ANNUAL REPORT 2017

ORION HEALTH

THINKING SOFTWARE FOR LIFE

ORION HEALTH

Contents

Chairman and CEO Report

Dear Shareholder

On behalf of your Board of directors, we present to our Shareholders the annual report of Orion Health for the year ended 31 March 2017.

It was a challenging FY2017 for Orion Health with operating revenue of $199m, which is a 4% decrease from FY2016 although a 3% increase on a constant currency basis. The company continued to reduce losses with an operating loss of $33m, representing a $22m improvement from FY2016. The net cash balance at 31 March 2017 was $6m.

We have announced a capital raising of approximately $32m by way of a 2 for 9 renounceable rights offer to eligible shareholders. The allotment date for the rights offer is 4 July 2017. The rights offer is underwritten by First NZ Capital, other than in respect of:

- CEO and 50.8% shareholder Ian McCrae, who has committed to take up $15m of shares under the rights offer;
- 9.6% shareholder GA Cumming, who has committed to take up his full entitlement under the rights offer; and
- all New Zealand based directors, who have also committed to take up their full entitlements under the rights offer.

The company remains focused on its drive to achieve profitability during the second half of the 2018 financial year and has recently undertaken an organisational review which has reduced costs by approximately $10m on an annualised basis.

Global business

During FY2017 the company signed a number of new agreements in North America, including a significant contract with Saint Francis HealthCare Partners (SFHCP), a growing network of over 1,000 independent health care providers serving more than 500,000 patients in Connecticut, U.S.

A key aspect of this contract is that the solution is hosted by Amazon Web Services (AWS) and will be delivered on a subscription basis. As previously advised, Orion Health is in the process of transitioning U.S. customers to the cloud.

Andrew Ferrier
Chairman

Ian McCrae
Director and Chief Executive Officer

The company is committed to its partnership with AWS, which continues to expand its global footprint, and this in turn will enable Orion Health to provide cloud-based services in all its major markets.

In addition, Orion Health has progressed its relationship with Horizon Blue Shield of New Jersey, the second of our major health insurance customers. Orion Health has an exciting and active programme of work with Horizon and looks forward to achieving some major milestones in the coming months.

Performance in EMEA (Europe, Middle East, Africa) was impacted by a slowdown in NHS tenders in the United Kingdom. There were however some notable highlights, including the signing in March of a five-year licence agreement with Dorset County Council in England valued at just over £5m. The Council has purchased Orion Health's Amadeus precision medicine platform, which will provide a comprehensive care solution to the region's population of over 765,000 people.

Achievements in Asia Pacific during FY2017 include signing an agreement with Metro North, the largest health service in the Australian state of Queensland which serves over 900,000 people and employs more than 16,000 staff in five hospitals and eight community health centres.

In February the five District Health Boards in the South Island of New Zealand announced they will share the same Orion Health clinical workstation for hospital care, and the same Electronic Health Record to connect secondary and primary care. This rollout is targeted to be completed in June and will mean all care providers on the HealthOne platform will have access to the same medical record. This is part of the HealthOne initiative which won the Best Technology Solution for the Public Sector in the New Zealand Hi Tech Awards 2017.

Talent and opportunity

During FY2017 we welcomed two highly experienced global healthcare experts to our Board as independent directors.

Ronald Andrews has close to 30 years in governance and executive roles in the U.S. Clinical and Molecular Diagnostics industry. He sits on the Board of directors for several companies and charitable boards. He has extensive experience working with the U.S. government in Washington and speaks regularly to industry groups.

Dr John Halamka 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 on healthcare technology. He is also the Chief Information Officer at Beth Israel Deaconess Medical Center and chairman of the New England Healthcare Exchange Network, as well as a practicing emergency physician.

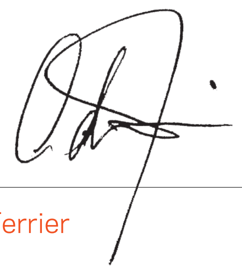
Our senior leadership team has been enhanced by two new appointments, both of whom are moving from the U.S. to New Zealand as they take up their respective roles. Executive Vice President for Global Sales, Marketing, and Strategy, Teri Thomas was previously Vice President at Epic Systems Corporation. The new Chief Financial Officer, Mark Tisdel, joins Orion Health having previously been CFO at Model N, Inc, a revenue management software company that provides solutions for the life science and high-tech industries which trades on the New York Stock Exchange.

