achieve greater agility, accountability and performance.

The Group removed approximately $10 million of costs in FY 2018 as part of the significant redesign of the operating model. With the reorganisation into the three main business units in early April 2018, approximately $30 million of additional costs has been removed. The Company now provides higher levels of customer service and support, at significantly lower operational costs and improving operating margins, while not jeopardising delivery capability or future scale.

Each of the three business units represent significant potential for Orion Health and are set up for growth in FY 2019 with a dedicated and focused team.

Profitable as a standalone business, Rhapsody is an established integration engine with significant potential in the United States, and recent growth in the Europe Middle East Africa (EMEA) and Asia Pacific (APAC) regions. While still in an investment phase, the Population Health business unit continues to represent a sizeable growth opportunity for the Company; using data analytics and machine learning models to drive precision medicine and disease diagnosis. The Hospitals business unit is approaching profitability and focuses on markets outside of the U.S. with proven solutions which provide clinicians and administrators with the best single view of a patient's record. Orion Health recently completed a considerable R&D milestone to migrate its Population Health suite and Rhapsody integration engine to the cloud using Amazon Web Services (AWS). These new cloud offerings are providing a catalyst for existing customers to upgrade and expand existing technology and allow us to deliver higher levels of customer service at lower operational costs.

Using the scalability of AWS, we rapidly pushed out 50 new software releases in a matter of months to a major Payor organisation in the U.S., Horizon Blue Shield of New Jersey, which went live recently. Rhapsody as a Service (RaaS) was launched as a cloud offering this year, providing customers with all of Rhapsody's powerful features but with a greater level of responsiveness and agility, and is already live at University of Louisville Hospital in Kentucky, U.S.

Regionally we continue to gather momentum striking important deals across all of the business units. From Australia to Singapore to the U.K, the Rhapsody business continues to gain traction – with the Department of Health and Human Services (DHHS) in Victoria where Rhapsody will run across the DHHS and 15 of its public health agencies; in Singapore the Ministry of Health is deploying Rhapsody to support over 50,000 users across eight public hospitals, eight national specialty centres and 18 polyclinics across Singapore's public health sector; and Nottingham University Hospitals NHS Trust in the UK is completing a complex project to switch integration engines on budget, on time, and with no disruption to services.

Population Health has also won a number of important deals globally – NHS Doncaster Clinical Commissioning Group to develop an integrated digital care record, Northern Ireland for a Patient Portal, and health and social care portals in 10 of 14 Health Boards across Scotland that serve millions of patients. Canada saw eReferrals rollout across Alberta Netcare increasing efficiency between primary care and specialists, and the Philippines' Asian Hospital and Medical Centre deployed further clinical functionality.

In a first of its kind in New Zealand, the Hospitals business unit saw a region-wide patient information system pioneered by the South Island Patient Information Care System (SI PICS) which shares health records across multiple District Health Boards.

Leadership

Mark Tisdel, Chief Financial Officer joined Orion Health in June 2017 from a publicly traded company in the Silicon Valley in the U.S. and has worked closely with the Board and executive to spearhead the global restructure and drive due diligence for the Group's strategic review options.

We also welcomed Michael Falconer to the Board of Directors in November 2017. Michael is a seasoned global business advisor, executive and investor with a background in investment banking, senior management roles in large companies and technology start-up investing and management.

Building a world-class product and a foundation of loyal customers in a complex sector, Orion Health has a significant growth opportunity in one of the world's largest industries. It took 20 years to achieve $100 million in revenue and four subsequent years to double it. The resulting material growth in R&D and selling costs against a background of economic uncertainty in the funding of U.S. healthcare organisations, impacted Orion Health's operating performance over the last few years. This is now abating, and we are well positioned for FY 2019. While Rhapsody continues its growth and the Hospitals business unit is close to breakeven, Orion Health will continue to invest for growth in the Population Health business unit, the future of precision medicine.

We remain committed to driving toward a return to growth in FY 2019 and building long term value for our customers and shareholders. We see the year ahead as an important stepping stone in our efforts to build a solid and competitive business. We wish to thank our shareholders for their continued support and look forward to sharing the results of our strategic review and our return to long term, sustainable profitability, in the coming months.

Ian McCrae
Director and Chief Executive Officer

Andrew Ferrier
Chairman

Financial Performance

$170m

Operating Revenue
Inline with previous announcement

50%

Recurring Revenue
% of Operating Revenue

$71m

Accounts Receivable
An all time high

($40m)

Operating Loss

Summary Financial Results

Financial Performance

In FY 2018 Orion Health implemented a full strategic review of the global business, resulting in the restructuring of the organisation to deliver improved performance and to capitalise on the transformation of the healthcare sector's shift to the cloud.

FY 2018 operating revenue of $170 million was at the low end of the FY 2018 revised guidance range of $170 million to $173 million, due to timing of a major contract near year end. However, annual recurring revenue grew from 46% in FY 2017 to 50% in FY 2018 as Orion Health expands its cloud-based products and services to all of its major markets. There was an increase in FY 2018 operating losses to $40.4 million, however the second half of the 2018 financial year was the lowest half yearly operating loss in four years, consistent with the Company's ongoing focus on driving a long term sustainable and profitable business model.

Revenue

Revenue stemming from Orion Health's core business includes development, implementation, sale, hosting and support of healthcare software for government agencies, insurers, hospitals and healthcare organisations. Purchased on a subscription basis, our software may also include hosting services (managed services) for an agreed period. In some regions, purchasing frameworks encourage our customers to acquire software as perpetual licences and are typically sold together with recurring support contracts. The subscription contracts and support contracts combined provide customers with ongoing product support and certain upgrades. Both subscription and perpetual contracts can include implementation and training or online learning services. Managed services and support contracts are classified as recurring revenue. The Company's remaining revenue is classified as non-recurring revenue.

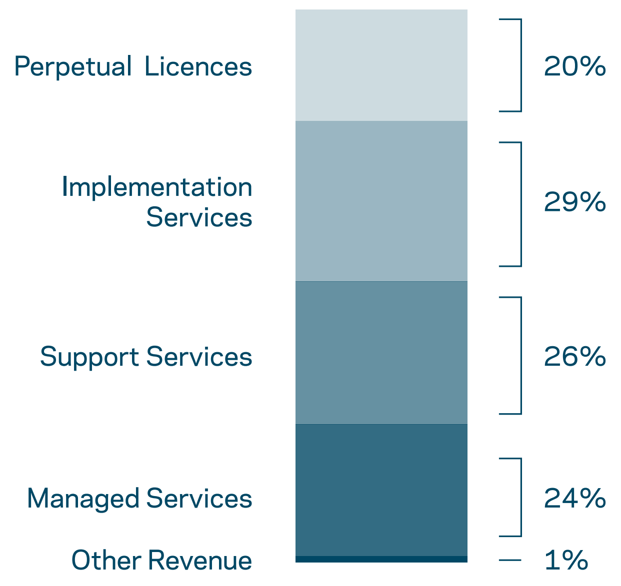
Managed services revenue: customers paying subscription fees which represent a combination of licence fees, software hosting fee, application support and management fees.

Support services revenue: perpetual licence customers paying ongoing recurring product support fees.

Perpetual licence revenue: up-front licence payment for the right to use software. In most instances, licences provide the customer with the right to use software in perpetuity. Some customers may have fixed term licences or are required to purchases new licences when software becomes outdated.

Implementation service revenue: implementation of our solutions for our customers as well as online learning services.

FY 2018 Operating Revenue by Product Category



Recurring Revenue

The Company continues to move to a recurring revenue model, helping drive the business toward an increased level of predictability of both revenue and cash flows. Annual recurring revenue as a percentage of operating revenue improved year over year from 46% to 50% in FY 2018, up from 33% three years ago.

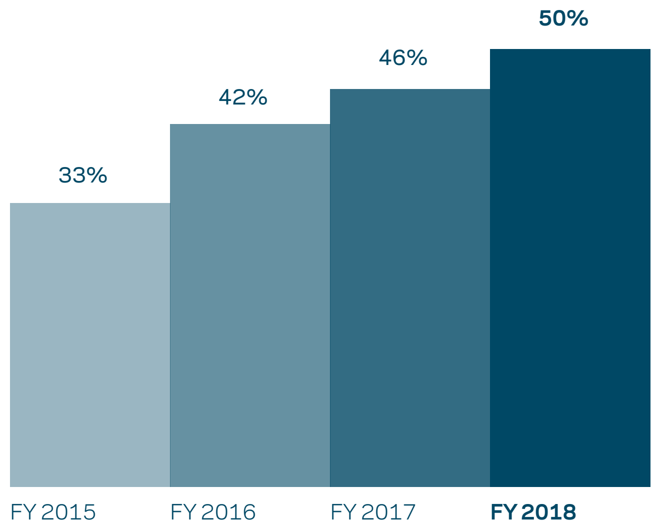
The foundations have now been laid with essential R&D built in cloud-based products and services, delivering standardised cloud offerings hosted on Amazon Web Services (AWS) for future scale. Customers are crediting Orion Health's cloud offerings for its capability to deal with the complex healthcare environment, incorporating the best of big data capability, continuous integration, security and open APIs. The subscription-based contracts and the support contracts provide ongoing product support and may include implementation and training services.

The new cloud offerings are also providing a catalyst for existing customers to upgrade and expand their existing technology. This shift amongst the healthcare sector to migrate their systems to the cloud is reflected in our sales pipeline for FY 2019.

Orion Health recently achieved AWS Advanced Partner status, stellar recognition of the Company's capability and commitment to host software in the cloud. This allows Orion Health to deliver, manage and secure data across their systems from multiple data sources, exponentially increasing software deployments, reducing risk and costly maintenance for healthcare organisations.

50%

Annual recurring revenue as a percentage of operating revenue



Revenue in Constant Currency

Orion Health has significant exposure to foreign currency movements. In FY 2018 90% of revenue was generated in foreign currencies. Operating Revenue for FY 2018 on a constant currency basis was $166.1m (FY 2017 $195.7m), a year on year movement of -15%. Operating revenue was earned in each of the major currencies during FY 2018 is as follows; USD 52%, CAD 13%, GBP 12%, NZD 10%, AUD 8%, EUR 3% and others 2%.

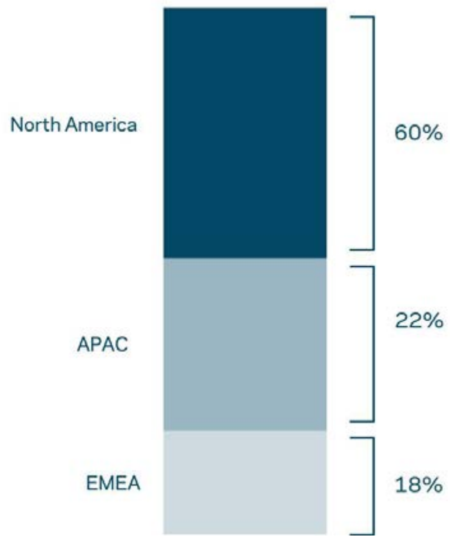
The significant exchange rates used in calculating revenue in constant currency terms were the budget exchange rates for the year ending 31 March 2018, are USD 0.71, GBP 0.60, CAD 0.96, EUR 0.70 and AUD 0.95.

FY 2018 budget exchange rates have been applied to FY 2018 and FY 2017 operating revenue to provide constant currency information contained in this financial commentary, including the percentage change. The constant currency analysis is non-GAAP financial information as defined by the NZ Financial Markets Authority. It has been provided to assist users of financial information to better understand and assess Orion Health's financial performance without the impacts of foreign currency fluctuations.

Globally Diversified Revenue

Orion Health continues to build on its global footprint. With more than 90% of operating revenue generated outside of New Zealand, the Company has a strong customer base in all three regions with 60% of operating revenue stemming from North America, 22% from the Asia Pacific (APAC) region and 18% from Europe, Middle East and Africa (EMEA) region.

Operating Revenue by Region



APAC

APAC continues to be a region with significant growth potential.

Australia has struck a series of important relationships including with the Department of Health and Human Services (DHHS) in Victoria to run Rhapsody across the DHHS and 15 of its public health agencies. The Philippines saw significant growth in its Hospitals business while in Singapore, Integrated Health Information Systems (IHiS), the health technology agency for the Ministry of Health deployed Rhapsody to support over 50,000 users across eight public hospitals, eight national specialty centres and 18 polyclinics across Singapore's public health sector; and Asian Hospital and Medical Center in the Philippines delivered further clinical functionality and improved patient experience across 145 clinics and 1000 medical professionals.

This year HealthOne, a partnership between Canterbury District Health Board, Orion Health and Pegasus Health in New Zealand was rolled out across all five District Health Boards in the South Island. The solution collects information across private, primary and secondary care to share relevant patient information electronically, giving clinicians access to the most up-to-date information for the over 800,000 New Zealanders in the South Island, helping to make more informed health decisions. The HealthOne solution has been a catalyst for change in the complex South Island health system and was recognised at the 2017 New Zealand Hi-Tech Awards, winning Best Technology Solution for the Public Sector.

North America

The United States operation continues to win important deals with top healthcare organisations and remains a significant opportunity for Rhapsody and Orion Health's Population Health suite of products.

Philips, a leader in health technology, significantly increased its footprint and extended its relationship with Orion Health to deploy the Rhapsody integration engine across various Philips global solutions.

Alberta Netcare rolled out Orion Health's eReferral across the Canadian province of Alberta to bridge the communications gap and increase efficiency between primary care and specialists.

A three-year agreement for Orion Health's Coordinate solution was signed with St. Vincent's HealthCare in Jacksonville, Florida, with a network of acute-care hospitals, nursing facilities, 30+ primary care centres, medical laboratories, and other services. Another key strategic partnership was galvanised with The Koble Group, a Minnesota based Health Information Organisation, for the Iowa Health Information Network to help to create a multi-state Health Information Exchange that connects crucial health information across state borders.

EMEA

The UK & Ireland gathered momentum with a series of contracts including Northern Ireland Patient Portal; successfully completing a complex project for Nottingham University Hospitals NHS Trust in the U.K to switch integration engines on budget, and with no disruption to services; an integrated digital care record between NHS Doncaster Clinical Commissioning Group to support people at home, preventing unnecessary visits to hospital; and a series of significant deals with both North and West of Scotland Boards bringing Orion Health's solutions to 10 of 14 Boards which serve millions of patients across Scotland.

The region continued its award-winning work in the healthcare sector recognised at the UK Health Tech Network Awards alongside the Camden Clinical Commissioning Group for Tech Project of the Year, Ireland's Tech Excellence Awards receiving the Digital Edge Award and the 2018 Turkish Enterprise Awards for Best Healthcare IT Systems Provider.

Restructure for Future Growth

In the face of growing and aging populations, the rise of chronic diseases, and global resource constraints, health systems the world over are under enormous strain. Digital technology is helping address the transformation necessary in the healthcare industry. As the healthcare market evolves, so too has Orion Health. The future potential for the Company's software and services is increasingly significant with offerings enabling interoperability across healthcare IT systems to advanced analytics supported by machine learning models to address critical issues within the sector.

The restructuring of Orion Health's operations announced on 3 April 2018, into three solution groups, will reposition the business to solve the big issues in healthcare today. Each of the three business units represent significant potential for Orion Health and are set up for growth in FY 2019 with a dedicated and focused team.

- Rhapsody is an integration engine for hundreds of healthcare organisations around the world. Considered vital data integration technology by Chief Information Officers and developers, the Rhapsody business unit will be focused on the opportunity in the U.S. and driving business globally. Orion Health also launched Rhapsody's cloud offering, Rhapsody as a Service, this year, and is already live at the University of Louisville Hospital in Kentucky, U.S.
- Population Health is focused on solutions for a digitally enabled and integrated health system delivering patient-centred healthcare and quality health outcomes. The greater precision of identifying at risk populations will transform the way clinicians work at the point of care. Unique to Orion Health, the Amadeus platform has the technology stack to operationalise the findings from the Amadeus Intelligence machine learning models. It can take in and store the data, then use the findings to surface through Orion Health Amadeus Analytics and Orion Health Coordinate to turn insights into clinical action. Healthcare organisations will improve their understanding of their patients both as an individual and as a population and be able to use this knowledge to provide targeted and appropriate care in a cost-effective manner.
- The Hospitals business unit is focused on our proven information systems software, Orion Health Enterprise, which provides clinicians with the best single view of a patients' clinical record, fundamental to automating processes, running an efficient hospital and increasing patient safety. Orion Health Consult, also part of the Hospitals business is a collection of clinical applications that enable the creation and presentation of managed and trusted clinical information, maximising the provider's ability to deliver precise patient care.

Profitable as a standalone business, FY 2018 saw Rhapsody generate $55 million in operating revenue and $27 million operating profit before a corporate overhead allocation, with 46% recurring revenue. The other two business units, Population Health and Hospitals combined had total operating revenues of $115 million with 52% recurring revenue and an operating loss of $47 million in FY 2018 as a result of the substantial investment in R&D, prior to a corporate overhead allocation. This analysis is non-GAAP financial information, as defined by the NZ Financial Markets Authority. It has been provided to assist users of financial information to better understand and assess Orion Health's financial performance as part of its restructure to three business units. In FY 2019, the two businesses will report separately when exact allocations and contributions have been finalised.

The Population Health business represents the largest growth opportunity for the Group and has had the majority of R&D investment over the last few years. With the huge influx in the volume of health data being collected from a myriad of sources in today's digital environment, precision medicine is the future of healthcare. Using solutions that have the ability to make meaningful use of this data will have a significant impact on the health outcomes of billions of people.

FY 2018 Estimated Revenue and Operating Profit/(Loss) Allocation by Business Unit

Operating Revenue	Rhapsody	Population Health & Hospitals	Unallocated Corporate Overhead (1)	*Total per Financial Statements*
Operating Revenue	55	115	-	*170*
Operating Profit/(Loss)	27	(47)	(20)	*(40)*

Rhapsody, Population Health, Hospitals and Corporate Overhead are unaudited
(1) R&D allocated to the business units and corporate overhead (including Finance, Legal, HR, Board) unallocated

Despite significant setbacks in the last year, with the attrition of state Health Information Exchange (HIE) customers in the U.S. who have lost government funding, Population Health continues to represent a sizeable global growth opportunity for Orion Health. Recently completing a considerable R&D milestone to migrate its Population Health suite to the cloud with AWS, this business unit is beginning to realise improved operating margins.

The restructure of the global business has helped to reposition Population Health and align revenue opportunity with costs to the business. As a result of the completion of a number of customer R&D commitments, a majority of the approximate $30 million additional cost reductions associated with the restructure impacted the Population Health business. The migration of customers to AWS also allowed the business to deliver higher levels of customer service at lower operational costs.

Each business unit will be accountable for their operating performance which will be reported separately in FY2019. The new structure will provide more clarity of purpose and bring each team closer to the outcome, the patients and healthcare professionals that they will help. By combining our product and delivery teams across regions, we will bring our people much closer to the customer, allowing them to gain a better understanding of their needs, problems they need solving, and to build stronger relationships for the long term.

Precision Driven Health

Orion Health's technology remains a point of difference globally. Precision medicine is gaining traction, and Orion Health is well positioned to capitalise on this exciting area of healthcare innovation. Precision Driven Health (PDH), the public private partnership cofounded by Orion Health, Waitemata District Health Board and the University of Auckland has completed several globally recognised research initiatives, confirming the untapped potential in predictive data analysis.