Outlook

Orion Health remains focused on its drive to achieve profitability during the second half of the 2018 financial year. The $32m rights offer and the existing banking facilities provide the company with the financial resources to achieve that objective.

We are also continuing with a strategic review of the business, which was announced in early April by the Board of directors. As part of the strategic review we have also received expressions of interest outside the original review scope. Consequently, Orion Health has decided to widen and extend the review to explore that interest, focused on ways to maximise shareholder value and deliver outcomes that are in the best interests of all stakeholders.

Orion Health is well positioned to take advantage of the transformation occurring in healthcare with the advent of cloud services and machine learning applications. This is a long-term strategy and we are extremely grateful to you, our shareholders, for your ongoing support.



Andrew Ferrier
Chairman

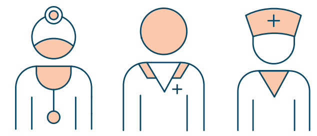
Ian McCrae
Director and Chief Executive Officer

30 May 2017

Orion Health's software is **transforming** healthcare delivery

98%
of residents

or 1.4m patients in Maine, U.S. have their healthcare records integrated in the State's **HealthInfoNet**, empowering providers with near real-time tools to enhance proactive clinical care management.



51,000
health professionals

access **Alberta Netcare Portal** in Alberta, Canada, are viewing 7.2 million screen pages of information monthly.

up to 3m
messages

a day are sent by clinicians, support staff and researchers at the **Phoenix Children's Hospital** in Arizona, following the implementation of the Orion Health Rhapsody Integration Engine.

>72m
results viewed

following the implementation of Orion Health Consult and Orion Health Rhapsody Integration Engine by **Health and Social Care**, which provides healthcare for 1.8 million citizens of Northern Ireland.

Summary Financial Results

Orion Health had a challenging 2017 financial year with operating revenue of $199m, which is a 4% decrease from FY2016, although a 3% increase on a constant currency basis. However, the Group demonstrated progress on its path towards profitability with a $22m improvement in operating loss from FY2016 to FY2017. While revenue was lower than expected, losses were reduced as a result of tight cost control and improvements in efficiency of services delivery. The proportion of recurring revenue improved from 42% in FY2016 to 46% in FY2017.

FY2018 in an important year for Orion Health as the business focuses on its drive to profitability during the second half of the financial year.

In North America (NA), the Group improved its performance in FY2017 as the result of a growing managed services business and the renewed licence agreement with Philips. Canadian growth was more subdued but our market position remains a stronghold for Orion Health. Our forward focus in North America is transitioning existing customers to Amazon Web Services (AWS) and providing new customers with a market-leading product to support the shift from volume to value-based healthcare.

Europe, Middle East, Africa (EMEA) experienced a difficult FY2017 after recent periods of high growth. Performance in EMEA was impacted in FY2017 by a slowdown in NHS tenders in the U.K., but we continue to extend our footprint with new projects in the U.K. and progress more widely in France and the Middle East.

Asia Pacific (APAC) revenue declined in FY2017 due to a reduction in perpetual licence sales and the loss of one customer to whom we were providing support services in Australia. In New Zealand, we continue to work on strengthening relationships with existing customers through the rollout of new products and services. During FY2017 we have gone live in the Philippines and in three sites across Vietnam. We continue to sell Rhapsody via partner channels in China.

Successful cost control resulted in a $28m reduction in operating expenses. This includes a $1m increase in research and development (R&D) expenditure and a $29m reduction in all other operating expenses ($22m saving excluding FY2016 abnormal items). The Group continues to invest in building product capability with $64m in R&D expenditure (32% of revenue), slightly more than $63m in FY2016 (30% of revenue).

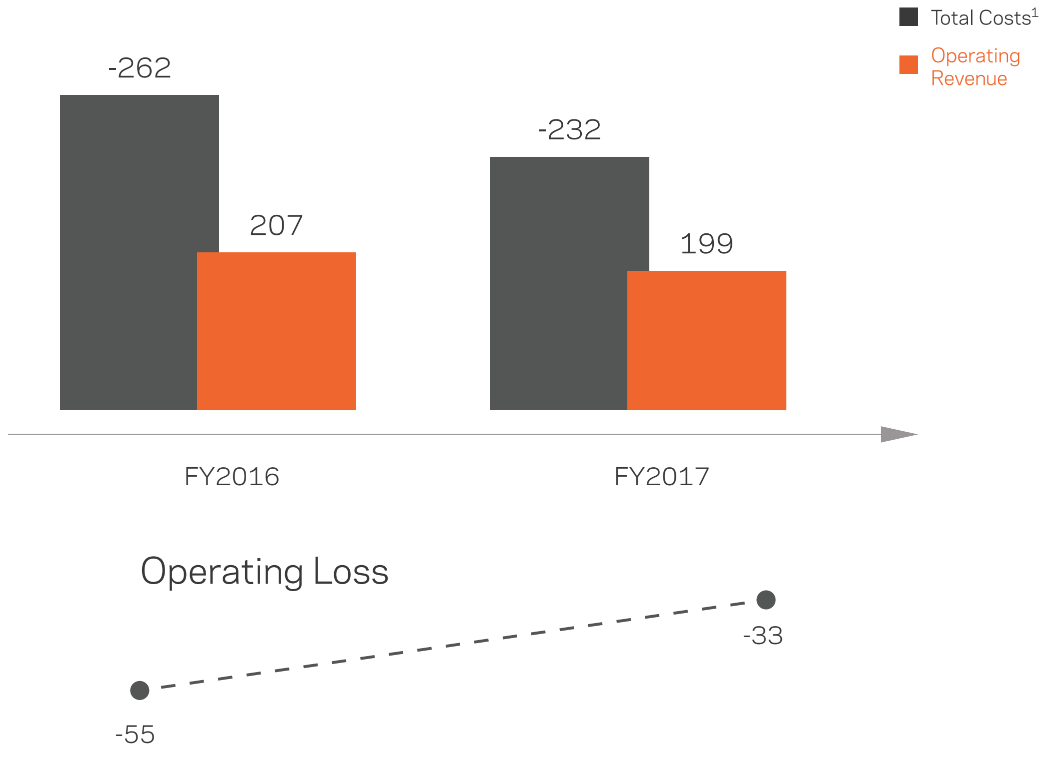
The Group closed the year with $6m net cash.

FY2018 is an important year for Orion Health as the business focuses on its drive to profitability during the second half of the financial year. The announced $32m rights offer and the existing $40m ASB facilities together provide the business the financial resources to achieve that objective.

Summary Financial Results

	FY2017 NZ$m	FY2016 NZ$m
Recurring Revenue	92.4	87.9
Non-Recurring Revenue	106.7	119.0
Total Operating Revenue	**199.1**	**206.9**
Other Income	7.9	6.5
Total Income	**207.0**	**213.4**
Operating Expenses	239.8	268.1
Operating Loss	**(32.8)**	**(54.7)**
Net Finance Income	0.1	2.0
Loss Before Income Tax Expense	**(32.7)**	**(52.7)**
Income Tax Expense	1.5	1.7
Loss After Income Tax	**(34.2)**	**(54.4)**

Driving to Profitability (NZ$m)



[1] Total Costs are shown net of other income; and in FY2016 include abnormal items

Revenue

Our core business remains the development, implementation, sale, hosting and support of healthcare software for governments, hospitals, insurers and other healthcare organisations.

Our software can be purchased on a subscription basis and may include hosting services for an agreed period (managed services). In some geographies, purchasing frameworks encourage our customers to acquire software as perpetual licences. Perpetual licences are generally sold together with recurring support contracts. The subscription contracts and the support contracts provide our customers with ongoing product support and certain upgrade possibilities relevant for the product and customer. Both subscription and perpetual contracts can include implementation and training services.