Orion Health announced earlier this year the commercialisation of PDH research, launching Amadeus Intelligence, a service using the power of data analytics and machine learning models to predict a number of use cases for population health. This creates the opportunity for healthcare providers to drive intervention programs, helping them to save lives and optimise health budgets.

In the last two years PDH has invested in 45 projects, supporting over 70 researchers including academics, students and industry developing prototype apps for vital signs monitoring and discharge management, chatbots, growth charts and stroke outcome prediction. Others have involved pilot studies that have saved lives, such as the AAA project. This project included a precision screening trial of 800 patients for Abdominal Aortic Aneurysm (AAA), a rapid and silent killer for people 65+. The trial identified 36 patients with AAA, a prevalence rate of 5.5%, almost exactly the rate that was predicted by the data analysis. One patient needed surgery to remove a 6cm bulge in his abdominal aorta. The precision screening saved his life.

The Health Outcome Prediction Engine (HOPE) for Stroke tool was designed to predict stroke recovery, giving patients and their families the opportunity to adjust their expectations and work with care providers to prepare for recovery. The system uses data from the Waitemata DHB Stroke Register to examine 2800 strokes over the past five years. It analyses existing socio-demographic and clinical variables such as stroke severity, living conditions, age, time spent in ED, and uses these to predict outcomes following the stroke such as length of stay and rehab requirements.

PDH was also awarded the Research and Business Partnership Award at the Kiwi Innovation Network awards.

PRECISION DRIVEN HEALTH

Delivering Cost Efficiencies

Taking a strategic global view of expense reduction, we have aligned the expenses of the company with the anticipated growth of the company.

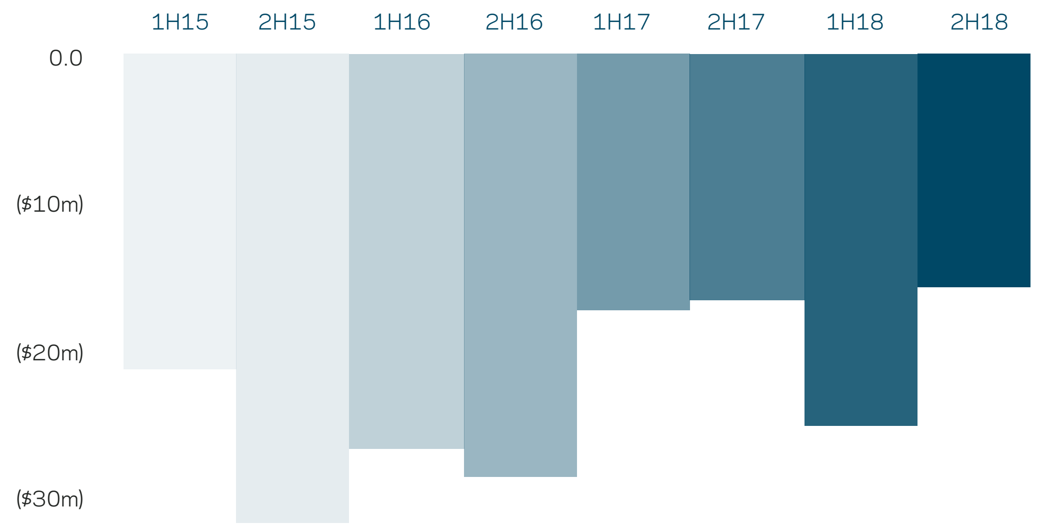
There was an increase in FY 2018 operating losses to $40.4 million, however the second half of the 2018 financial year was the lowest half yearly operating loss in four years at $15.4 million, consistent with the Company's ongoing focus on driving a long term sustainable and profitable business model.

Operating expenses have continued to trend downward three years running, with an 8% reduction from FY 2017.

From a cost efficiency perspective, the Group identified and executed on removing approximately $10 million of costs from across the business in FY 2018 as part of the significant redesign of the operating model. With the reorganisation into the three main business units in early April 2018, approximately $30 million of additional costs has been removed, the majority of which came from the Population Health business unit.

The Company now provides higher levels of customer service and support, at significantly lower operational costs and improving operating margins, while not jeopardising delivery capability or future scale. We will continue to invest in our customers, our people and our products as we operate with cost efficiency and continue our progression to a long term, sustainable profitable business model.

Lowest Half Yearly Operating Loss in Four Years

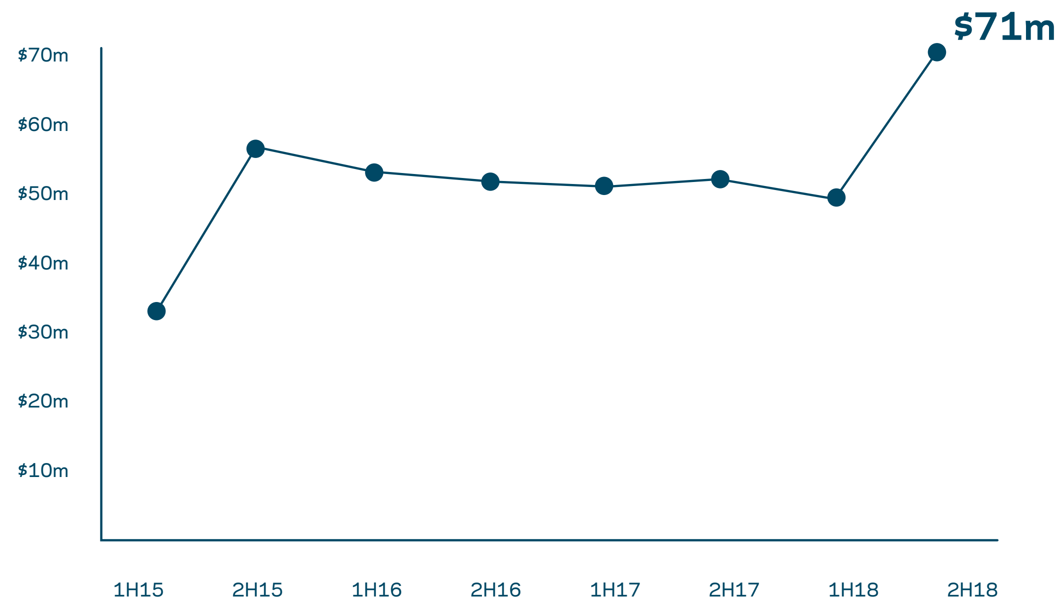


Cash, Financial Position and Facilities

The FY 2018 accounts receivable balance was at an all-time high for the year ending 31 March 2018 following strong invoicing towards the end of the financial year, the majority of which is expected to be collected during the first half of FY 2019.

The Company has sufficient capital to execute on its business plan in the forthcoming period with the projected revenue pipeline, a material reduction in Orion Health Group's costs, the return of receivables to a normalised level and a contracted sale of surplus land completed at the end of June 2018. As a technology company, we are focused on our cash position, understanding that the nature of our business is susceptible to fluctuations in cash and working capital, which is common to asset-based technology companies. As such, we have also renewed a working capital facility of $20 million with ASB. This reflects the bank's continued support for growth as we move into FY 2019.

All-Time High Accounts Receivable for Year Ending 31 March 2018



Board of Directors

Andrew Ferrier

Chairman and Independent Director, appointed December 2011

Andrew has held a number of director and executive positions for large multinationals and has 30 years of experience in international business. From 2003 to 2011, Andrew was Chief Executive Officer of Fonterra Co-Operative Group, New Zealand's largest company. Andrew currently runs his own investment company, Canz Capital, is Chairman of the New Zealand Government's economic development agency New Zealand Trade and Enterprise, sits on the Council of the University of Auckland and, in addition to Orion Health, sits on the boards of Bunge Ltd. in New York and George Weston Ltd. in Toronto, as well as other private and charitable boards.

Ian McCrae

Director and Chief Executive Officer, appointed March 2001

Ian founded Orion Health in 1993 with a four-person staff in Auckland. Before founding Orion Health, Ian was a senior telecommunications consultant for Clearfield Consulting, a network designer at Ernst & Young and a senior business analyst for the London Stock Exchange.

Ian holds a Masters in Engineering Sciences and a Bachelor of Engineering (Honours) from the University of Auckland. He completed his Masters with a thesis utilising a combination of maths and software programming to model Antarctic ice shelves.

Roger France, ONZM

Deputy Chairman and Independent Director, appointed February 2013

Roger was the Chief Financial Officer of two listed companies for 10 years followed by 15 years as a corporate advisory partner at PwC and one of its predecessor firms, Coopers & Lybrand.

Roger is Chairman of Tappenden Holdings, Director of Southern Cross Medical Care Society, Chairman of the Deep South National Science Challenge, Trustee of the University of Auckland Foundation, an advisory panel member of NEXT Foundation and a member of the Treasury Commercial Operations Advisory Board. Roger's past Board appointments include Fonterra, Air New Zealand, Fisher and Paykel Healthcare, Blue Star Group and Team New Zealand. He was Chancellor of The University of Auckland between 2009 and 2012 and he is a Fellow of both the New Zealand Institute of Directors and Chartered Accountants Australia and New Zealand.

John Halamka

Independent Director, appointed December 2016

John is the International Healthcare Innovation professor at Harvard Medical School, where he has served in both Republican and Democrat presidential administrations and advised national governments throughout the world on healthcare technology. He is also the Chief Information Officer at Beth Israel Deaconess Medical Centre (BIDMC) and Chairman of the New England Healthcare Exchange Network (NEHEN), as well as a practicing emergency physician.

In his role at BIDMC, John is responsible for all clinical, financial, administrative, and academic information technology, serving 3000 doctors, 12,000 employees, and 1 million patients.

Paul Shearer

Independent Director, appointed February 2013 (adviser to the Board since 2006)

Paul is the Senior Vice President of Sales & Marketing for Fisher & Paykel Healthcare, a global medical device manufacturer. Paul has over 25 years international experience working within the healthcare industry gained while managing and establishing FPH sales offices in North America, Europe and Asia. He is responsible for sales offices and employees in 35 countries. Paul is a Director of a number of Fisher & Paykel Healthcare subsidiaries and his prior experience includes positions held at ICL and Computercorp. He holds a Bachelor of Commerce from the University of Canterbury.

Ronald Andrews

Independent Director, appointed September 2016

Ronald has close to 30 years in governance and executive roles in the US Clinical and Molecular Diagnostics industry. He sits on the Board of Directors for several companies, both public and private, and is active on a number of charitable boards. He has extensive experience working with the US government in Washington and speaks regularly to industry groups.

He served as the President of the Genetic Science Division for Thermo Fisher Scientific until December 2014. Prior to this he held a number of high profile executive roles including President of the Medical Sciences Venture within the Life Technologies Corporation, and he served as CEO of Clarient, a public company on the NASDAQ, which was sold to General Electric Healthcare in December 2010.

Michael Falconer

Independent Director, appointed November 2017

Michael is a seasoned global business advisor, executive and investor with a background in investment banking, senior management roles in large companies and technology start-up investing and management, and is currently a Partner at High St Capital Partners. Over the last five years, Michael has provided advice to business owners and is a founding investor in technology start-ups NextMinute and OnSide. Prior to this, Michael spent more than 6 years in CFO and CEO roles at Carter Holt Harvey. Michael has worked with a wide range of businesses across different sectors and levels of maturity, assisting owners to drive value. Michael was acknowledged for his work with Synlait with the INFINZ 2015 Mergers & Acquisitions Transaction of the Year as Commercial Advisor to Synlait Farms.

Directors' Responsibility Statement

The directors of Orion Health Group Limited are responsible for the preparation, in accordance with New Zealand generally accepted accounting practice, of the financial statements which present fairly the financial position of the Orion Health Group Limited consolidated group (the Group) as at 31 March 2018 and the results of its operations and cash flows for the year ended on that date.

The directors consider that the financial statements of the Group have been prepared using accounting policies appropriate to the Group's circumstances, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards have been followed.

The directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and enable them to ensure that the financial statements comply with the Financial Markets Conduct Act 2013.

The directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial reporting. The directors consider that adequate steps have been taken to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are pleased to present the financial statements of the Group for the year ended 31 March 2018.

The Board of Directors of Orion Health Group Limited authorised these financial statements for issue on 29 May 2018.

For and on behalf of the Board

Andrew Ferrier
Chairman

Ian McCrae
Director and Chief Executive Officer

29 May 2018

Independent Auditors' Report

To the shareholders of Orion Health Group Limited

The financial statements comprise:
- the Consolidated Balance Sheet as at 31 March 2018;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion, the financial statements of Orion Health Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2018, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of other related assurance services (accounting advice and assistance, constant currency review and Callaghan schedule review) and treasury advisory services. The provision of these other services has not impaired our independence as auditor of the Group.

Material uncertainty related to going concern

We draw attention to the disclosures made in the financial statements concerning the Group's ability to continue as a going concern as disclosed in the basis of preparation in Note 1.

The financial statements have been prepared on a going concern basis, which is dependent on the ability of the Group to achieve forecasted revenue and cash receipts. These can be uncertain due to the inherent difficulty in assessing the timing of execution and payments for future contracts, including the impact of the recent restructuring, and the consequent ability to meet its obligations, including revised covenants under its banking agreement or secure alternative sources of funding.

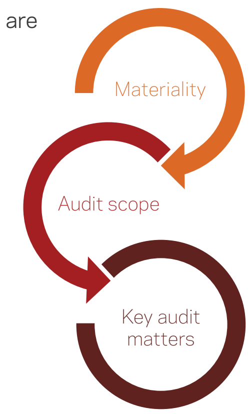
These conditions along with other matters as described in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The financial statements do not reflect any adjustments should the Group not be able to continue as a going concern and realise the value of its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Our audit approach

Overview
An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.
Overall group materiality: $1.7 million, which represents approximately 1% of Group revenue. We chose revenue as the benchmark because, in our view, it is the most appropriate measure of the performance of the Group.

We have determined that there are two key audit matters:
- Revenue recognition
- Research and development



Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's finance function is centralised at the Head Office in Auckland. All audit work in respect of the financial statements was performed by the Group engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Revenue recognition

The Group generates revenue from the development of software solutions in the healthcare industry. The contracts can be complex and are tailored specifically for each customer, including standard and customised software solutions, ongoing support contracts, and assistance with design and implementation of the solutions to local and overseas markets.

We consider revenue to be a key area of focus for our audit due to:

- the customised and complex nature of the contracts;
- the manual processes and controls for recording contracts; and
- the judgement in determining the appropriate period over which to recognise revenue.

The significant judgements by management in determining the appropriate basis of revenue recognition include:

- whether contracts contain elements which should be separated for revenue recognition purposes;
- determining the appropriate revenue recognition policy for the separable elements of the contract, including:
  - the period over which the revenue should be recognised ie. where there are perpetual licence fees which are a significant revenue stream and revenue recognition can be upfront or over the duration of an associated implementation project, depending on the nature of the software and the specific contract terms;
  - the degree of completion of contracts recognised on a percentage of completion basis; and
  - determining if the revenue was recorded in the correct period.

How our audit addressed the key audit matter

Our audit approach is largely substantive, given the non-standard nature of many of the contracts and the manual processes.
In responding to the significant judgments involved in determining whether the revenue has been recognised in accordance with the relevant policies, our audit procedures included:

- Updating our understanding of the systems, processes and controls for recording and calculating revenue and the associated accrued revenue and revenue in advance balances.
- Testing invoices and related contracts in place throughout the year to validate that the invoices are supported by a contractual arrangement.
- Testing the key report used in the approval of time recorded on projects that forms the basis of the percentage of completion calculations.
- Evaluating the judgements and estimates made by management in applying the Group's revenue recognition policy, including testing management's calculations of the degree of completion of contracts at year-end (accrued revenue and revenue in advance), based on total contract value, records of time spent to date and estimated time to complete (together the Source Data). We:
  - agreed a sample of the Source Data to contracts, time records and the estimates of time to complete made by project managers; and
  - validated these estimates of time to complete were reviewed and approved by management.
- Selecting a sample of contracts from throughout the year that included high value and complex contracts identified from material multi element contracts and our review of minutes. We obtained an understanding of the sampled contracts and compared the terms with the contract revenue recorded by management to determine whether the Group's revenue recognition policies had been appropriately applied.
- We gained an understanding of the circumstances giving rise to significant changes in estimates of time to complete and considered whether there was any indication of bias or unreliable estimates.

We gained an understanding of loss making contracts and assessed the adequacy of provisioning based on our audit work on estimated time to complete. We considered:

- the historical outturn of management's estimates of time to complete by reviewing their estimates at the end of April 2017 (in relation to opening balances) and updated estimates or actuals by March 2018 (in relation to closing balances) for high value contracts; and
- we understood any material revisions to the provisions made for loss making contracts.

We report:

- there will always be judgement in relation to revenue recognition given the customised and complex nature of the contracts; and
- our audit procedures identified audit adjustments. Management have adjusted the identified material adjustments. We also extended our audit scope as a result of these adjustments.

Key audit matter

Research and development
As disclosed in note 5.5 and note 3.2 the Group has expensed all research and development expenditure FY18: $61 million (FY17: $64 million), in the Consolidated Statement of Comprehensive Income.

The Group research and development personnel are involved in the development of new software offerings, enhancements to existing software and maintenance.

Our audit focused on this area due to the value of the research and development costs incurred, and the fact there is judgment involved in assessing whether the requirements detailed in the accounting standards for expensing or capitalising these costs have been met.

The most significant of these judgements include determining if the research and development spend has met the:

- technical feasibility criteria; and
- economic feasibility criteria.

Management's conclusion is that no material element of the spending this year on research and development meets the criteria for capitalisation because of a lack of technical and/or economic feasibility.

How our audit addressed the key audit matter

In responding to the significant judgments involved in determining whether research and development spend has been recognised in accordance with the relevant accounting standard, our audit procedures included:

- updating our understanding of management's process for assessing whether any research and development spend has met all of the NZ IAS 38 recognition criteria;
- reviewing the detailed analysis of the Group's research and development spend for the year allocated by expense category (maintenance, research, development) and product group and tested the reconciliation of amounts reported to accounting records.
- we had a meeting with management, including research and development personnel, to discuss the nature of work being completed for each product group and their assessment of the areas of judgement for each, in particular the stage of technical development and economic feasibility. Our own understanding of the financial position supported management's decision not to capitalise these costs
- considering other information obtained during the audit, including products and solutions being developed in relation to key customer contracts, the stage of related sales prospects and, where appropriate, the level of sales and returns obtained from previous generations of products and solutions, to determine whether the status and performance of those contracts corroborated management's assertions over the technical feasibility and the ability to generate 'probable' future economic benefits.

We did not identify any inconsistencies with management's conclusion that no material element of the spending this year on research and development meets the criteria for capitalisation.

Information other than the financial statements and auditor's report

The directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.

Responsibilities of the Directors for the financial statements

The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
Auckland

29 May 2018

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Keren Blakey.