Managed services and support contracts are classified as recurring revenue:

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

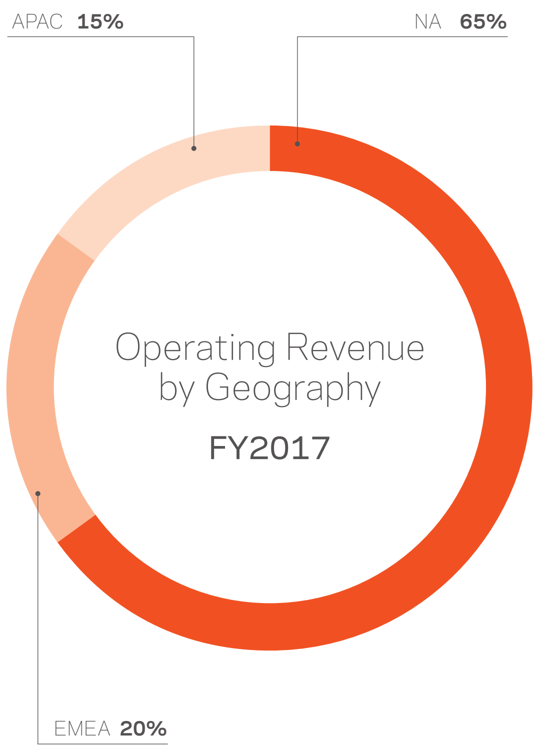
Support services revenue: perpetual licence customers paying ongoing product support fees.

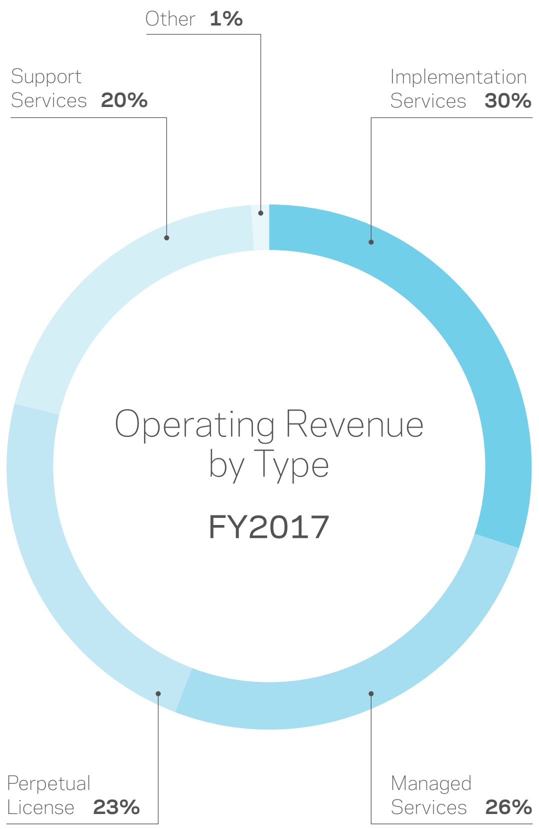
Orion Health's remaining revenue is classified as non-recurring revenue:

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 purchase new licences when software becomes outdated.

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

In FY2017, recurring revenue increased through new managed services customers in North America. As we continue to develop new technology, we provide a catalyst for existing customers to upgrade and expand their existing technology through additional purchases.





Constant Currency Analysis

As Orion Health continues its expansion abroad, exposure to foreign currency movements increases. In FY2017, the proportion of revenue that was generated in foreign currency was 94%. Compared to FY2016, the New Zealand dollar appreciated in FY2017 against most of the currencies in which the company receives revenue, which adversely impacted results.

Constant currency information is prepared each month to enable the Board and management to monitor Orion Health's underlying financial performance without the distortion caused by fluctuations in currency. This is of particular relevance in assessing Orion Health's underlying business performance given that the Group reports in NZD, but only 6% of its revenue is earned in NZD.

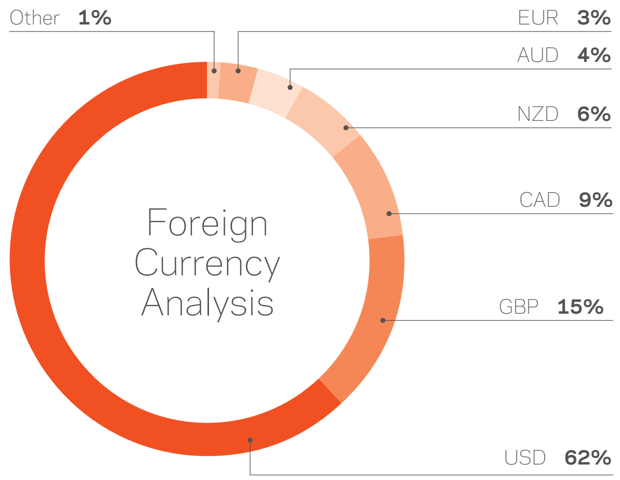
The table below provides estimated NZD results that would have been achieved if FY2017 budget exchange rates had been applied to both periods. FY2017 budget exchange rates have also been applied to FY2017 and FY2016 results to provide constant currency information contained in this Financial Commentary, including the percentage changes shown in tables throughout this report. Information that is provided on a constant currency basis in this Financial Commentary is shown in italics. 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.