Financial Statements

Contents

Consolidated Statement of Comprehensive Income

for the year ended 31 March

	Note	2018 NZ$'000	2017 NZ$'000
Operating revenue	3.1	170,122	199,074
Other income	8.2	9,198	7,946
Total Income		**179,320**	**207,020**
Expenses			
Direct operating costs and expenses		33,213	35,825
Employee benefits expense	8.2	147,976	161,728
Promotional expenses		2,587	3,002
Administration and other expenses		18,510	19,308
Occupancy expenses		10,742	11,944
Depreciation and amortisation expense		6,021	7,066
Net foreign exchange (gains)/losses		(1,924)	5
Other operating losses		2,596	932
	3.2	**219,721**	**239,810**
Operating loss		**(40,401)**	**(32,790)**
Finance income - interest income on cash, cash equivalents and term deposits		3	132
Finance income - other		516	175
Finance costs		(454)	(222)
Finance income - net		**65**	**85**
Loss before income tax		**(40,336)**	**(32,705)**
Income tax expense	7.1	302	1,510
Loss for the period attributable to equity holders of the Parent		**(40,638)**	**(34,215)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences	2.4	(509)	(1,324)
Items that will not be reclassified subsequently to profit or loss			
Revaluation of land	5.3	-	-
Total other comprehensive income		**(509)**	**(1,324)**
Total comprehensive loss attributable to equity holders of the Parent		**(41,147)**	**(35,539)**
Loss per share			
Basic and diluted loss per share (cents)	8.3	(21.8)	(19.5)

The accompanying notes form an integral part of these financial statements

Consolidated Balance Sheet
as at 31 March

	Note	2018 NZ$'000	2017 NZ$'000
ASSETS			
Current assets			
Cash and cash equivalents	4.1	9,628	10,091
Restricted cash	2.5	1,079	-
Trade and other receivables	5.1	63,082	53,381
Accrued revenue		9,872	16,761
Current income tax asset		2,642	2,391
		86,303	82,624
Assets held for sale	5.2	3,900	-
		90,203	82,624
Non-current assets			
Trade and other receivables	5.1	7,051	4,557
Accrued revenue		672	5,027
Deferred tax assets	7.2	1,975	1,867
Property, plant and equipment	5.3	6,572	12,782
Intangible assets – software	5.4	1,781	3,712
		18,051	27,945
TOTAL ASSETS		108,254	110,569
LIABILITIES			
Current liabilities			
Bank overdraft	4.1	5,172	4,198
Short-term borrowings	4.6	4,382	-
Trade and other payables	5.6	22,689	16,547
Current income tax payable		-	593
Employee benefits	5.7	11,241	16,442
Revenue in advance		37,044	31,360
Secured borrowings	5.1	4,158	3,661
Provisions for other liabilities	5.8	447	2,614
		85,133	75,415
Non-current liabilities			
Trade and other payables	5.6	298	491
Revenue in advance		2,003	305
Employee benefits	5.7	1,114	999
Provisions for other liabilities	5.8	507	858
Secured borrowings	5.1	-	4,059
		3,922	6,712
TOTAL LIABILITIES		89,055	82,127
NET ASSETS		19,199	28,442

Consolidated Balance Sheet (continued)
as at 31 March

	Note	2017 NZ$'000	2016 NZ$'000
EQUITY			
Share capital	6.1	190,735	159,057
Treasury shares	6.3	(2,120)	(2,120)
Share-based payment reserve	6.3	2,296	2,070
Accumulated losses		(172,050)	(131,412)
Foreign currency translation reserve	2.4	(2,038)	(1,529)
Asset revaluation reserve	5.3	2,376	2,376
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		19,199	28,442

The accompanying notes form an integral part of these financial statements.

For and on behalf of the Board, 29 May 2018

Andrew Ferrier
Chairman

Ian McCrae
Director and Chief Executive Officer

Consolidated Statement of Changes in Equity

for the year ended 31 March

	Note	Share capital NZ$'000	Treasury shares NZ$'000	Share-based payment reserve NZ$'000	Accumulated losses NZ$'000	Foreign currency translation reserve NZ$'000	Asset revaluation reserve NZ$'000	Total equity NZ$'000
Balance at 1 April 2016		158,651	(2,787)	1,020	(97,197)	(205)	2,376	61,858
Loss for the year		-	-	-	(34,215)	-	-	(34,215)
Other comprehensive income for the year		-	-	-	-	(1,324)	-	(1,324)
Total comprehensive loss for the year ended 31 March 2017		-	-	-	(34,215)	(1,324)	-	(35,539)
Issue of share capital, net of transaction costs	6.1	244	-	-	-	-	-	244
Issue of share capital – employee share schemes	6.2	(667)	667	-	-	-	-	-
Issue of share capital – in lieu of directors' fees	6.2	69	-	-	-	-	-	69
Vesting of share-based employee benefits	6.3	760	-	(760)	-	-	-	-
Accrual of share-based employee benefits	6.3	-	-	1,810	-	-	-	1,810
Total transactions with owners		406	667	1,050	-	-	-	2,123
Balance at 31 March 2017		159,057	(2,120)	2,070	(131,412)	(1,529)	2,376	28,442
Balance at 1 April 2017		159,057	(2,120)	2,070	(131,412)	(1,529)	2,376	28,442
Loss for the year		-	-	-	(40,638)	-	-	(40,638)
Other comprehensive income for the year		-	-	-	-	(509)	-	(509)
Total comprehensive loss for the year ended 31 March 2018		-	-	-	(40,638)	(509)	-	(41,147)
Issue of share capital, net of transaction costs	6.1	31,246	-	-	-	-	-	31,246
Issue of share capital – employee share schemes	6.2	-	-	-	-	-	-	-
Issue of share capital – in lieu of directors' fees	6.2	145	-	-	-	-	-	145
Vesting of share-based employee benefits	6.3	325	-	(325)	-	-	-	-
Accrual of share-based employee benefits	6.3	-	-	889	-	-	-	889
Shares lapsed		-	-	(338)	-	-	-	(338)
Cancellation of shares		(38)	-	-	-	-	-	(38)
Total transactions with owners		31,678	-	226	-	-	-	31,904
Balance at 31 March 2018		190,735	(2,120)	2,296	(172,050)	(2,038)	2,376	19,199

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March

	Note	2018 NZ$'000	2017 NZ$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash provided from			
Receipts from customers		182,639	177,039
Interest received		3	127
		182,642	**177,166**
Cash applied to			
Payment to suppliers		(66,425)	(80,371)
Payment to employees		(145,754)	(149,650)
Interest paid		(331)	(111)
Taxation paid		(1,290)	(1,845)
		(213,800)	**(231,977)**
Net cash outflow from operating activities	4.2	**(31,158)**	**(54,811)**
CASH FLOW FROM INVESTING ACTIVITIES			
Cash applied to			
Property, plant and equipment – additions		(1,440)	(2,245)
Intangible assets – additions		(308)	(2,165)
Net cash inflow/(outflow) from investing activities		**(1,748)**	**(4,410)**
CASH FLOW FROM FINANCING ACTIVITIES			
Cash provided from			
Proceeds from secured borrowings		-	7,720
Proceeds from short-term borrowings		28,436	-
Issue of shares	6.2	31,246	-
Cash applied to:			
Repayment of secured borrowings		(3,733)	-
Repayment of short-term borrowings		(24,054)	-
Net cash inflow from financing activities		**31,895**	**7,720**
TOTAL NET CASH INFLOW/(OUTFLOW)		**(1,011)**	**(51,501)**
Cash and cash equivalents at the end of period		**5,893**	**58,576**
Effect of exchange rate on foreign currency balances		653	(1,182)
Net cash inflow/(outflow)		(1,011)	(51,501)
Cash and cash equivalents at the end of period		**5,535**	**5,893**
Composition of cash and cash equivalents			
Cash and cash equivalents	4.1	9,628	10,091
Bank overdraft	4.1	(5,172)	(4,198)
Group net cash and cash equivalents		**4,456**	**5,893**
Restricted cash	2.5	1,079	-
Total cash and cash equivalents	4.1	**5,535**	**5,893**

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

for the year ended 31 March 2018

General Information | Accounting Policies | Critical Judgement

1. General information

The style of these financial statements is presented in a way that is intended to be more intuitive for readers to follow. This is done by laying out the accounting policies and critical judgements alongside the notes and focusing information in a way which provides increased clarity and ease of understanding.

The notes are grouped into eight major sections. Each section begins with an introduction which uses this section style and symbol. This first section outlines general information about the Group and further guidance on how to read this document.

These consolidated financial statements are for the economic entity comprising Orion Health Group Limited ('Company' or 'Parent'), its subsidiaries and associates (together referred to as the 'Group' and individually as 'Group entities").

The Parent and Group are designated as profit-oriented entities for financial reporting purposes.

The Company is incorporated and domiciled in New Zealand, is registered under the Companies Act 1993 and is a reporting entity for the purposes of the Financial Markets Conduct Act 2013. The Company is listed with NZX Limited with its ordinary shares quoted on the NZX Main Board and the ASX. The registered office is 181 Grafton Road, Grafton, Auckland 1010, New Zealand.

The principal activity of the Group is to provide healthcare information technology advancing population health and precision medicine solutions for personalised care across the entire health community. With its head office in Auckland, New Zealand, the company has a presence in 15 countries.

These financial statements were approved by the directors on 29 May 2018.

Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out throughout the document where they are applicable. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting policies are identified by this symbol and section style.

Critical judgements and estimates in applying the accounting policies

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on various other factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values for assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these critical judgements and estimates may be found throughout the financial statements as they are applicable and are identified by this symbol and section style.

Management judgement: going concern

As at 31 March 2018 the Group has net cash and cash equivalents of $4,456,000 (31 March 2017: $5,893,000), excluding restricted cash held by the PDH Joint Venture (as detailed in Note 2.5). In addition, the Group has a short term working capital facility of $4,382,000 (31 March 2017 nil). In July 2017 the group raised $31,246,000 of additional capital by way of a rights offer (refer to Note 6.1). The Group incurred a net loss of $40,638,000 (31 March 2017 net loss of $34,215,000) and had a net operating cash outflow for the year ended 31 March 2018 of $31,158,000 (31 March 2017: $54,811,000).

In assessing the adoption of the going concern assumption in the preparation of the financial statements the directors have reviewed and adopted the Group forecasts for the year ended 31 March 2019, including relevant sensitivity analysis, supplemented by high level forecasts for the two months ended 31 May 2019 and reviewed the existing working capital against Group requirements and have considered achievability of the assumptions underlying the forecasts.

The directors recognise a material uncertainty exists in relation to forecasting revenue and cash receipts due to the inherent difficulty in assessing the timing of execution and payments for future contracts, including the impacts of the recent restructuring, and the consequent ability to meet the Group's obligations, including revised covenants under its banking agreement, or secure alternative sources of funding. This material uncertainty may cast significant doubt on the Group's ability to continue as a going concern.

The directors have concluded that it is appropriate to continue to prepare these financial statements on a going concern basis because:

- They believe the forecast revenue assumptions are reasonable, having regard to recent sales performance, major identified prospects and the current level of committed contracts;
- They believe the forecast cash collections are reasonable having regard to the high levels of trade and other receivables at 31 March 2018;
- The forecast sensitivities indicate that the Group has a level of headroom in its committed bank facilities against shortfalls in forecast revenue;
- The Group has undertaken two major restructures in the past six months to align the cost base with lower revenue levels. The first in late 2017 has removed $10 million of costs on annual basis, and the second, announced in early April 2018 is on going and is intended to remove an additional $30 million of costs on annual basis;
- The Group retains flexibility to further reduce its cost base;
- The Group has access to a working capital facility with the ASB Bank of $20m expiring 31 May 2019 subject to compliance with the terms and conditions, including revised covenants in relation to maintaining a monthly minimum level of shareholders' funds, debtor coverage ratio and cumulative year to date earnings before interest rate and tax (EBIT) not deviating more than a fixed percentage from the target EBIT agreed with the Bank;
- Post balance date, the Group has entered into a conditional sale of the surplus land shown in the balance sheet as Assets held for sale (refer Note 5.2) at a price not less than the fair value reflected in the Balance Sheet with settlement due, subject to satisfactory completion of due diligence by the purchaser, on 29 June 2018;
- The Group continues to progress the strategic review and is well advanced with several possible outcomes.

The financial statements do not reflect any adjustments should the Group not be able to continue as going concern and realise the value of its assets and discharge its liabilities in the normal course of business

2. Basis of preparation of financial statements

This section outlines the legislation and accounting standards which have been followed in preparing the financial statements as well as explaining how the information has been aggregated.

2.1 Key legislation

The financial statements of the Group have been prepared in accordance with the requirements of:

- Part 7 of the Financial Markets Conduct Act 2013;
- the NZX Main Board Listing Rules; and
- the ASX Listing Rules.

2.2 Accounting standards

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with:

- New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS);
- Other applicable Financial Reporting Standards, as appropriate for profit-oriented entities; and
- International Financial Reporting Standards (IFRS).

The financial statements have been prepared on the basis of historical cost, except when specific items are carried at fair value as identified in specific accounting policies.

2.3 Changes in accounting policies and estimates

There are no new standards, amendments or interpretations that are effective for the first time this financial year that have had a material impact on the Group.

The financial statements do not reflect any adjustments should the Group not be able to continue as going concern and realise the value of its assets and discharge its liabilities in the normal course of business.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2017 and not early adopted

New standards, amendments and interpretations issued by the International Accounting Standards Board (IASB) and the External Reporting Board (XRB) have been published that will be mandatory for the Group's accounting periods beginning on or after 1 April 2017. None of these standards have been early adopted by the Group. These new standards, amendments and interpretations potentially impacting the Group include:

- NZ IAS 7 'Financial Instruments: Disclosures'. The Group has included a net debt reconciliation in Note 4.3 below.
- NZ IFRS 9 'Financial Instruments' (2014) (NZ IFRS 9) replaces the multiple classification and measurement models in NZ IAS 39 and introduces a revised model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting.

  The Group intends to apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables will be grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 March 2018 is not expected to be materially different.

  The standard will be effective for the Group from the year ending 31 March 2019.
- NZ IFRS 15 'Revenue from contracts with customers' (NZ IFRS 15) replaces NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and is effective for periods commencing on or after 1 January 2018. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control therefore replaces the existing notion of risks and rewards. The most significant changes that flow from the new standard are:
  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - Revenue may be recognised earlier than under current standards if the consideration varies for any reason (such as incentives, rebates, performance fees, royalties, success of an outcome, etc).
  - The point at which revenue is able to be recognised may shift: some revenue that is currently recognised at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are specific rules and implementation guidance on accounting for intellectual property licences.
  - There are likely to be increased disclosures.

  The Group has an IFRS Project working group assessing the effect of applying the new standard on the consolidated financial statements. The working group has achieved certain milestones during the period and

  the premlinary view is the impact of the new standard on perpetual licence revenue, managed service revenue and support service revenue is not expected to be material.

  Management has concluded that, given the nature of the Group's bundled services, it will be necessary to complete further analysis in relation to the fair values allocated to particular elements of the multiple arrangements contracts. This is expected to result in an impact on timing of revenue recognition as the values allocated to separate elements recognised in point of time or recognised over the contract term may differ from the current treatment.

  The Group has also identified the following areas for further assessment:
  - Implications of financing component considerations for contracts with payment terms exceeding 1 year.
  - Costs may meet the definition to be capitalised as contracts costs.

The standard permits either a full retrospective or a modified retrospective approach for adoption. The Group currently intends to adopt the standard using the modified retrospective approach, which means the cumulative impact (if any) of the adoption will be recognised in retained earnings as at 1 April 2019 and that comparatives will not be restated.

- **NZ IFRS 16 'Leases'** (NZ IFRS 16) was issued in February 2016 and will replace NZ IAS 17 'Leases' (NZ IAS 17) and related interpretations and is likely to have a material impact on the Group. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, the Group, as a lessee, is required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires Orion Health as a lessee to recognise a lease liability reflecting future lease payments and a 'right- of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases (generally, those with a term of 12 months or less) and leases of low-value assets; this exemption can only be applied by lessees. IFRS 16 contains new procedures for measuring the lease term and lease payments. The lease term must include extension periods if it is reasonably certain that a lease will be extended. Lease payments must incorporate variable payments that depend on an index or rate and purchase options which are reasonably certain to be exercised. Lessors are required to apply these principles in a similar manner. Details of the Group's current operating lease commitments can be found in Note 8.6. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Management has established an IFRS transition working group and commenced collation of information from all its subsidiaries on the lease commitments. Management is working to a project plan to facilitate transition within the mandatory period.

The standard can be applied early, but only in conjunction with NZ IFRS 15; otherwise, the mandatory effective date is for periods beginning on or after 1 January 2019. The standard will be effective for the Group from the year ending 31 March 2020.

All other standards, interpretations and amendments issued but not yet effective are either not applicable to the Group or not material.

2.4 Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of Orion Health Group Limited and its New Zealand subsidiaries are New Zealand dollars ($ or NZ$). Functional currencies of other material subsidiaries are included in Note 2.5 below.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at reporting date exchange rates are recognised in the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency, such as property, plant and equipment, are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Group Companies' functional currencies to presentation currency

The Group translates the results, assets and liabilities of its foreign operations from their functional currencies to New Zealand dollars using the closing exchange rate at reporting date for assets and liabilities and the relevant monthly exchange rates for income and expenses. The differences arising from the translation of the Balance Sheet at the closing rates and the Statement of Comprehensive Income at the monthly rates are recorded in Other Comprehensive Income and accumulated within the foreign currency translation reserve (FCTR) in equity.

Market risk – foreign currency risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies arising from normal trading activities. The foreign currencies in which the Group primarily transacts are the functional currencies of the subsidiaries listed in Note 2.5 below. Where exposures are certain, it is the Group's policy to evaluate the risk and hedge these risks in accordance with the Treasury Policy approved by the Board. Assessments of foreign currency risk are included within Note 4.7.

2.5 Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Name of entity	Nature of business	Country of incorporation	Functional currency	Interest held by Group (%) 2018	2017
North America (NA):					
Orion Health Inc.	Software development, sales and support	USA	USD	100	100
Orion Health Limited	Sales and support	Canada	CAD	100	100
Europe, Middle East & Africa (EMEA):					
Orion Health Limited	Sales and support	United Kingdom	GBP	100	100
Orion Health S.L.U.	Sales and support	Spain	EUR	100	100
Orion Health SAS	Sales and support	France	EUR	100	100
Orion Sağlık ve Bilgi Sistemleri Limited Şirketi	Sales and support	Turkey	USD	100	100
Orion Health Systems FZ-LLC	Sales and support	United Arab Emirates	AED	100	100
Asia Pacific (APAC):					
Orion Health Limited	Sales and support	New Zealand	NZD	100	100
Orion Health Pty. Limited	Software development, sales and support	Australia	AUD	100	100
Orion Health Limited	Software development, sales and support	Thailand	THB	100	100
Orion Health Pte. Limited	Sales and support	Singapore	SGD	100	100
Orion Health China Limited	Sales and support	New Zealand	NZD	100	100
Orion Health Software Technology (Shanghai) Co.,Ltd	Sales and support	China	RMB	100	100
Orion Health Philippines, Inc.	Sales and support	Philippines	PHP	99.9	99.9
Corporate & Development (Corp/Dev):					
Orchestral Developments Limited	Software development	New Zealand	NZD	100	100
Orion Systems International Limited	Management services	New Zealand	NZD	100	100
Orchestral Developments International Limited	Holding company	New Zealand	NZD	100	100
Orion Health Corporate Trustee Limited	Holding company	New Zealand	NZD	100	100
McCrae Research Limited	Holding company	New Zealand	NZD	100	-
Orion Health Properties Limited	Property owner	New Zealand	NZD	100	100

The financial year end of all subsidiaries is 31 March. Orion Health Software Technology (Shanghai) Co., Ltd operate a parallel 31 December financial year end due to local requirements.