Regional Summary – Constant Currency

Operating Revenue	*FY2017 NZ$m*	*FY2016 NZ$m*	*% change*
NA	*140.4*	*128.8*	*9%*
EMEA	*46.9*	*49.9*	*(6%)*
APAC	*30.8*	*32.5*	*(5%)*
Corporate	*0.7*	*0.7*	*0%*
Total	**218.8**	**211.9**	**3%**
Regional contribution external – before abnormal items			
NA	*41.3*	*12.3*	*236%*
EMEA	*6.7*	*15.9*	*(58%)*
APAC	*7.3*	*7.6*	*(4%)*
Corporate	*(0.4)*	*(0.4)*	*0%*
Total	***54.9***	***35.4***	***55%***

The significant exchange rates used in the constant currency analysis, being the budget exchange rates for the year ending 31 March 2017, are USD 0.65, GBP 0.44, CAD 0.88, EUR 0.62, AUD 0.91.

Orion Health is significantly exposed to movements in foreign exchange rates. The value of the NZD moved higher against most of the currencies in which the company operates. Revenue earned in each of the major currencies is shown here on the right.



North America

In North America, revenue increased from $125m in FY2016 to $129m in FY2017, despite adverse foreign exchange movements. In constant currency revenue increased by 9%. Having restructured the cost base at the end of FY2016 in North America, we created a more sustainable business model and supported Orion Health's drive towards profitability. Together with the efficiency improvements we have been implementing in the managed services business, this led to an increase in contribution from the region from $12m in FY2016 (excluding abnormal items) to $38m in FY2017.

> The U.S. remains a market where we see the greatest opportunity for Orion Health, due to the scale and ongoing transition of the healthcare sector from volume to value.

The U.S. remains the market where we see the greatest opportunity for Orion Health, due to the scale and ongoing transition of the healthcare sector from volume to value. Orion Health's software is market-relevant due to its ability to aggregate healthcare data at scale and assemble individual Electronic Health Records, facilitating improved care and operational efficiencies by providing meaningful insights to clinicians and their patients. Our focus is on providing existing customers with solutions that leverage their assets, support the transformation of the way they deliver healthcare and reference measurable results. By satisifying customer requirements, we create references for other potential customers to see successful deployments of Orion Health software.

In Canada, we remain a market-leading software provider in the healthcare market. We continue to make a significant impact with a presence in major regions including Ontario, Alberta, Quebec, Saskatchewan, Newfoundland and New Brunswick.

Of all revenue types, managed services grew the most from $42m to $47m. This growth was generated due to existing customers increasing usage of our systems and new customers going live on our hosted solutions. We continue to transition our U.S. based customers to AWS, with three customers now live. The merger of Cal INDEX with Inland Empire to form Manifest MedEx has resulted in reduced usage of Orion Health software pending a vendor review process, with a consequently material reduction in revenue from Cal INDEX expected in FY2018.

Our perpetual licence revenue growth was driven by strong Rhapsody sales, where demand continues to increase, including a new agreement with Philips, a leader in healthcare technology, in the first half of FY2017. The new fixed term enterprise licence agreement enables Philips to embed Orion Health's Rhapsody integration engine in a wider range of medical equipment and software solutions.

We continue to make progress in the U.S. with the recent signing of St. Francis Healthcare Partners, a growing network of more than 1,000 independent healthcare providers serving over 500,000 patients in Connecticut who will deploy Amadeus on AWS. Our current implementation for Horizon in New Jersey is progressing well and is now live on AWS. Our relationship with Cognizant remains strong as we work with them on a solution for EmblemHealth. The Cognizant pipeline in the U.S. Health Insurance market is robust and we expect to benefit from this strategic partnership during FY2018.