No subsidiaries were acquired during the period in relation to business combination transactions.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

Precision Driven Health – joint venture

Precision Driven Health (PDH) is a joint venture in New Zealand between McCrae Research Limited, Orchestral Developments Limited (a subsidiary of the Group), Waitemata District Health Board and Auckland UniServices Limited, with support from the Ministry of Business, Innovation and Employment (MBIE).

PDH contributes to research initiatives in New Zealand and internationally in the new area of precision medicine.

The operational office of PDH is Orion House, 181 Grafton Road, Grafton, Auckland, New Zealand.

The joint venture agreement in relation to PDH requires unanimous consent from all parties for all relevant activities. The owner parties have direct rights to the assets of the arrangement and are liable for the liabilities incurred by the operation.

The 'joint venture' does not constitute either a joint venture or a joint arrangement as defined in IFRS 11. Based on the proportion of contributions made to date the Group recognises 86% of its direct right to the assets, liabilities, revenues and expenses.

The cash balance is referred to as 'restricted' as it can only be spent on approved research projects within the PDH arrangement.

3. Financial performance

This section outlines further detail around the performance of the Group by building on information presented in the Statement of Comprehensive Income.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and is recorded net of sales taxes, value added taxes, discounts and after eliminating sales within the Group. When deferred payment terms have a significant impact on the calculation of the fair value of revenue, it is accounted for by discounting future payments at a rate reflective of the credit risk of the counterparty.

The following specific recognition criteria must also be met before revenue is recognised:

Perpetual licences: Revenue from 'off-the-shelf' software (or non 'off-the-shelf' software sold without an implementation services contract) is recognised in the month of billing. For non 'off-the-shelf' software sold with an implementation services contract, the revenue is deferred and recognised in proportion to the percentage completed of the associated implementation services contract.

Implementation services: Time and materials contracts are generally billed monthly in the month in which the service is provided. The revenue is recognised in the month of billing, as services are provided.

Fixed price contracts are typically designed on milestone achievement. Normally invoicing is aligned to these milestones. Revenue recognition is aligned to the percentage of work completed.

Where a loss is expected to occur, it is recognised immediately, and provision is made for both work in progress completed to date and for future work required to complete the contract.

Support services: Support and maintenance services are generally billed in advance for a fixed term. Revenue is deferred and recognised on a straight-line basis over the term of the contract billing period, as services are provided.

Managed services: Managed services revenue can contain subscription licence, managed software support and maintenance, hosting and application management revenue. These revenue streams are generally billed in the form of a combined subscription charge and are usually billed in advance for a fixed term. Revenue is deferred and recognised on a straight-line basis over the term of the contract billing period, as services are provided.

Training: Training is billed in the month in which the service is provided. The revenue is recognised in the month of billing, as services are provided.

Other income: Other income includes government grants and property revenue and the share of PDH income. Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received, and all attached conditions will be complied with. Government grants are recognised as income when conditions are met over the term of the grant agreement. Property revenue includes sub-lease rental income, recognised as income in on a straight-line basis over the lease term.

Management judgement: revenue recognition

As part of deriving operating revenue, revenue in advance and accrued revenue on projects, the percentage completion of implementation services contracts must be estimated by the persons managing the project. This process uses estimations of time required to complete the project and is based on detailed information on hours worked to date, prior experience and project scheduling tools. The Group employs project managers to provide regular information to management on the progress of projects. All estimates are reviewed for the purposes of the annual financial statements by senior management.

3.1 Segment information

The Group has four reportable segments, three of which are the regions of the Group's business operations in the sale, implementation, hosting and support of software in the healthcare IT market and one is for corporate and development. For each reportable segment the Executive Leadership Team (ELT, the Chief Operating Decision Maker), reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included below. The segment contribution is the key measure of performance, as included in the internal management reports that are reviewed by the ELT. The segment contributions shown below are non-GAAP measures. The assets and liabilities of the Group are reported to and reviewed by the ELT in total and are not allocated by operating segment. Therefore, operating segment assets and liabilities are not disclosed.

The total of non-current assets other than financial instruments and deferred tax assets by physical location is as follows:

- New Zealand: $2,638,000 (2017: $7,541,000)
- USA: $2,441,000 (2017: $4,786,000)
- Other countries: $3,388,000 (2017: $4,167,000)

Segment revenue is based on customer location. No single customer accounted for more than 10% of the Group's third party operating revenue.

The inter-segment transactions are to meet the Group's international transfer pricing policies.

Regional segmentation by category of product/service:

31 March 2018	NA NZ$'000	APAC NZ$'000	EMEA NZ$'000	Corp/Dev NZ$'000	Total NZ$'000
Revenue: external					
Perpetual licences	18,586	9,112	5,521	-	33,219
Implementation services	21,132	14,797	14,011	-	49,940
Support services	24,067	9,190	10,373	-	43,630
Managed services	36,280	3,808	1,022	-	41,110
Other revenue	1,079	243	315	586	2,223
Operating revenue	**101,144**	**37,150**	**31,242**	**586**	**170,122**
Segment contribution - external	**20,958**	**13,832**	**(954)**	**(76,161)**	**(42,325)**
Inter-segment transactions	(18,889)	(12,092)	1,218	29,763	-
Segment contribution	**2,069**	**1,740**	**264**	**(46,398)**	**(42,325)**
Significant non-cash items recognised in segment operating profit/(loss)					
Depreciation and amortisation	(3,178)	(628)	(633)	(1,582)	(6,021)
Operating losses and movements in provisions	(951)	(122)	(535)	-	(1,608)

31 March 2017	NA NZ$'000	APAC NZ$'000	EMEA NZ$'000	Corp/Dev NZ$'000	Total NZ$'000
Revenue: external					
Perpetual licences	31,211	3,178	11,184	-	45,573
Implementation services	27,732	15,731	15,326	-	58,789
Support services	22,044	9,762	8,660	-	40,466
Managed services	47,236	1,446	3,243	-	51,925
Other revenue	1,269	127	216	709	2,321
Operating revenue	**129,492**	**30,244**	**38,629**	**709**	**199,074**
Segment contribution - external	**37,855**	**7,389**	**4,747**	**(82,776)**	**(32,785)**
Inter-segment transactions	(33,014)	(5,392)	(5,051)	43,457	-
Segment contribution	**4,841**	**1,997**	**(304)**	**(39,319)**	**(32,785)**
Significant non-cash items recognised in segment operating profit/(loss):					
Depreciation and amortisation	(3,466)	(1,074)	(570)	(1,956)	(7,066)
Operating losses and movements in provisions	2,438	71	(583)	-	1,926

Reconciliation from segment contribution to consolidated operating loss:

	2018 NZ$'000	2017 NZ$'000
Segment contribution	(42,325)	(32,785)
Net foreign exchange gains/(losses)	1,924	(5)
Operating loss	**(40,401)**	**(32,790)**

Revenue by geographical location:

	2018 NZ$'000	2017 NZ$'000
New Zealand	18,645	16,600
All other global locations	151,477	182,474
Total revenue	**170,122**	**199,074**

3.2 Operating expenses

The following disclosure provides additional information in relation to expenses included within the Statement of Comprehensive Income.

Refer to Note 8.2 for specific disclosure as required for certain items of expense.

	2018 NZ$'000	2017 NZ$'000
EXPENSES: BY FUNCTION		
Research and development (refer Note 5.5)	,969	64,043
Sales and marketing	33,530	36,334
Support services	4,320	4,250
Implementation services	42,496	47,468
Managed services	35,406	39,346
General and administration	43,000	48,369
	219,721	**239,810**

4. Cash and cash flows

This section builds on information from the Statement of Cash Flows and provides detail around the cash, cash equivalents and term deposits held on the Balance Sheet. The section also addresses a range of financial risks associated with these balances and how the Group manages these risks.

4.1 Cash and cash equivalents and term deposits

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank balances, call deposits and term deposits with maturities at inception of three months or less.

Restricted cash

Restricted cash relates to PDH and the funds are applied to approved research projects only.

Cash and cash equivalents within the Statement of Cash Flows

For the purpose of the Statement of Cash Flows, bank overdrafts that are repayable on demand, call deposits and term deposits with original maturities of three months or less are all considered to form an integral part of the Group's cash management and are therefore included as a component of cash and cash equivalents. Term deposits with original maturities of greater than three months are classified as investing activities.

	2018 NZ$'000	2017 NZ$'000
Cash and cash equivalents	9,628	10,091
Bank overdraft	(5,172)	(4,198)
Group net cash and cash equivalents	**4,456**	**5,893**
Restricted cash	1,079	-
Total cash and cash equivalents	**5,535**	**5,893**

The carrying amounts of the Group's cash and overdraft facilities approximate their fair value.

4.2 Reconciliation of net loss for the year with net cash flows from operating activities

	2018 NZ$'000	2017 NZ$'000
NET LOSS AFTER INCOME TAX	(40,638)	(34,215)
Adjusted for:		
Depreciation and amortisation	6,021	7,066
Loss on disposal of property, plant and equipment	600	532
Interest received	(516)	-
Movements in receivables	451	-
Movement in provisions for doubtful debts	1,996	411
Movement in provisions for other liabilities	(1,692)	(2,320)
Deferred tax	(108)	1,720
Current tax	410	-
Net gain/(loss) on foreign exchange	(1,924)	5
Share based payments	658	2,123
Impact of changes in working capital items		
Increase/(decrease) in trade and other payables	5,949	178
Increase/(decrease) in employee entitlements payable	(5,616)	4,357
Increase/(decrease) in revenue in advance	7,382	(26,919)
Increase/(decrease) in provisions for other liabilities	(2,518)	(968)
(Increase)/decrease in trade and other receivables	(12,195)	(4,424)
(Increase)/decrease in accrued revenue	11,244	(434)
(Increase)/decrease in taxation payable	(662)	(1,923)
Net cash outflow from operating activities	(31,158)	(54,811)

4.3 Net debt reconciliation

This note sets out an analysis of net debt and the movements in net debt for the current financial year only.

Net debt reconciliation

	2018 NZ$'000	2017 NZ$'000
Cash and cash equivalents	9,628	10,091
Bank overdraft	(5,172)	(4,198)
Group net cash and cash equivalents	4,456	5,893
Restricted cash	1,079	-
Total cash and cash equivalents	5,535	5,893
Borrowings - short-term borrowings (Note 4.6)	(4,382)	-
Borrowings - secured borrowings (Note 5.1)	(4,158)	(3,661)
Borrowings - secured & repayable after one year (Note 5.1)	-	(4,059)
Net debt	(3,005)	(1,827)
Cash and cash equivalents	9,628	10,091
Restricted cash	1,079	-
Gross debt – variable interest rates	(5,172)	(4,198)
Gross debt – fixed interest rates	(8,540)	(7,720)
	(3,005)	(1,827)

Net debt movement

	Assets	Liabilities from financing activities		
	Cash/bank overdraft NZ$'000	Borrowings due within one year NZ$'000	Borrowings due after one year NZ$'000	Total NZ$'000
Balance at 1 April 2017	5,893	(3,661)	(4,059)	(1,827)
Cash flow	(1,011)	(649)	-	(1,660)
Foreign exchange adjustments	653	(72)	(99)	482
Other non-cash movements	-	(4,158)	4,158	-
Net debt at 31 March 2018	5,535	(8,540)	-	(3,005)

4.4 Credit risk on monetary assets

The credit risk on cash and cash equivalents is limited because counterparties are banks with high credit ratings assigned by international credit-rating agencies. All significant balances within cash, cash equivalents and term deposits are held with banks with a Standard & Poors ('S&P') rating of A+ or above. The S&P rating represents the rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

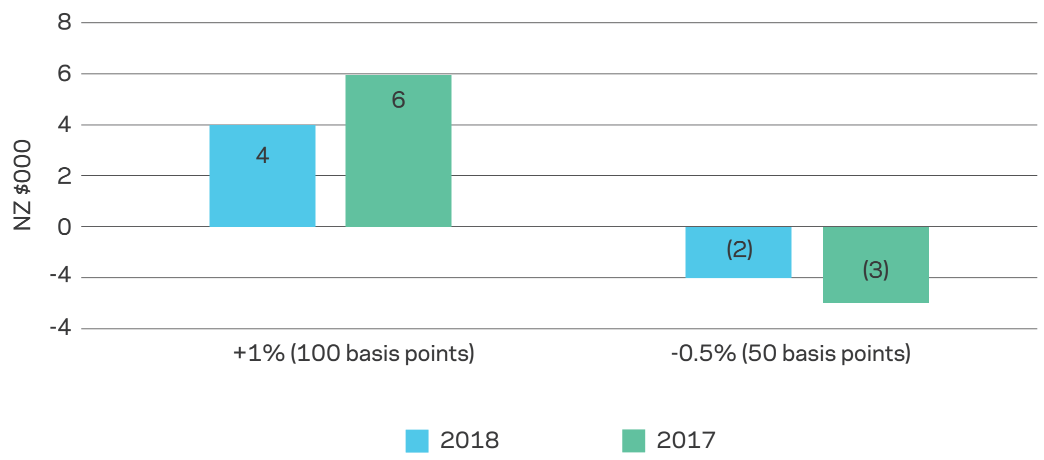
4.5 Interest rate risk

The exposure to market interest rates relates primarily to cash and cash equivalents and bank overdrafts, as well as the secured borrowing (refer to Note 5.1).

At reporting date, the Group had the following mix of financial assets and liabilities exposed to New Zealand variable interest rate risk:

	2018 NZ$'000	2017 NZ$'000
Financial assets		
Cash and cash equivalents	9,628	10,091
Restricted cash	1,079	-
Financial liabilities		
Bank overdraft	(5,172)	(4,198)
Short-term borrowings	(4,382)	-
Secured borrowings	(4,158)	(7,720)
Net exposure	**(3,005)**	**(1,827)**

At 31 March, if interest rates had moved, as illustrated in the graph below, with all other variables held constant, post-tax result and equity would have been affected as follows:



4.6 Bank facilities and liquidity risk

Bank overdraft

Bank overdrafts are interest-bearing liabilities and are designated as non-derivative financial instruments.

Short term borrowings

Short-term borrowings are drawdowns on the working capital facility on a fixed short-term basis normally one month and repayable within 12 months.

Borrowing costs

Borrowing costs are expensed as incurred.

Liquidity risk arises from the Group's ability to meet its obligations when they fall due. The Group manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly, weekly and daily basis.

At balance date the Group holds a multi-currency working capital facility with a limit of NZD 30,000,000 and a standby facility with a limit of NZD 10,000,000 (2017: a multi-currency working capital facility with a limit of NZD 30,000,000 and a standby facility with a limit of NZD 10,000,000). These facilities expire on:

- Working Capital Facility, NZD 30,000,000, 30 November 2018
- Standby Facility, NZD 10,000,000, 21 August 2018

An amount of $4,382,000 (2017: $nil) was drawn under the working capital facility at balance date.

On the working capital facility:

- for NZD denominated borrowings, overdraft interest is payable at either:
  - o the ASB Corporate Indicator Rate plus applicable margin; or
  - o the BKBM bid rate for the relevant interest period plus applicable margin.
- For non-NZD denominated borrowings, overdraft interest is payable at either:
  - o the LIBOR bid rate for the relevant interest period plus applicable margin; or
  - o the rate of interest that ASB Bank agrees to make the funds available plus applicable margin.

On the standby facility, interest is charged based on the BKBM bid rate for the relevant interest period plus applicable margin.

Both facilities are secured by a general security deed over all the present and future assets and undertakings of the Group. All funds balances and any overdrafts held with ASB Bank are subject to a netting arrangement. This allows for settlement on a net basis in the event of default.

The facilities are subject to a number of external bank covenants. These covenants are calculated and reported either monthly or quarterly. The Group has complied with all tested covenants during the current and prior year.

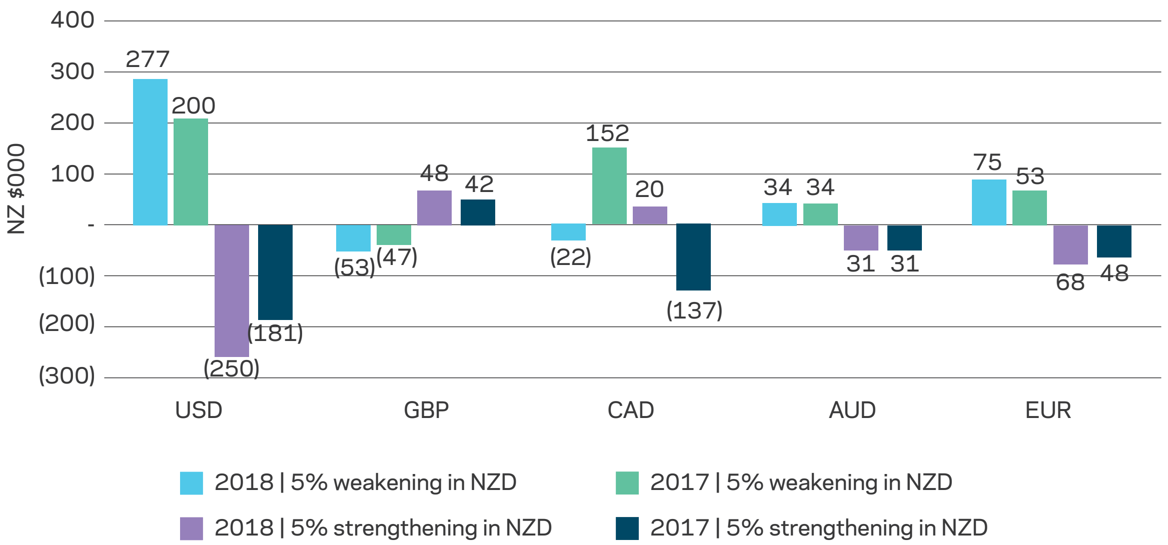
As further detailed in Note 8.5, on 28 May 2018 the Group varied its facility agreement with the ASB Bank. The facility now comprises a working capital facility of NZD 20,000,000 which expires on 31 May 2019.

4.7 Foreign currency risk

The table below summarises the material foreign exchange exposure on the net monetary assets of each Group entity against its respective functional currency, expressed in NZD:

	2018 NZ$'000	2017 NZ$'000
AUD	641	641
CAD	(426)	2,883
EUR	1,420	1,008
GBP	(1,015)	(890)
USD	5,263	3,809

Based on the net exposure above, the graph below outlines the sensitivity of post-tax result and movements of that currency to the NZD:



5. Assets and liabilities

This section outlines the operating assets and liabilities of the Group and builds on the information provided in the Balance Sheet. It details the policies which have been applied in its preparation and further breakdowns of the numbers presented where helpful for understanding.

5.1 Trade and other receivables

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The carrying amount is a reasonable approximation of fair value. When a receivable is uncollectible, it is written off against the allowance.

Trade and other receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets.

	2018 NZ$'000 Current	2018 NZ$'000 Non-Current	2017 NZ$'000 Current	2017 NZ$'000 Non-Current
Trade receivables - standard	55,283	7,051	44,140	498
Trade receivables - securitised	4,158	-	3,661	4,059
Less allowance for impairment	(1,201)	-	(814)	-
Net trade receivables	**58,240**	**7,051**	**46,987**	**4,557**
Prepayments	4,632	-	5,495	-
Government Grants receivable	-	-	500	-
Other receivables	210	-	399	-
	63,082	**7,051**	**53,381**	**4,557**

Trade receivables are non-interest bearing and are generally on 30-60 day terms. For these receivables, due to the short-term nature, their carrying value approximates their fair value.

Trade receivables with agreed payment terms greater than 12 months are classified as non-current assets.

Prepayments are predominantly insurance contracts that are paid at the beginning of a policy period and recognised as an expense over the term of the policy.

During December 2016, a receivables purchase arrangement was entered into with the Bank of New Zealand ('BNZ'), relating to a contract with a long-standing customer which includes extended payment terms.

Under the receivables purchase arrangement with BNZ, 90% of the amount due from the customer after 31 March 2017 was transferred to the BNZ in exchange for cash in March 2017. BNZ is prevented from selling or pledging the receivables to an unrelated third party.

In accordance with NZ IAS 39 Financial Instruments: Recognition and Measurement, the criteria for derecognition of the receivables balance have not been met as the Group retains a level of risk and reward arising from the terms in place, largely as a result of retaining 10% of the entire customer receivable balance and also arising from its retention of a level of credit risk. Therefore, the Group recognises the receivable balance from this customer in its entirety. The amount received from BNZ under the receivables purchase arrangement is presented as cash flow from financing activities during the year and secured borrowing at balance date.

The relevant carrying amounts of the transferred receivables, and the associated secured borrowings, are as follows:

	2018 NZ$'000 Current	2018 NZ$'000 Non-Current	2017 NZ$'000 Current	2017 NZ$'000 Non-Current
Transferred receivables	4,158	0	3,661	4,059
Associated secured borrowings	(4,158)	0	(3,661)	(4,059)

Interest is charged based on the USD LIBOR bid rate for the relevant interest period plus applicable margin.

Costs incurred in establishing the receivables purchase agreement have been capitalised and amortised over the term of the arrangement.

Credit risk

The maximum exposure to credit risk is the carrying value of receivables. The Group does not hold any credit derivatives to offset its credit exposure. The Group trades only with recognised, creditworthy third parties and, as such, collateral is not requested. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less influence on credit risk. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk.

Performance of trade receivables

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. Evidence of impairment may include current contractual disputes, indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated cash flows, such as changes in arrears or economic conditions that correlate with defaults.

As of 31 March 2018, trade receivables of $48,707,000 (2017: $37,239,000) were fully performing.
None of the financial assets that are fully performing have been re-negotiated.

As of 31 March 2018, trade receivables of $16,584,000 (2017: $14,305,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The aging analysis of trade receivables past due but not impaired is as follows:

	2018 NZ$'000	2017 NZ$'000
1-60 days	9,877	6,957
61-90 days	1,143	1,418
91-180 days	2,281	1,979
Over 180 days	3,283	3,951
	16,584	**14,305**

As of 31 March 2018, trade receivables of $1,201,000 (2017: $814,000) were impaired and provided for. The amount of the provision was $1,201,000 (2017: $814,000).

The aging analysis of receivables past due and impaired is as follows:

	2018 NZ$'000	2017 NZ$'000
Current	-	-
1-60 days	-	142
61-90 days	-	-
91-180 days	-	36
Over 180 days	1,201	636
	1,201	**814**

Movements on the impairment allowance of trade receivables are as follows:

	2018 NZ$'000	2017 NZ$'000
Opening balance	814	3,930
Receivables written off during the year	-	-
Provision utilised during the year	(512)	(3,558)
Other increases/(decreases) in provision	907	560
Foreign exchange movement	(8)	(118)
Closing balance	**1,201**	**814**

5.2 Assets held for sale

Assets held for sale

Non-current assets held for sale are presented separately in the current section of the Balance Sheet. The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be probable the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated. The assets must be actively marketed for sale at a price that is reasonable in relation to its current valuation.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell and are no longer depreciated.

Land held for sale (refer also Note 8.5)

During February 2018, the company listed land owned in New Zealand for sale. A tender process was put in place which was marketed throughout New Zealand. There are several interested parties and the sale is expected to be completed in the near future.

	2018 NZ$'000	2017 NZ$'000
Opening balance	-	-
Land reclassified from Property, plant and equipment	3,900	-
Closing net book amount	**3,900**	**-**

5.3 Property, plant and equipment

Property, plant and equipment

Land is measured at fair value, based on periodic valuations by independent external valuers, less any impairment losses recognised after the date of valuation. Valuations will be performed with sufficient regularity to ensure that the fair value does not differ materially from carrying amount.

Any revaluation increasing the fair value of land is credited to the asset revaluation reserve in equity and any revaluation that offsets previous increases of the same asset are charged in other comprehensive income and debited to the asset revaluation reserve in equity; all other decreases are charged to the profit or loss in the Statement of Comprehensive Income. Upon disposal or derecognition of an asset, any revaluation reserve relating to that particular asset is transferred directly to accumulated losses.

All other items of property, plant and equipment are stated at cost, including costs directly attributable to bringing the asset to its working condition as intended by management, less accumulated depreciation and accumulated impairment losses.

Any subsequent expenditure that increases the economic benefits derived from an asset is capitalised. Expenditure on repairs and maintenance that does not increase the economic benefits of an asset is expensed in the period it is incurred.

When an item of property, plant and equipment is disposed of, the difference between net disposal proceeds and the carrying amount is recognised as a gain, or loss, in the Statement of Comprehensive Income.

Depreciation of property, plant and equipment is calculated to allocate the difference between the original cost of the assets and their residual values over their estimated useful lives on a straight-line basis as follows:

Leasehold improvements	term of lease
Furniture, fittings and office equipment	3 – 7 years
Computer equipment	3 years

Land is not depreciated.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Management judgement: impairment of assets

Management have considered whether any indicators of impairment exist as at 31 March 2018. Having regard to the nature of the Group's assets and its market capitalisation, as compared with the net asset value shown in these financial statements, they consider the carrying values of the fixed assets and intangibles of the Group to be appropriate.

	Land NZ$'000	Leasehold improvements NZ$'000	Furniture, fittings and office equipment NZ$'000	Computer equipment NZ$'000	Total NZ$'000
At 1 April 2016					
Cost	3,900	5,968	6,918	12,176	28,962
Accumulated depreciation	-	(2,337)	(2,995)	(7,866)	(13,198)
Net book amount	**3,900**	**3,631**	**3,923**	**4,310**	**15,764**
Year ended 31 March 2017					
Opening net book amount	3,900	3,631	3,923	4,310	15,764
Additions	-	559	729	1,507	2,795
Disposals at cost	-	(350)	(1,165)	(2,974)	(4,489)
Depreciation on disposals	-	350	626	2,747	3,723
Depreciation charge	-	(897)	(898)	(2,765)	(4,560)
Foreign exchange movement	-	(260)	(110)	(81)	(451)
Closing net book amount	**3,900**	**3,033**	**3,105**	**2,744**	**12,782**
At 31 March 2017					
Cost	3,900	5,888	6,328	10,503	26,619
Accumulated depreciation	-	(2,855)	(3,223)	(7,759)	(13,837)
Net book amount	**3,900**	**3,033**	**3,105**	**2,744**	**12,782**
Year ended 31 March 2018					
Opening net book amount	3,900	3,033	3,105	2,744	12,782
Additions	-	151	234	1,501	1,886
Disposals at cost	-	(700)	(114)	(39)	(853)
Depreciation on disposals	-	200	35	25	260
Reclassified as held for sale	(3,900)	-	-	-	(3,900)
Depreciation charge	-	(736)	(925)	(2,086)	(3,747)
Foreign exchange movement	-	102	4	38	144
Closing net book amount	**-**	**2,050**	**2,339**	**2,183**	**6,572**
At 31 March 2018					
Cost and revaluation	-	5,477	6,443	12,033	23,953
Accumulated depreciation	-	(3,427)	(4,104)	(9,850)	(17,381)
Net book amount	**-**	**2,050**	**2,339**	**2,183**	**6,572**

NZ IFRS 13 requires disclosure of this fair value measurement by level of a fair value hierarchy. For valuation purposes, land is considered to be a level 3 asset (unobservable inputs) within this fair value hierarchy.

5.4 Intangible assets - software

Intangible assets - software

Software assets acquired separately are initially measured at cost. Following initial recognition, software is carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of software assets are assessed to be finite. The amortisation expense on intangible assets with finite lives is calculated on a straight-line basis across a useful life of three years and is recognised in the Statement of Comprehensive Income.

	2018 NZ$'000	2017 NZ$'000
Cost	9,964	9,721
Accumulated amortisation	(8,183)	(6,009)
Net book amount	**1,781**	**3,712**
Movements during the year:		
Opening net book amount	3,712	4,148
Additions	479	2,262
Disposals at cost	(92)	(1,372)
Amortisation on disposals	38	1,275
Amortisation charge	(2,274)	(2,506)
Foreign exchange movement	(82)	(95)
Closing net book amount	**1,781**	**3,712**

5.5 Intangible assets - research and development costs

Intangible assets - research and development costs

Research costs and costs associated with maintaining software products are expensed as incurred.

Costs that are directly associated with the development of new or substantially improved software products controlled by the Group are recognised as intangible assets only where the following criteria can all be met:

- it is technically feasible to complete the product so that it will be available for sale;
- management intends to complete the product and sell it;
- there is an ability to sell the product;
- it can be demonstrated how the product will generate future economic benefits;
- adequate technical, financial and other resources to complete the development and to sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Development expenditure directed towards incremental improvements in existing products does not qualify for recognition as an intangible asset. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

Management judgement - intangible assets - research and development costs

At the time of development work being performed, there is uncertainty as to meeting one or more of the above criteria. These uncertainties continue to exist until shortly before products are deployed and configured at customer sites. Development costs incurred have not met all of the above criteria as at balance date and are therefore expensed as incurred.

5.6 Trade and other payables

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. They represent liabilities for goods and services provided to the Group prior to the end of the reporting period that remain unpaid. The amounts are unsecured, non-interest bearing and are classified in current liabilities if payment is due within one year or less.

Trade payable balances are generally unsecured and attract no interest. Balances are usually paid within 45 days of recognition, are of short term nature and are not discounted. The carrying amount of trade and other payables approximates their fair value due to their short term nature. Longer term payables exist from time to time for significant purchases and are held at fair value.

	2018 NZ$'000	2017 NZ$'000
Trade payables	11,551	6,886
Accrued expenses	3,917	3,004
Deferred lease incentive	622	1,881
Other payables	6,897	5,267
	22,987	**17,038**
Analysis of total trade and other payables:		
Current	22,689	16,547
Non-current	298	491
Total	**22,987**	**17,038**

Other payables is predominantly GST, VAT, ACC, PAYE and payroll taxes all payable after 31 March 2018.

Liquidity risk - financial liabilities

The following are the contractual undiscounted cash flows of the Group's financial liabilities:

	Carrying amount NZ$'000	Total cash flow NZ$'000	6 months or less NZ$'000	6-12 months NZ$'000	1-2 years NZ$'000	2-5 years NZ$'000
At 31 March 2018						
Trade payables and accruals	15,468	15,372	14,863	211	298	-
At 31 March 2017						
Trade payables and accruals	9,890	9,856	8,769	596	491	-

5.7 Employee benefits

Employee benefits

Short term benefits: Accruals for wages, salaries, including non-monetary benefits, commissions and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at their nominal values using the remuneration rate expected to apply at the time of settlement, on an undiscounted basis. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave and awards: The liability for long service leave is recognised 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 using an actuarial method. Consideration is given to expected future salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Pension obligations: The Group has pension obligations in respect of various defined contribution plans. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee entitlement expense when they are due.

Short-term incentive plans: The Group operates a range of short-term incentive plans. Short-term incentives are measured at the amounts expected to be paid when the liability is settled and are expensed as the related service is provided.

	2018 NZ$'000	2017 NZ$'000
EMPLOYEE BENEFITS		
Wages and salaries	2,102	2,304
Annual leave	7,544	8,183
Commissions payable	608	505
Bonuses	987	5,450
Long service leave and awards	1,114	999
	12,355	17,441
Analysis of employee benefits		
Current	11,241	16,442
Non-current	1,114	999
	12,355	17,441

5.8 Provisions for other liabilities

Provisions

The Group recognises provisions when it has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

	Restructuring and employee related NZ$'000	Lease make-good NZ$'000	Contract-related NZ$'000	Total NZ$'000
At 1 April 2016	2,901	764	775	4,440
Amount provided	208	185	861	1,254
Amount utilised	(1,438)	(56)	(91)	(1,585)
Unused amounts reversed	(27)	(4)	(537)	(568)
Foreign exchange movement	(13)	(31)	(25)	(69)
At 31 March 2017	1,631	858	983	3,472
At 1 April 2017	1,631	858	983	3,472
Amount provided	-	-	-	-
Amount utilised	(926)	(133)	(415)	(1,474)
Unused amounts reversed	(633)	-	(388)	(1,021)
Foreign exchange movement	(72)	35	14	(23)
At 31 March 2018	-	760	194	954

	2018 NZ$'000	2017 NZ$'000
Current	447	2,614
Non-current	507	858
Total	954	3,472

6. Capital and structure

This section outlines the Group's capital structure and details employee incentives which have an impact on equity.

6.1 Share capital

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases shares in Orion Health Group Limited (treasury shares), the consideration paid is deducted from equity attributable to the Group's equity holders until the shares are cancelled or transferred outside the Group.

	2018 No. shares	2018 NZ$'000	2017 No. shares	2017 NZ$'000
Balance at 1 April	160,044,938	159,057	159,916,167	158,651
Issue of ordinary shares - Rights offer	35,541,112	31,246	-	-
Issue of ordinary shares - LTI Scheme (refer note 6.3)	117,277	325	210,596	760
Issue of ordinary shares - Staff	-	-	50,217	244
Issue of ordinary shares - Directors	163,597	145	34,624	69
Shares cancelled	(201,295)	(38)	(166,666)	-
Ordinary Shares on issue at 31 March	**195,665,629**	**190,735**	**160,044,938**	**159,724**
Treasury shares	-	-	(636,555)	(667)
Net Ordinary Shares on issue at 31 March	195,665,629	190,735	159,408,383	159,057

Fully paid ordinary shares carry one vote per share and carry the right to dividends. All shares rank equally with regard to the Parent Company's residual assets.

6.2 Share capital transactions

	No. of shares	Fair value NZ$/share	Total proceeds/ consideration NZ$'000
During the year ended 31 March 2017:			
Cancellation of ordinary shares - LTI Scheme (refer to Note 6.3)	166,666	4.00	n/a
Issue of ordinary shares - Rights offer	-	-	-
Issue of ordinary shares - LTI Scheme (refer to Note 6.3)	210,596	3.61	-
Issue of ordinary shares - to staff – 19 August 2016	50,217	4.86	-
Issue of ordinary shares - to directors – 31 March 2017	34,624	1.98	-
During the year ended 31 March 2018:			
Cancellation of ordinary shares – LTI Scheme (refer to Note 6.3)	201,295	n/a	n/a
Issue of ordinary shares - Rights offer	35,541,112	0.88	31,246
Issue of ordinary shares - to staff – 29 May 2017 - LTI Scheme (refer Note 6.3)	6,520	4.86	-
Issue of ordinary shares – to staff – 28 July 2017 – LTI Scheme (refer Note 6.3)	43,919	1.48	-
Issue of ordinary shares - to directors – 9 April 2017 – LTI Scheme (refer Note 6.3)	66,838	3.42	-
Issue of ordinary shares – to directors – 2 November 2017	71,232	1.04	-
Issue of ordinary shares - to directors – 31 March 2018	92,365	0.77	-

On 30 May 2017, the Company announced a 2:9 renounceable rights offer, which raised $31.99 million with issuing costs of $0.74 million, giving a net raise of $31.24 million which was completed on 4 July 2017. The cash inflow from the capital raise was mainly used to repay debt of $24.06 million.

CEO and 49.84% shareholder, Ian McCrae took up $15m of shares in the Rights Offer and 9.6% shareholder G.A. Cumming, together with all the New Zealand based directors, took up their full entitlements in support of the Rights Offer. The balance of the total $31.99m offer was underwritten by First NZ Capital Securities Limited on the customary terms for such arrangements, including standard conditions in relation to material adverse events and force majeure events.

6.3 Share-based payments

Long-term incentive plans

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the awards granted.

At the end of each reporting period, the Group revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of Comprehensive Income, with a corresponding adjustment to equity.

Orion Health Long Term Share Incentive Scheme

The Orion Health Long Term Share Incentive Scheme (LTI Scheme) was introduced for selected executives and employees of the Group. The number of awards is determined by the Board of Directors taking into account the recommendations of the Remuneration Committee of the Board. The Group has no legal or constructive obligation to repurchase the shares or settle the LTI Scheme for cash.

There are three active variants of this scheme. The extent of the range is driven by the requirements of local law in different countries. All of the variants are:

(a) Share Awards Scheme (SAS)

The participant is advanced an interest-free loan by the Company to purchase the restricted shares that vest in equal tranches over three annual vesting periods if a specified operating revenue target is achieved relating to the financial year in which the award is made. To the extent the shares vest, the participant can elect to repay the loan at which time the Company will pay the participant a cash bonus covering that portion of the loan and the shares will be transferred to the participant. If the shares do not vest the Company can call the shares (or the participant can put the shares to the Company) at the original invitation price to repay the loan on unvested shares. Alternatively, the Board of Directors may at its discretion determine a new performance test during a newly specified period. The shares would then vest upon achieving the subsequent financial performance test and completing the subsequent retention period. The participant is entitled to dividends on unvested shares and can direct the Trustee to vote as a proxy. Upon transfer of legal title to the participant the shares will have the same rights as and will rank equally with all other shares on issue.

(b) Extended Share Awards Scheme (ESAS)

This variant is the same in all aspects as the SAS variant except for the vesting criteria. For the ESAS variant, the restricted shares vest in six equal tranches over a period of up to nine years if specified operating revenue and net profit before tax targets are met.

(c) Restricted Stock Award Agreement (RSAA)

The participant is allocated fully paid restricted shares that vest in equal tranches over three annual vesting periods if an operating revenue target is achieved relating to the financial year in which the award is made. If the participant leaves the Company, the Company can call any unvested shares. The participant is entitled to dividends and voting rights on any unvested shares. Upon transfer of legal title to the participant the shares will have the same rights as and will rank equally with all other shares on issue.

(d) Restricted Stock Unit Agreement (RSUA)

The participant is allocated a restricted stock unit award of performance rights (Restricted Stock Units) that vest in equal tranches over a number of annual vesting periods if certain performance conditions are achieved relating to the financial year in which the awards are made. The performance conditions can include operating revenue and net profit before tax targets. If the participant leaves the Company prior to vesting, the performance right is forfeited. Upon vesting, the performance right is realised and the equivalent amount of shares are issued to the participant. Upon transfer of legal title to the participant, the shares will have the same rights as and will rank equally with all other shares on issue.

(e) Restricted Stock Unit Scheme (RSUS)

This variant is the same in all aspects as the RSUA variant except for the vesting criteria. For the RSUS variant, the conditions include achievement of a relative total shareholder return compared to local and global peer groups and operating revenue growth targets.

(f) Varied Restricted Stock Unit Scheme (VRSUS)

This variant is the same in all aspects as the RSUA variant except for the vesting criteria. For the VRSUS variant, the conditions include being an eligible employee at a range of vesting dates and achievement of net profit before tax targets.

Movements in the numbers of share awards and Restricted Stock Units allocated to employees and oustanding are as follows.

	SAS No. of Shares	RSAA No. of Shares	ESAS No. of Shares	RSUA No. of Units	RSUS No. of Units	VRSUS No. of Units
Unvested shares/units at 1 April 2016	131,250	74,090	33,334	63,997	472,253	329,480
Awarded pursuant to the LTI Scheme	-	-	-	-	929,207	49,494
Forfeited	(131,250)	(74,090)	-	(22,780)	(261,669)	-
Vested	-	-	-	(41,217)	(118,369)	(57,650)
Unvested shares/units at 31 March 2017	-	-	33,334	-	1,021,422	321,324
Unvested shares/units at 1 April 2017	-	-	33,334	-	1,021,422	321,324
Awarded pursuant to the LTI Scheme	-	-	-	-	1,858,338	-
Forfeited	-	-	-	-	(1,100,225)	(210,567)
Vested	-	-	-	-	-	(110,757)
Unvested shares/units at 31 March 2018	-	-	33,334	-	1,779,536	-

Fair value of awards granted

The weighted average fair values of the awards granted during the period under the RSUS variant was $1.52 (2017: $3.22) and under the VRSUS variant was $nil (2017: $nil).

The RSUS variant has been valued using a Black-Scholes (Merton) pricing model with a Monte Carlo simulation approach. The key inputs for the rights granted in the current and prior period respectively were as follows:

	Share price at grant date NZ$	Expected volatility of share price %	Expected volatility of peer group comparatives %	Contractual life years	Risk free rate %	Expected divided yield %
Restricted Stock Unit Scheme - 2018	1.52	37.8	21.3	3.0	2.02	-
Restricted Stock Unit Scheme - 2017	3.50	37.8	21.3	3.0	2.02	-

Management have incorporated the expectation of meeting market conditions in the grant date fair value for the 2017 scheme but not the 2018 scheme.

The fair values of shares granted under all variants except RSUS were determined using the closing share price on grant date on the NZX.

Refer to Note 8.2 for the expense recognised in the Statement of Comprehensive Income for share awards granted.

We remain subject to and have complied with the NZX Listing Rules with respect to the issue of securities to directors under an employee incentive scheme.

6.4 Capital risk management

The main objective of capital risk management is to ensure the Group operates as a going concern (refer to Note 1), meets debts as they fall due and maintain an optimal capital structure. The Group is not directly subject to externally imposed capital requirements; however, minimum equity requirements are included within the banking covenants – refer to Note 4.6. The Group has agreed with the bank that no dividends shall be paid to shareholders without the prior written consent of the bank; it has undertaken to discuss and obtain approval from the bank if that position changes. There have been no changes in Group policies or objectives in relation to capital risk management since the prior year.

7. Tax

This section outlines the tax expense for the year and detail of the tax balances on the Balance Sheet. It includes policies and management judgements which have been critical in accounting for tax.

Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on the period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are also recognised for carried forward tax losses and credits. However, the recognition of these deferred assets and liabilities is subject to management judgement as detailed below.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if the legal right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Sales taxes

Revenues, expenses and assets are recognised net of goods and services taxes, value added taxes or sales taxes (together 'sales tax'), except:

- when the tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- for receivables and payables, which are stated with the amount of sales tax included.

In the Statement of Cash Flows, the sales tax component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of sales tax.

Critical judgements and estimates in applying the accounting policies - taxation and deferred tax

The Group's accounting policy for taxation requires management's judgement in assessing whether certain deferred tax assets and deferred tax liabilities are recognised on the Balance Sheet.

Deferred tax assets, including those arising from carried forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future performance, including, estimates of future sales volumes, operating costs, capital expenditure and other capital management transactions. In some jurisdictions, judgement is required to assess, not only whether sufficient future taxable profits will be available against which deferred tax assets can be recovered, but the certainty of timing of recovery and the requirement of ownership continuity across that period.

The Group has strategic plans in place which support the generation of future taxable profits; however due to uncertainty in timing of these profits and the potential impact of any ownership changes, the benefit of these losses has not been recognised as a deferred tax asset. This is consistent with the judgement applied in the prior year. Refer to Note 7.3 for the resulting detail.

Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and is not expected to occur in the foreseeable future.

Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Balance Sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Statement of Comprehensive Income.

7.1 Income tax expense

	2018 NZ$'000	2017 NZ$'000
Current tax	438	(210)
Deferred tax	(136)	1,720
	302	1,510

The tax on the Group's result before tax differs from the amount that would arise using the statutory tax rate applicable to the results of the Parent as follows:

	2018 NZ$'000	2017 NZ$'000
Loss before income tax	**(40,336)**	**(32,705)**
Tax calculated at domestic tax rates applicable to (losses)/profits in the respective countries	(11,316)	(8,743)
Expenses not deductible	354	438
Non-taxable income	-	(7)
Other adjustments	(1,764)	(736)
Impact of changes in tax rate	371	-
Prior period adjustments	(368)	356
Current year tax losses not recognised in the year	13,025	10,282
Prior year tax losses recognised	-	(80)
Income tax expense	**302**	**1,510**

The weighted average applicable tax rate was 28% (2017: 27%). The decrease is caused by a change in the relative profitability of the Group's subsidiaries in the respective countries.

7.2 Recognised deferred tax assets and liabilities

	2018 NZ$'000	2017 NZ$'000
Deferred tax assets/(liabilities):		
Deferred tax assets to be recovered after more than 12 months	742	63
Deferred tax assets to be recovered within 12 months	1,357	1,300
Deferred tax liabilities to be recovered after more than 12 months	24	219
Deferred tax liabilities to be recovered within 12 months	(148)	285
Net deferred tax assets	**1,975**	**1,867**
The gross movement on the deferred income tax accounts is as follow:		
Opening balance	1,867	3,504
Credited to income	136	(1,720)
Foreign exchange differences	(28)	83
Closing balance	**1,975**	**1,867**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

	Property, plant & equipment NZ$'000	Doubtful debts NZ$'000	Employee benefits NZ$'000	Other NZ$'000	Future income tax benefit NZ$'000	Total NZ$'000
At 1 April 2016	**(618)**	**1,514**	**2,147**	**461**	**-**	**3,504**
(Charged)/credited to income statement	1,154	(1,379)	(1,501)	(70)	76	(1,720)
Foreign exchange differences	24	7	30	18	4	83
At 31 March 2017	**560**	**142**	**676**	**409**	**80**	**1,867**
(Charged)/credited to income statement	(316)	(79)	570	(304)	265	136
Foreign exchange differences	(13)	(6)	(26)	18	(1)	(28)
At 31 March 2018	**231**	**57**	**1,220**	**123**	**344**	**1,975**

7.3 Unrecognised temporary differences

In accordance with sections DB 34 (7) and EE 1 (5) of the Income Tax Act 2007, the Group intends to elect to defer the deduction of research and development expenditure of $42,819,417 incurred in the 2018 financial year (2017: $64,793,000). The total amount of deferred research and development expenditure available to the Group is $169,163,827 (2017: $126,344,410). The deferral of research and development expenditure has reduced the total amount of unrecognised tax losses available. The ability to carry forward deferred research and development expenditure does not expire and is not dependent on maintaining shareholder continuity

The Group has unrecognised tax losses available to carry forward:

- In New Zealand of $45,280,540 (2017: $15,695,000) with no expiry subject to shareholder continuity being maintained as required by New Zealand tax legislation; and
- In Spain of EUR 522,695 (2017: EUR 875,000). These losses do not have an expiry date.

7.4 Imputation credit accounts

The Group had the following imputation/franking credits available for use in subsequent periods:

- New Zealand: $2,593,000 (2017: $2,593,000)
- Australia: $1,415,000 (2017: $1,564,000)

8. Other information

This section contains all disclosures required by the applicable legislation, accounting standards or listing rules that have not already been included in previous sections or elsewhere in the Annual Report.

8.1 Related parties

Key management compensation

Key Management includes directors (executive and non-executive) and members of the Executive Leadership Team (ELT). The compensation paid or payable to key management personnel, who served on the ELT during the year, for employee services is as follows:

	2018 NZ$'000	2017 NZ$'000
Short-term employee benefits	4,805	7,417
Share-based payments	492	760
Directors' fees	797	518
	6,094	8,695

The ELT currently includes 10 members, with 14 members being part of the ELT across the year (2017: 15 members).

Transactions with related parties

McCrae Limited

The Group is controlled by McCrae Limited, which owned 49.84% of the shares in the Parent as at 31 March 2018 (2017: 50.52%). McCrae Limited is the Group's ultimate parent. There have been no transactions with this company during the period (2017: nil). The Group's ultimate controlling party is Ian Richard McCrae.

New Zealand Trade and Enterprise

Andrew Ferrier, Director, is the Chairman of New Zealand Trade and Enterprise. The Group sells software and services to this customer on normal trade terms.

Southern Cross Medical Care Society

Roger France, Director, is a director of Southern Cross Medical Care Society. The Group sells software and services to this customer on normal trade terms.

Pioneer Capital Partners

Neil Cullimore, Director (retired on 20 September 2017), is an Operating Partner at Pioneer Capital which provided professional services to the Group. These transactions were on normal trade terms.

Salesforce.com

John Halamka, Director, is an advisor to Salesforce.com which provided professional services to the Group. These transactions were on normal trade terms.

The University of Auckland Foundation

Roger France, Director, is a Trustee of The University of Auckland Foundation, to which the Group made award contributions.

University of Auckland

Andrew Ferrier, Director, is a Council Member of the University of Auckland. The Group held conferences and attended career fairs at the University of Auckland and was charged these services on normal trade terms. The Group also made award contributions to the University of Auckland.

Fisher and Paykel Healthcare Limited (NZ)

Paul Shearer, Director, is a director of Fisher and Paykel Healthcare Limited (NZ) and various subsidiary companies of Fisher and Paykel Healthcare Corporation Limited. The Group sells software and services to this customer on normal trade terms.

Empire Management Limited

Michael Falconer, Director (appointed on 28 November 2017), is Managing Director of Empire Management Limited which provided professional services to the Group. These transactions were on normal trade terms.

Precision Driven Health

The Group is party to an agreement with Auckland UniServices Limited and Waitemata District Health Board, under which the parties agree to jointly undertake research activities in precision driven medicine, under the name Precision Driven Health (PDH). Transactions with PDH are on normal trade terms.

Terms and conditions

Transactions with related parties are entered into in the normal course of business on standard commercial terms. There have been no related party debts forgiven during the year.

Trading transactions

During the period, Group entities entered into the following transactions with related parties:

	2018 NZ$'000	2017 NZ$'000
Sale of software or service		
New Zealand Trade and Enterprise	-	5
Fisher & Paykel Healthcare Limited (NZ)	10	-
Southern Cross Medical Care Society	17	3
Purchase of goods or services		
Pioneer Capital Partners	2	2
University of Auckland	6	12
The University of Auckland Foundation	-	9
Salesforce.com	-	5
New Zealand Trade and Enterprise	1	-
Empire Management Limited	94	-

Directors participation in the renounceable rights offer:

Directors participated in the renounceable rights offer at NZ$0.90 per share on 4 July 2017:

	Ownership	Rights Offer Ordinary Shares
Ian McCrae	Legal and beneficial	16,666,666
Andrew Ferrier	Legal and beneficial	269,109
Paul Shearer	Legal and beneficial	223,162
Neil Cullimore*	Legal	110,080
Roger France	Legal and beneficial	9,649
Ronald Andrews	n/a	n/a
John Halamka	n/a	n/a

*Neil Cullimore retired as a Director on 20 September 2017.

Transactions in relation to ordinary shares were on the same terms and conditions that to other shareholders.

8.2 Other income and operating expenses

The following disclosure provides additional information in relation to expenses included within the Statement of Comprehensive Income where specific disclosure is required.

Section	2018 NZ$'000	2017 NZ$'000
OTHER INCOME		
Grant and other income	5,000	5,020
Operating lease sub-rental income	2,222	2,926
PDH arrangement - income	1,976	-
OPERATING EXPENSES		
Donations paid	4	16
Directors' fees	797	518
Net foreign exchange losses/ (gains)	(1,924)	5
Bad debts written off	1,111	-
Movement in allowance for trade receivable impairment	885	411
Operating lease payments	9,453	10,785
EMPLOYEE BENEFITS		
Wages and salaries	130,495	143,421
Other employee costs	9,981	9,989
Share-based payments (Note 6.3)	270	1,810
Contributions to defined contribution pension schemes	7,230	6,508

Auditors' Remuneration

During the year, the following fees were paid or are payable for services provided by the auditor of the Parent entity and its related practices.

	2018 NZ$'000	2017 NZ$'000
Audit and review of financial statements		
Audit of Group financial statements	321	247
Audit of subsidiary financial statements	50	58
Half year review	120	80
Total remuneration for audit services	491	385
Other assurance services		
Assurance report – constant currency and Callaghan schedule	-	20
Accounting advice and assistance	29	10
Total remuneration for other assurance services	29	30
Other services		
Treasury advisory services	25	28
Tax advisory services	-	5
Executive remuneration benchmarking advice	-	-
Total remuneration for other services	25	33
Total auditors' remuneration	545	448

8.3 Loss per share

Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Parent by the weighted average number of ordinary shares on issue during the year excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Group has potentially dilutive ordinary shares in the form of share-based payments. In both the current and prior years, the potentially dilutive ordinary shares were not included in the calculation of dilutive shares for the year as the effect would have been anti-dilutive. The result is that diluted loss per share is unchanged from basic loss per share.

	2018	2017
Loss for the year attributable to equity holders of the Parent (NZ$'000)	(40,638)	(34,215)
Number of issued ordinary shares (number of shares)	195,665,629	159,408,383
Weighted average number of issued ordinary shares (number of shares)	186,214,063	159,210,615
Restated 2017 weighted average shares due to 2018 rights issue (number of shares)	-	175,131,677
Basic and diluted loss per share (cents)	(21.8)	(19.5)

8.4 Contingent liabilities

The Group had outstanding letters of credit of $912,000 (2017: $1,731,000). As at 31 March 2018, the Group has:

- a standby letter of credit in place for $291,000 (2017: $266,000),
- performance bonds totalling $75,000 (2017: $549,000)
- lease bonds totalling $546,000 (2017: $916,000) in favour of premise landlords.

8.5 Events after reporting date

Bank facility

The Group's banking facilities were renegotiated on 28 May 2018. The facilities were amended to a working capital facility of $20,000,000 which can be drawn on subject to compliance with revised covenants in relation to maintaining a monthly minimum level of shareholder funds, debtor coverage ratio and cumulative year to date earnings before interest and tax (EBIT) not deviating more than a fixed percentage from the target EBIT agreed with the Bank. The expiry date was extended from 30 November 2018 to 31 May 2019.

Assets held for sale

The Group entered into a conditional agreement for the sale of the land held for sale at a price consistent with the value shown in these financial statements. Assuming the conditions are satisfied, settlement is due to be made on 29 June 2018.

Other

There were no other significant events requiring reporting between 31 March 2018 and the date these financial statements were authorised for issue.

8.6 Commitments

Leased assets – operating leases

Leases in which a significant portion of risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Any lease incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain premises and office equipment. The original lease terms are between 1 and 15 years. There are no restrictions of entry placed upon the lessee.

Future minimum rentals payable under non-cancellable operating leases as at 31 March are below.

	2018 NZ$'000	2017 NZ$'000
No later than 1 year	6,739	9,786
Later than 1 year and no later than 5 years	14,015	24,389
Later than 5 years	9,898	13,599
	30,652	47,774

Sub-lease payments

Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases at 31 March 2018 total $2,497,000 (2017: $10,923,000).

Capital commitments

The Group has no capital commitments as at 31 March 2018 (2017: nil).

Other commitments

The Group has entered into an agreement with Auckland UniServices Limited and Waitemata District Health Board, under which the parties have agreed to jointly undertake research activities in the area of precision driven medicine, under the name Precision Driven Health ('PDH'). Transactions with PDH are at arm's length on normal trade terms.

The Group recognises its direct right to, or share of, the assets, liabilities, revenues and expenses of PDH. These have been incorporated in the financial statements under the appropriate headings.

The PDH agreement commits the Group to a minimum cumulative research spend of $2,500,000 by 31 December 2018, of which $625,000 had been invested by 31 March 2018.

8.7 Financial risk management

Financial risk management policies and disclosures are generally made within the sections where they are directly applicable. Where they are more general or apply across a range of areas, they have been included below.

Financial risk management objectives and policies

The principal financial instruments of the Group comprise of receivables, payables, overdrafts, cash and cash equivalents and term deposits.

The Group manages exposure to key financial risks, including interest rate, currency risk, and credit risk in accordance with the Group's financial risk management policies. The objective of these policies is to support the delivery of the Group's financial targets whilst protecting future financial security.

In accordance with the Treasury Policy approved by the Board, the Group will look to enter into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate, currency, and credit risks arising from the Group's operations and its sources of finance. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which they are exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange.

Primary responsibility for identification and control of financial risks rests with management under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified, including the setting of limits for trading in derivatives, hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

Financial instruments by category

	2018 NZ$'000	2017 NZ$'000
Financial assets - loans and receivables		
Cash and cash equivalents	9,628	10,091
Restricted cash	1,079	-
Trade receivables	65,291	51,544
Accrued revenue	10,544	21,788
	86,542	83,423
Financial liabilities - measured at amortised cost		
Bank overdraft	(5,172)	(4,198)
Short-term borrowings	(4,382)	-
Secured borrowings	(4,158)	(7,720)
Trade payables and accrued expenses	(15,468)	(9,890)
	(29,180)	(21,808)

Contractual amounts of forward exchange and option contracts outstanding, and maturing at various dates within seven months of 31 March 2018, were as follows:

	2018 NZ$'000	2017 NZ$'000
Purchase commitments forward exchange contracts	5,347	1,439
Collar option contracts - NZD Call option purchased	-	6,752
Collar option contracts - NZD put option sold	-	7,261

The NZ dollar equivalent of the foreign currency contractual amounts covered by the derivative contracts, but not hedge accounted, were as follows:

	2018 NZ$'000	2017 NZ$'000
United States Dollars	2,292	6,531
British Pounds	-	6,144
Canadian Dollars	2,833	2,777
Australian Dollars	222	-

Other financial risk management information is presented as follows:

- Note 2.4 - market risk - foreign currency risk
- Note 4.4 - credit risk on monetary assets - cash, cash equivalents and term deposits
- Note 4.5 - interest rate risk
- Note 4.6 - bank facilities and liquidity risk
- Note 4.7 - foreign currency risk - net monetary assets
- Note 5.1 - credit risk on monetary assets - trade and other receivables
- Note 5.6 - liquidity risk - financial liabilities
- Note 6.4 - capital risk management

Corporate Governance Statement

The Board and management team of Orion Health are committed to maintaining high standards of corporate behaviour and responsibility. In recognising the importance of good corporate governance, we have developed a framework of rules and governance policies to ensure that Orion Health meets best practice standards and applicable laws.

During the financial year ended 31 March 2018, Orion Health complied with the NZX Corporate Governance Code ("NZX Code"), except where stated otherwise below. The Company has set out below the eight key principles under the NZX Code together with commentary as to whether, and to what extent, Orion Health has followed each of these principles and recommendations during this reporting period.

Further information, including each of Orion Health's individual policies and charters referred to below, are available on its website at www.orionhealth.com/nz/about-us/investor-centre/governance-leadership/

The NZX Code is available at www.nzx.com/files/attachments/257864.pdf

Principle 1 – Code of Ethical Behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Code of Conduct and Ethics

Orion Health's Code of Conduct and Ethics ("Code of Ethics") sets out the minimum standards of ethical behaviour to which the Company's directors, officers, employees and contractors are required to adhere. This includes a description of the Company's expectations with respect to directors and staff acting honestly and with integrity, dealing with conflicts of interest, properly using corporate information, treating confidential information appropriately as well as setting out procedures regarding gifts and the reporting and managing of breaches of the Code of Ethics.

Directors and staff are provided with the Code of Ethics at the commencement of their appointment or employment, as applicable. The Code of Ethics is also available on the Orion Health website. During the financial year ended 31 March 2018, Orion Health did not provide training on the Code of Ethics (Recommendation 1.1 of the NZX Code) but intends to develop a training module that will be completed by new employees during induction and regularly thereafter, and also made available on the Orion Health intranet for access at any time.

Directors and staff must immediately report any possible breach of the Code of Ethics to their manager, a member of the executive leadership team, a member of the Board, or a member of our People or Legal teams, as appropriate. The Company also has an anonymous tip line tool, which allows employees to anonymously report concerns of misconduct and non-compliance.

Orion Health also has in place a range of separate policies, frameworks and processes relating to ethical behaviour in addition to the Code of Ethics, including a Board Charter, an Acceptable Use Policy and an Anti-Bribery and Anti-Corruption Policy.

Share Trading Policy

Our Share Trading Policy sets out limitations on directors, staff and related parties in relation to buying and selling Orion Health's shares.

Principle 2 – Board Composition and Performance

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

The Board of Directors

The Orion Health Board operates under a Board Charter which records its commitment to best practice corporate governance. The Board Charter sets out the Board's roles, responsibilities and governance processes, such as the election of the Chairman and the composition of the Board. It also outlines the role of the Board within Orion Health's governance and management functions.

Under this ambit the Board directs and supervises the management of the business and affairs of Orion Health, including, in particular:

- ensuring that goals are clearly established, and that strategies are in place to achieve them (such strategies being expected to originate, in the first instance, from senior management);
- establishing policies for strengthening performance, including ensuring that senior management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of business capital;
- appointing the Chief Executive Officer, setting the terms of his or her employment and, where necessary, terminating his or her employment;
- deciding on necessary steps to protect its financial position and ability to meet debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that its financial statements conform with law;
- ensuring that the Company adheres to high standards of ethics and corporate behaviour;
- ensuring that the Company has appropriate risk management and regulatory compliance policies in place;
- using its best endeavours to familiarise itself with shareholders' concerns; and
- regularly evaluating economic, political, social and legal issues and any other external matters that may influence the development of the business or the interests of shareholders and, if appropriate, seeking external expertise on these matters.

Each of the directors are responsible for ensuring they remain current in understanding their duties as a director of Orion Health and to keep abreast of developments and trends in the industry in which Orion Health operates.

The Board schedules to meet at least six times each financial year, including sessions to consider Orion Health's strategic direction and business plans, and review the performance and effectiveness of directors and committees, with an additional five teleconference calls scheduled in between the primary Board meetings. Other meetings of the Board may be held as deemed necessary. While the Chief Financial Officer regularly attends Board meetings, other members of the executive leadership team attend as required, and are available to be contacted by directors between meetings.

Nomination and Appointment of Directors

The Board acknowledges and observes the relevant director rotation and retirement rules under the NZX Main Board Listing Rules and the ASX Listing Rules. Further, the composition of the Board is reviewed and assessed on an annual basis by our People Development, Nominations and Remuneration Committee.

The Board has developed a skills matrix to assist in identifying appropriate candidates for Board membership. This is based on Orion Health's focus areas and the need to maintain an appropriate experience mix, and is an important, but not the only, basis of criteria applying to director appointments. The Board considers skills and experience in marketing, finance, people development, public companies, the U.S. market, the health industry and the information technology industry to be particularly relevant.

Appropriate checks are undertaken prior to appointing a person as a director. These include checks as to the person's character, experience, education, criminal record, bankruptcy history, fitness and propriety. External advice may also be sought in relation to a person's suitability for Board membership.

Upon appointment, new directors receive, and are required to sign, a written letter of appointment, which establishes the terms of their appointment. New directors also receive unfettered access to senior management to ensure proper induction into Orion Health. As set out in the Board Charter, the Board seeks to ensure that new directors are appropriately introduced to senior management and the business from the outset, are acquainted with relevant industry knowledge and have access to all appropriate company documents to enable them to perform their role.

Subject to the prior approval of the Chair of the Board, directors are entitled to obtain independent professional advice relating to the affairs of Orion Health or the director's responsibilities, at the cost of Orion Health. Directors have access to Orion Health's records and information as required for the performance of their duties. They also receive detailed information in Board papers to facilitate informed decision making.

Composition of the Board

The size of the Board is based on the range of skills, knowledge, views and experience which the Board considers necessary to effectively govern and operate Orion Health. The Company's constitution requires a minimum of three directors at all times. Generally, the number of directors will be between five and seven, of which the majority will be non-executive.

As at 31 March 2018, the Board comprised seven directors, consisting of five independent directors (Andrew Ferrier, Roger France, Paul Shearer, Ronald Andrews and John Halamka) and two non-independent directors (Ian McCrae and Michael Falconer). The Board considers the independent directors to be independent in accordance with the NZX Main Board Listing Rules. A summary of directors are as follows, and biographies can be found on pages 14-15 and on the Orion Health website.

- Andrew Ferrier: Chairman and Independent Director, appointed December 2011
- Roger France: Deputy Chairman and Independent Director, appointed February 2013
- Ian McCrae: Director and Chief Executive Officer, appointed March 2001
- Paul Shearer: Independent Director, appointed February 2013
- Ronald Andrews: Independent Director, appointed September 2016
- John Halamka: Independent Director, appointed December 2016
- Michael Falconer: Non-Independent Director, appointed November 2017 (also adviser to Ian McCrae and McCrae Limited).

Diversity Policy

We have a Diversity Policy which outlines Orion Health's commitment to creating a workplace that applies principles of diversity and equal employment opportunities. This includes the identification and elimination of barriers that cause or perpetuate inequality in the workplace. We consider diversity to be essential to the achievement of our long-term strategy and commercial success. Diversity at Orion Health refers to characteristics of individuals and includes factors such as gender, age, marital status, religious belief, ethical belief, race, ethnic or national origin, disability, political opinion, employment status, family status or sexual orientation.

The Diversity Policy sets out general principles in relation to its implementation, measurable company objectives, procedures relating to the review of the policy and measurement of progress against achieving the policy's objectives (each of which must take place at least annually) and the responsibility of the Board and executive leadership team for management and oversight.

As at 31 March 2018, all seven members of the Board were male (no change from the previous financial year) and one member of the executive leadership team was female (one fewer than the previous financial year). Women made up 31% of all permanent employees across Orion Health as at 31 March 2018.

The Board considers diversity – whether in thought, experiences, perspectives or abilities – to be essential to a high performing organisation. During the financial year ended 31 March 2018, Orion Health took, and continues to take, steps to attract and retain a diverse workforce, including rebuilding the Company's external careers website to include photos of Orion Health staff sharing their experiences of working at Orion Health, and signing an open letter to New Zealand to state that the Company is willing to recruit individuals who do not have formal qualifications.

	31 March 2018		31 March 2017	
	Male	Female	Male	Female
Board	100% (7 males)	0% (0 females)	100% (7 males)	0% (0 females)
Executive leadership team	90% (9 males)	10% (1 female)	86% (12 males)	14% (2 females)
All employees	69% (691 males)	31% (310 females)	71% (866 males)	29% (358 females)

Principle 3 – Board Committees

"The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility."

The Board has five formally constituted committees of directors, being the Audit and Risk Committee, the People Development, Nominations and Remuneration Committee, the Research and Development Committee and the Disclosure Commitee, each of which is described below. Each committee operates under a written charter (except the Disclosure Committee, whose role and responsibilities are set out in the Continuous Disclosure Policy).

The committees review and analyse policies and strategies, usually developed by senior management, which are within their terms of reference. Where appropriate, the committees make recommendations to the full Board but they do not take action or make decisions on behalf of the Board unless specifically authorised to do so by the Board.

The table below summarises the directors who attended committee meetings during the financial year ended 31 March 2018. The Research and Development Committee did not hold any meetings during this period.

	Board & AGM		Audit Committee		People Committee		Disclosure Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Andrew Ferrier	23 (Chair)	23	4	4	4 (Chair)	4	2	2
Roger France	23	23	4 (Chair)	4	-	-	2	2
Paul Shearer	23	23	4	4	-	-	2	2
Neil Cullimore*	16	15	-	-	2	1		
Ian McCrae	23	23	-	-	-	-	2	2
Ronald Andrews	23	21	-	-	4	4	-	-
John Halamka	23	22	-	-	4	4	-	-
Michael Falconer**	5	5	1	-	-	-	-	-

*Ceased as a director 20 September 2017
** Appointed as a director 28 November 2017

Audit and Risk Committee

The Audit and Risk Committee oversees the risk management (including treasury and financing policies), treasury, insurance, accounting and audit activities of Orion Health, reviews the adequacy and effectiveness of internal controls, meets with and reviews the performance of external auditors, reviews the consolidated financial statements and makes recommendations on financial and accounting policies, as further described in the Audit and Risk Committee Charter (available in the Investor Centre section of our website).

The members of the Audit and Risk Committee as at 31 March 2018 were all independent, non-executive directors, namely Roger France (Chair), Andrew Ferrier, Paul Shearer, and Michael Falconer from November 2017. The Chief Executive Officer, Chief Financial Officer, Group Financial Controller and representatives of our auditors attend committee meetings at the invitation of the Committee. Other individuals (including employees) may attend by invitation only. The committee sat four times during the financial year ended 31 March 2018. Individual member attendance is set out in the table above.

People Development, Nominations and Remuneration Committee

The People Development, Nominations and Remuneration Committee (the "People Committee") is responsible for overseeing senior management succession planning, establishing employee incentive schemes, reviewing and approving the compensation arrangements for the executive leadership team, and making recommendations to the Board in relation to the compensation of directors, as further described in the People Development, Nominations and Remuneration Charter (available in the Investor Centre section of our website). The People Committee is also responsible for reviewing the composition of the Board and recommending director appointments.

The members of the People Committee as at 31 March 2018 were all independent directors, namely Andrew Ferrier (Chair), Ronald Andrews and John Halamka. The Executive Vice President, People, acts as secretary by invitation of the People Committee. The People Committee sat four times during the financial year ended 31 March 2018. Individual member attendance is set out in the table above.

Research and Development Committee

The Board considers that high quality research and development is a significant element of Orion Health's overall strategy to achieve sustainable profitability whilst still investing for growth. As such, the Research and Development Committee was established in May 2017 for the purposes of promoting high quality research and development and assisting the Board in discharging its responsibilities to exercise due care, diligence and skill in relation to oversight of Orion Health's research and development planning, processes, activities and related expenditure. The Research and Development Charter is available in the Investor Centre section of the Orion Health website.

The members of the Research and Development Committee as at 31 March 2018 were John Halamka (Chair) and Paul Shearer. Neil Cullimore was a member of this committee until his resignation as a director in September 2017. Orion Health's Head of Research and Development was appointed secretary. The Committee did not hold any formal meetings during the financial year ended 31 March 2018.

Disclosure Committee

The Board is committed to providing open, timely and accurate market communications to the market. To that end, the Board appointed a Disclosure Committee to ensure that Orion Health complies with the disclosure obligations of securities and other laws in New Zealand and Australia. Further information is set out below under Principle 4.

The members of the Disclosure Committee as at 31 March 2018 are the Chairman of the Board, Chair of the Audit and Risk Committee, Chief Executive Officer, Chief Financial Officer and Disclosure Officer, a position held by our General Counsel.

The Committee met twice during the financial year ended 31 March 2018. Individual member attendance is set out in the table above.

Takeover Protocols

While Orion Health did not have formal protocols for takeover offers in place for the financial year ended 31 March 2018 (Recommendation 3.6 of the NZX Code), procedures are underway to establish suitable protocols. Orion Health understands that in the event of a takeover offer, it would be required to follow strict procedures and meet all relevant obligations in accordance with relevant takeover laws. We have established relationships with appropriate legal and equity capital markets advisors to support the Company through any takeover offer process.

Principle 4 – Reporting and Disclosure

"The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

The Board is committed to promoting shareholder confidence through open, timely and accurate market communication. We are subject to the disclosure requirements of securities and other laws in New Zealand and Australia and are required to comply with the NZX Main Board Listing Rules.

Since becoming an ASX Foreign Exempt Listing in October 2015, we are exempt from complying with many of ASX's Listing Rules. For more information on the compliance requirements of an ASX Foreign Exempt Listing, see www.asx.com.au/documents/rules/gn04_foreign_entities.pdf

Continuous Disclosure Policy

In accordance with our Continuous Disclosure Policy we inform the NZX and ASX of any material information related to the business, unless an exception applies. The Policy, which is available on the Orion Health website, sets out the Company's practices with respect to the prevention of a "false market", identifying material information and exceptions to disclosure obligations, approval of disclosures, release of information to the NZX and ASX, shareholders, analysts and media, and the publication of releases and disclosures.

Key Governance Documents

Our key corporate governance documents, including the Orion Health Code of Ethics, Board and Committee Charters are located in the Investor Centre section of our website www.orionhealth.com/nz/about-us/investor-centre/governance-leadership/

Financial Reporting

The Board is committed to a transparent system for auditing and reporting of our financial performance. This includes delivering financial reports and investor presentations which are clear, balanced and provide an objective view on the performance of the company.

Non-Financial Disclosure

Orion Health Risk Management Policy sets out the Company's risk management framework and processes. As detailed in the Policy, the main responsibility for identifying corporate risks lies with the Company's executive leadership team, who must consider both existing risks and seek to identify new risks. The Board and the Audit and Risk Committee also have roles with respect to identifying and managing risk. Further, staff are encouraged to contribute towards the assessment and treatment of risks within the business. Where a serious incident occurs, or a new threat or risk factor is identified, a risk assessment and/or a risk review is conducted.

The Company's corporate risks register is maintained and reviewed annually by the Audit and Risk Commitee. Orion Health intends to increase further disclosure and measurement of non-financial risks.

During the financial year ended 31 March 2018, Orion Health did not comply with the non-financial disclosure requirements of Recommendation 4.3 of the NZX Code but intends to establish reporting frameworks to disclose material exposures to environmental, economic, social sustainability risks and other key risks at least annually.

Principle 5 – Remuneration

"The remuneration of directors and executives should be transparent, fair and reasonable."

Director Remuneration

Procedures for the approval of director remuneration levels are set out in the Company's Constitution and are governed by the NZX Main Board Listing Rules and the Companies Act 1993. Any recommended increase to the maximum aggregate amount of remuneration payable to all directors is subject to shareholder approval, in accordance with the Constitution and the NZX Main Board Listing Rules.

Full disclosure of the remuneration of Orion Health directors is set out on page 71.

Director and Executive Remuneration Policy

The Company Director and Executive Remuneration Policy outlines how remuneration levels for Orion Health's directors

and officers are set. As discussed in Principle 3, the People Committee makes recommendations to the Board in this regard, keeping in mind the requirements of that policy.

Objectives in relation to remuneration of directors and officers are to:

- support a performance culture that is based on merit, differentiates and rewards excellent performance, both in the short and long-term, and recognises the Company's values;
- enable Orion Health to attract and retain quality executives, and motivate them to achieve results with integrity and fairness;
- balance the mix of fixed compensation and variable compensation to appropriately reflect the value and responsibility of the role performed day to day, and to influence appropriate behaviours and actions; and
- consider long-term performance in order to create sustainable value for shareholders.

Orion Health's policy for setting remuneration is based on a market pricing approach. This involves evaluating individual roles and matching them to the appropriate role in the market. The Company partners with local and global remuneration data providers to obtain the most relevant and extensive market data. The data Orion Health benchmarks to is continuously updated to ensure it is always aligned to current market remuneration levels. Performance-based remuneration takes individual and corporate performance into account and is linked to clearly specified performance targets. These targets are aligned to Orion Health's performance objectives and are appropriate to our circumstances, goals and objectives.

Remuneration of non-executive directors is reviewed periodically, benchmarked against market data specific to board directors and is clearly distinguished from that of executive directors and senior management members. Non-executive directors do not receive performance-based remuneration and the level of fixed remuneration that they do receive reflects the time commitments and responsibilities of their role.

Chief Executive Officer Remuneration

The People Development, Nominations and Remuneration Committee reviews the Chief Executive Officer's remuneration annually to ensure the package is fair and appropriate, taking into account the scale and complexity of the role, and relevant performance requirements and expectations.

The Committee ensures that appropriate remuneration arrangements are in place for the Chief Executive Officer. Any changes recommended by the Committee must be approved by the Board. The Chief Executive Officer's remuneration is set out below:

Chief Executive Officer Remuneration

	FY18	FY17	FY16
Remuneration (NZD)			
Base salary	$799,999	$794,615	$452,655
Other benefits	-	-	-
Subtotal	$799,999	$794,615	$452,655
Pay for performance			
STI[1]	-	-	$42,188
LTI[2]	-	-	0
Subtotal	-	-	$42,188
Total remuneration	$799,999	$794,615	$494,843

[1] No STI payments were made in FY18 and FY17
[2] CEO elected not to participate in the LTI scheme.

Three Year Summary

	FY18	FY17	FY16
Three year summary			
Total remuneration (NZD)	$799,999	$794,615	$494,843
% STI against on plan performance	-	-	-
% LTI against on plan performance	N/A	N/A	N/A
LTI performance period	N/A	N/A	N/A

Components of CEO Remuneration

Description of CEO Remuneration for Performance for the Financial Year Ended 31 March 2018

Plan	Description	Performance measures	Performance awarded against plan
STI	Set at 50% of base salary for FY18 on plan performance	100% based on NPBT vs budget and pro-rated to 120% for achievement above target	0%
LTI	CEO elected not to participate.		

Principle 6 – Risk Management

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

The Board considers that a number of risks, across various risk categories, have the potential to impact on the Company in one way or another. To ensure that risks are managed appropriately and in a timely manner, the Audit and Risk Committee assists the Board by managing our risk management framework in accordance with the Audit and Risk Charter. The Committee is responsible for:

- ensuring that senior management has established a risk management framework that includes policies and procedures to effectively identify, mitigate to the extent practicable, monitor and report key business risks;
- ensuring that adequate internal controls are in place;
- reviewing Orion Health's procedures for monitoring compliance with applicable laws and company policies;
- monitoring financial and non-financial policy compliance;
- reviewing key insurance policy terms and cover adequacy; and
- reporting and making recommendations to the Board.

The Committee maintains direct lines of communication with our auditors, the Chief Executive Officer, the Chief Financial Officer and senior management. The Chief Executive Officer and Chief Financial Officer draws to the Committee's immediate attention any material matter that relates to the financial condition of Orion Health, any material breakdown of internal controls and any material event of fraud or malpractice. Minutes of all Committee meetings are circulated to the Board, the Chief Executive Officer, the Chief Financial Officer and auditors.

Health and Safety

The Board is committed to ensuring that Orion Health complies with health and safety obligations arising out of its business operations. To demonstrate this commitment, the Board and executive leadership team operates in accordance with a Charter on Health & Safety. The Charter sets out a number of standards with respect to health and safety, based on best practice standards, including with respect to:

- undertaking regular due diligence to ensure that health and safety policies and procedures are kept current;
- ensuring that health and safety performance is regularly measured and health issues are monitored, and becoming acquainted with the results of that performance;
- reviewing health and safety control measurements, whereby incidents are reviewed and risks that have been identified are either removed or minimised to the greatest extent possible according to a hierarchy of control measures; and
- ensuring processes are in place to inform, and report to, WorkSafe New Zealand of any notifiable event within the required timeframes.

The Board receives a health and safety report quarterly and reviews the Charter annually.

Principle 7 – Auditors

"The Board should ensure the quality and independence of the external audit process."

External Auditors

As set out in the Audit and Risk Charter, the Audit and Risk Committee is responsible for establishing and maintaining a relationship with the Company's auditors and monitoring their performance and suitability. The Committee meets with the Company's auditors on a regular basis, as appropriate, but no less than annually. The Committee makes recommendations to the Board on the appointment and termination of the Company's auditors and ensures that the auditors or lead audit partner is changed at least once every five years.

The Company's auditors will attend its annual shareholders' meeting to answer questions from shareholders in relation to the audit.

Internal Audit

Orion Health's assurance team operates in accordance with an Internal Audit Policy, and is responsible for conducting internal audits. As set out in that policy, the assurance team conducts audits of Orion Health's systems with respect to quality management, information security management, privacy, clinical safety and compliance, in order to determine whether these systems are in compliance with applicable laws and other requirements.

Principle 8 – Shareholder Rights and Relations

"The Board should respect the rights of shareholders and foster relationships with shareholders that encourage them to engage with the issuer."

Access to Information

Orion Health seeks to ensure that the NZX, ASX, shareholders and other stakeholders understand its activities and all major developments affecting the company, through timely and effective communication and providing ready access to clear and comprehensive information.

The Company's Continuous Disclosure Policy (discussed under principle 4) and Shareholder Communications Policy are designed to achieve these aims. These policies are located in the Investor Centre section of the Orion Health website - www.orionhealth.com/nz/about-us/investor-centre/governance-leadership/

The Investor Centre also holds announcements provided to the NZX and ASX and other documents relevant to shareholders, including annual, interim and operational reports, corporate policies, committee charters, governance material and similar documents.

Communications with Shareholders

Communications with shareholders may take a variety of forms, including by way of announcements on the Orion Health website, direct mail notifications (where shareholders have consented), press releases, reports, meetings, teleconferences, video conferences, site visits, social media and individualised presentations. All communications are made in accordance with the Company's Market Disclosure Policy and are subject to any relevant NZX and ASX requirements.

Orion Health's shareholder meetings provide shareholders with the opportunity to ask questions of directors, senior management and auditors.

If shareholders would like to receive direct notifications of public announcements, the Investor Relations team can be contacted using the details set out in the Investor Centre section on the Orion Health website. Shareholders may also register to receive electronic notifications from the share registrar, Link Market Services. The Investor Centre also provides web casting facilities as required for important events.

Shareholder Voting and Meetings

In accordance with applicable laws and the NZX Main Board Listing Rules, Orion Health must obtain shareholder approval for any major transactions. As more fully detailed in our Constitution, for any poll, each shareholder is entitled to one vote for every fully paid share held by that shareholder.

Except in exceptional circumstances, notice of annual shareholders' meetings will be sent to every shareholder and published on the Orion Health website at least 28 days prior to the meeting.

Shareholder Information

Regulatory Disclosures

Indemnity and Insurance
Pursuant to section 162 of the Companies Act 1993 and Orion Health's constitution, Orion Health has granted certain indemnities to the directors and specified employees of Orion Health or any of its related companies in respect of liability and legal costs incurred by those directors and specified employees in their capacity as directors and/or employees of Orion Health or any of its related companies.

Orion Health has also arranged a policy of Directors' and Officers' Liability Insurance, which insures those persons indemnified for certain liabilities and costs.

Entries Recorded in the Interests Register
Orion Health maintains an Interests Register in accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013. The following are particulars of entries made in the Interests Register for the period 1 April 2017 to 31 March 2018.

Directors' Interests:
The directors disclosed interests in the following entities pursuant to section 140 of the Companies Act 1993 during the year ended 31 March 2018:

Name	Company	Interest
Andrew Ferrier	CANZ Capital	Director and Owner
	Ferrier Consulting Services Limited	Director and Owner
	New Zealand Trade and Enterprise	Chairman
	Play It Strange Foundation	Trustee
	University of Auckland	Council Member
	Bunge Ltd (New York)	Director
	Lufa Farms Ltd. (Montreal)	Director
Ian McCrae	McCrae Limited	Director and Owner
	McCrae Research Limited	Director
Paul Shearer	Fisher & Paykel Healthcare Limited (NZ)	Senior Vice President - Sales & Marketing Director
	Fisher & Paykel Healthcare Corporation Limited	Director of various subsidiary companies
Roger France	Tappenden Holdings Limited	Director and Chairman
	Tappenden Management Limited	Director
	The University of Auckland Foundation	Trustee
	The Treasury	Member of Commercial Operations
	Southern Cross Medical Care Society	Director
	Next Foundation	Member of Advisory Panel
	Deep South National Science Challenge	Member of Governance Board and Chairman
	Sustainable Seas National Science Challenge	Member of Governance Board
Ronald Andrews	Vinome Inc	Founder, Board member and shareholder
	Exploragen Inc	Founder, Board Member and Shareholder
	Oxford Immunotech	Board Member
	ASCO CancerLinQ	Board of Governors
	OmniSeq/Roswell Park Cancer Centre	Board Member
	Bethesda Group Consulting	Founder and Senior Partner
John Halamka	Beth Israel Deaconess Medical Center	Chief Information Officer
	Harvard Medical School	Professor
	Salesforce.com	Advisor
	Arcadia Healthcare	Advisor
	New Leaf Venture Partners	Advisor
Michael Falconer*	Empire Management Limited	Managing Director
	High St Capital Partners Limited	Director
	NextMinute Holdings Limited	Director
	Ranfurly Holdings Limited	Director
	Signature Homes	Strategy Committee Member
	McCrae Limited	Advisor

**Appointed director on 28 November 2017*

Share Dealings of Directors

Directors have advised the following changes in their interests during the year ended 31 March 2018:

Name	Date of acquisition/disposal	Consideration per share (NZD)	Number of shares acquired / (disposed)
Paul Shearer	4-Jul-17	$0.90	940 ordinary shares
	4-Jul-17	$0.90	222,222 ordinary shares
	6-Nov-17	$1.04	8,053 ordinary shares
	29-Mar-18	$0.77	10,877ordinary shares
Andrew Ferrier	4-Jul-17	$0.90	2,443 ordinary shares
	4-Jul-17	$0.90	266,666 ordinary shares
	6-Nov-17	$1.04	20,938 ordinary shares
	29-Mar-18	$0.77	28,279 ordinary shares
Ian McCrae	4-Jul-17	$0.90	16,666,666 ordinary shares
	1-Jun-17	$4.00 Redemption of Securities under Long Term Share Incentive Scheme	(56250) ordinary shares
Neil Cullimore	4-Jul-17	$0.90	66,414 ordinary shares
	4-Jul-17	$0.90	43,666 ordinary shares
	6-Nov-17	$1.04	7,613 ordinary shares
	9-Jan-18	Inward Transfer - NZX FASTER	(128,257) ordinary shares
Roger France	4-Jul-17	$0.90	1,316 ordinary shares
	4-Jul-17	$0.90	8,333 ordinary shares
	6-Nov-17	$1.04	11,274 ordinary shares
	29-Mar-18	$0.77	15,227 ordinary shares
Ronald Andrews	6-Nov-17	$1.04	11,677 ordinary shares
	29-Mar-18	$0.77	15,296 ordinary shares
John Halamka	6-Nov-17	$1.04	11,677 ordinary shares
	29-Mar-18	$0.77	15,295 ordinary shares
Michael Falconer	29-Mar-18	$0.77	7,391 ordinary shares

Directors' Shareholdings

Directors held interests in the following ordinary shares in Orion Health as at 31 March 2017.

Name	Ownership	Ordinary Shares
Ian McCrae	Legal and Beneficial	97,961,776*
Andrew Ferrier	Legal and Beneficial	1,529,323
Roger France	Legal and Beneficial	79,572
Paul Shearer	Legal and Beneficial	1,246,322
Ronald Andrews	Legal	32,930
John Halamka	Legal	30,260
Michael Falconer	Legal	7,391

**This comprises shares held by Ian McCrae personally, shares held through a family trust, and shares held through McCrae Limited.*

Director Remuneration

Name	Board fees	Committee fees	Consultancy fees	Total fees
Ian McCrae~	-	-	-	-
Andrew Ferrier (Chair) *	$195,000.00	-	-	$195,000.00
Neil Cullimore*[1]	$45,150.36	-	-	$45,150.36
Roger France*	$105,000.00	-	$50,000.00	$155,000.00
Paul Shearer*	$75,000.00	-	-	$75,000.00
Ronald Andrews*[2]	$103,687.00	-	-	$103,687.00
John Halamka*[2]	$103,687.00	-	-	$103,687.00
Michael Falconer*[3]	$25,630.36	-	$34,000.00	$59,630.36
Total	**$653,154.72**	**$0.00**	**$84,000.00**	**$737,154.72**

~ Ian McCrae did not receive fees in his capacity as a director. See Principle 6 - Remuneration for information about his remuneration as Chief Executive Officer.

** Issued ordinary shares in Orion Health in lieu of cash as part of their director remuneration, as set out in the section titled "Share Dealings of Directors" above.*

[1] Represents remuneration received by Neil Cullimore for the period from 1 April 2017 to his retirement as a director on 20 September 2017.

[2] Represents NZD equivalent of USD75,000.00 based on exchange rate of 0.72333 as at 31 March 2018

[3] Represents remuneration received by Michael Falconer for the period from the date of his appointment as a director on 28 November 2017 to 31 March 2018.

Employee Remuneration

During the year the number of employees or former employees not being directors of the Company received remuneration including the value of other benefits in excess of NZ$100,000 in the following bands:

Remuneration (NZD)	Number of Employees
$100,000 - $110,000	97
$110,001 - $120,000	63
$120,001 - $130,000	60
$130,001 - $140,000	65
$140,001 - $150,000	41
$150,001 - $160,000	31
$160,001 - $170,000	30
$170,001 - $180,000	35
$180,001 - $190,000	27
$190,001 - $200,000	23
$200,001 - $210,000	15
$210,001 - $220,000	12
$220,001 - $230,000	6
$230,001 - $240,000	14
$240,001 - $250,000	3
$250,001 - $260,000	10
$260,001 - $270,000	2
$270,001 - $280,000	6
$280,001 - $290,000	2
$290,001 - $300,000	2
$310,000 - $320,000	4
$320,001 - $330,000	2
$330,001 - $340,000	1
$350,000 - $360,000	2
$360,001 - $370,000	1
$370,001 - $380,000	1
$380,001 - $390,000	1
$390,001 - $400,000	6
$400,001 - $410,000	1
$410,001 - $420,000	2
$440,000 - $450,000	1
$570,000 - $580,000	1
$660,000 - $670,000	1
$790,000 - $800,000	1
$830,000 - $840,000	1
$790,001 - $800,000	1
$830,000 - $840,000	1

These numbers include 225 New Zealand-based current and former employees and 345 overseas-based current and former employees.

Shareholders

As at 31 March 2018, Orion Health had 195,665,629 voting shares on issue and 3,460 holders. Where voting at a meeting of the shareholders is by voice or a show of hands, every shareholder present in person, or by representative has one vote and, on a poll, every shareholder present in person or by representative has one vote for each fully paid ordinary share in Orion Health. There are no voting rights attaching to options or performance share rights.

Top Twenty Shareholders as at 31 May 2018:

Rank	Name	Total number of securities	% of total securities
1	McCrae Limited	97,526,723	49.75
2	Geoffrey Alexander Cumming	15,817,777	8.07
3	Pioneer Capital I Nominees Limited	12,316,447	6.28
4	New Zealand Central Securities Depository Limited	5,709,051	2.91
5	Hamish Alexander Kennedy	4,837,643	2.47
6	Telstra Holdings Pty Ltd	3,508,772	1.79
7	HSBC Custody Nominees (Australia) Limited	3,039,155	1.55
8	Emerald Capital Limited	2,980,000	1.52
9	Deborah Mary Thomson & Mark James Thomson	2,173,174	1.11
10	CANZ Capital Limited	1,466,666	0.75
11	ASB Nominees Limited	1,253,317	0.64
12	Mark Stewart Capill & Bronwyn Jane Capill & Integrity Trustees Limited	1,222,508	0.62
13	Paul Nigel Shearer & Sonya Maree Shearer & Mark Edgar Wilson	1,222,222	0.62
14	Jacon Investments Limited	1,222,222	0.62
15	Michael Brian Clegg & Kylie Anne Clegg	1,212,500	0.62
16	J P Morgan Nominees Australia Limited	1,194,377	0.61
17	Edwin Weng Kit Ng	1,170,942	0.60
18	Orion Health Corporate Trustee Limited	1,164,730	0.59
19	Gordon Stanley McCrae	1,090,598	0.56
20	FNZ Custodians Limited	888,303	0.45

New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to members. As at 31 May 2018, the 10 largest shareholdings in Orion Health held through NZCSD were:

Rank	Name	Total number of securities	% of total securities
1	National Nominees New Zealand Limited	2,471,914	1.26
2	Public Trust Forte Nominees Limited	933,621	0.48
3	Accident Compensation Corporation	865,000	0.44
4	HSBC Nominees (New Zealand) Limited	487,711	0.25
5	Citibank Nominees (NZ) Limited	267,799	0.14
6	JPMorgan Chase Bank	226,747	0.12
7	BNP Paribas Nominees NZ Limited	225,000	0.12
8	BNP Paribas Nominees NZ Limited	107,413	0.06
9	Private Nominees Limited	101,785	0.05
10	New Zealand Permanent Trustees Limited	22,061	0.01

Substantial Product Holders

According to the notices given to the NZX and information contained in Orion Health's share register, the following persons were substantial product holders in Orion Health as at 31 March 2018 in respect of the number of quoted voting securities noted below. As at 31 March 2018, Orion Health had 195,665,629 quoted voting securities on issue.

Name	Total number of securities	Cass of quoted voting product	Percentage held in class
McCrae Limited	97,526,723	Ordinary shares	49.84%
G A Cumming	15,817,777	Ordinary shares	8.08%
Pioneer Capital I Nominees Limited	12,316,447	Ordinary shares	6.29%

* *As per Orion Health's share register, subsequent to the notice given under the Securities Markets Act 1988 on 26 November 2014, 700,000 shares have been transferred. The remaining 15,380,000 are held by G A Cumming (12,400,000 shares) and Emerald Capital Limited (2,980,000 shares).*

Spread of Quoted Security Holders as at 31 May 2018:

Ranges	Investors	Securities	% of Issued Capital
1 to 1,000	1,039	609,093	0.31
1,001 to 5,000	1,317	3,226,321	1.65
5,001 to 10,000	368	2,695,318	1.37
10,001 to 50,000	391	8,144,538	4.15
50,001 – 100,000	69	4,911,938	2.51
Greater than 100,000	75	176,462,606	90.01
Total	3,259	196,049,814	100.00

Waivers

Orion Health had no NZX waivers granted or published by the NZX within or relied upon in the 12 months ending 31 March 2018.

Disciplinary Action Taken by the NZSX, ASX or the Financial Markets Authority (FMA)

There was no disciplinary action taken by the NZSX, ASX or FMA against Orion Health during the financial year ending 31 March 2018.

Credit Rating

Orion Health does not currently have an external credit rating status.

Subsidiary Company Directors

No employee of Orion Health appointed as a director of any of Orion Health's subsidiaries receives or retains any remuneration or other benefits in respect of his/her appointment as a director.

The remuneration and other benefits of any such directors who are employees of the group totalling $100,000 or more during the year ended 31 March 2018 are included in the relevant bandings for remuneration disclosed on page 80 of this Annual Report.

Except where shown below in relation to external directors, no other director of any subsidiary company within the group receives directors' fees or other benefits as a director.

The following people held office as directors of subsidiary companies at 31 March 2018:

Ian McCrae

Orchestral Developments Limited
Orion Systems International Limited
Orion Health Properties Limited
Orchestral Developments International Limited
Orion Health Asia Pacific Limited
Orion Health Limited (NZ)
Orion Health Asia Holdings Limited
Orion Health Corporate Trustee Limited
Orion Health Services Limited
Orion Health China Limited
Orion Health SAS
Orion Health S.L.U.
Orion Health Systems FZ-LLC
Orion Health Software Technology (Shanghai) Co., Ltd
Orion Health Software Technology Consulting (Shenzhen) Co., Limited
Orion Health Pte. Limited
Orion Health Pty. Limited
Orion Health Inc.
Orion Health Limited (Canada)
Orion Health Limited (United Kingdom)
Orion Saglik ve Bilgi Sistemleri Limited Sirketi
Orion Health Limited (Thailand)
Orion Health Philippines Inc.
McCrae Research Limited

External Directors

Due to the requirement in a number of jurisdictions to have a local director and other administrative restrictions, the following individuals who are not employees of the Orion Health group act as directors:

- Joan Reyes – Orion Health Philippines Inc. (PHP82,800)
- Rubie Pregoner – Orion Health Philippines Inc. (PHP82,800)
- Dyan Y. Yan – Orion Health Philippines Inc. (PHP82,800)
- Jannette Pel – Orion Health Philippines Inc. (PHP82,800)
- Tay Tuan Leng – Orion Health Pte. Limited (SGD2,500)
- David Masters – Orion Health Pty. Limited (AUD3,000)
- Rodney Hyde - Orion Health Software Technology Consulting (Shenzhen) Co., Limited (this entity is in the process of being shut down as we move China operations to Shanghai)

Former Directors

- Neil Cullimore resigned as a director of Orion Health Group Limited, Orion Health Properties Limited and Orion Health Corporate Trustee Limited.
- Luke Facer resigned as a director of McCrae Research Limited
- Paulo T. Villareal resigned as a director of Orion Health Philippines Inc.

Directory

Our principal administrative and registered office in New Zealand is:

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Auckland 1150

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Facsimile: +64 9 638 0699
www.orionhealth.com

Our registered office in Australia is:

Pt Level 18, 535 Bourke Street
Melbourne, Victoria 3000

Telephone: +61 3 8376 9447
Facsimile: +61 3 8080 0724
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Share Registrars

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Auckland, New Zealand

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