In Canada we are the first public company with the health information network service provider designation in Ontario. We also successfully implemented a SaaS-based, hosted EMR solution in a private cloud for Alberta.

> Our perpetual licence revenue growth was driven by strong Rhapsody sales, where demand continues to increase, including a new agreement with Philips, a leader in healthcare technology, in the first half of FY2017.

Operating Revenue	FY2017 NZ$m	FY2016 NZ$m	% Change	*% Change CC*
Perpetual Licences	31.2	26.1	20%	*27%*
Implementation Services	27.8	36.2	(23)%	*(19%)*
Support Services	22.0	20.3	8%	*14%*
Managed Services	47.2	41.5	14%	*20%*
Other	1.3	1.3	0%	*3%*
Total Operating Revenue	**129.5**	**125.4**	**3%**	***9%***

Contribution - External (before abnormal items) NZ$m (Contribution %)				
Perpetual Licenses	31.2	26.1	20%	*27%*
Implementation Services Contribution %	5.9 21%	3.8 10%	56%	*67%*
Support Services Contribution %	20.3 92%	16.8 83%	21%	*28%*
Managed Services Contribution %	10.4 22%	2.1 5%	395%	*405%*
Sales, Marketing and G&A expense	(31.2)	(37.9)	18%	*14%*
Other	1.3	1.3	0%	*3%*
Contribution External	**37.9**	**12.2**	**211%**	***236%***

EMEA

Following recent periods of revenue growth, EMEA experienced a challenging FY2017. Operating revenue decreased from $48m to $39m. Weakening of the British Pound post Brexit contributed $7m of the decrease, with a reduction in U.K. healthcare IT spend and political uncertainty in Turkey and Spain offsetting solid growth in France and the Middle East. This resulted in a reduction in contribution to $5m in FY2017.

We are well positioned as a leader in the U.K. market with a 24% clinical portal market share and 23% integration platform market share. Outside of the U.K. we are excited by the progress being made with ongoing and new projects in France, Spain and the Middle East.

With a customer base spanning many of the U.K.'s large healthcare providers, we continue to add value to our existing customers with ongoing project work, new products and go lives at a number of customers across the U.K. in FY2017. Late in FY2017, we announced a £5m five-year licence deal with Dorset County Council in England to provide a comprehensive care record to the region's population of 765,000 people. The U.K. government has progressive HCIT plans with £4bn set aside for NHS technology over the next four years, which aligns with Orion Health capabilities.

In mainland Europe, Orion Health's Amadeus deployment in Spain for a public healthcare provider in the Castilla y Leon province supports the health records of more than 2.5m people. In France, our major projects in Paris and Burgundy have been successful and are both now live. Both projects enable coordinated and personalised information to be shared across different groups of healthcare professionals and organisations. These initial projects are part of a nation-wide transformation of French healthcare from a hospital-centric to patient-centric system. Although in the early stages, we already note a wider range of our existing products and roadmaps are appealing to opinion leaders in the market. Overall market conditions are favourable with the French government continuing to allocate additional funding to support regionalisation of healthcare services and care coordination.

In the Middle East, we have progressed well during the past year, building revenues through channel partners and positioning for the introduction of our broader suite of products. This was demonstrated by the signing of Oasis Hospital in Dubai in June 2016, which is our first Enterprise customer in the Middle East. In early 2017 we were selected as Princess Nourah University's supplier of choice for integration using Rhapsody following a competitive process, opening the door to many other opportunities in the region.

Operating Revenue	FY2017 NZ$m	FY2016 NZ$m	% Change	*% Change CC*
Perpetual Licences	11.2	17.5	(36%)	*(21%)*
Implementation Services	15.3	16.4	(7%)	*6%*
Support Services	8.7	9.6	(9%)	*8%*
Managed Services	3.2	4.7	(32%)	*(18%)*
Other	0.2	0.2	0%	*(12%)*
Total Operating Revenue	**38.6**	**48.4**	**(20%)**	***(6%)***

Contribution - External NZ$m (Contribution %)				
Perpetual Licenses	11.2	17.5	(36%)	*(21%)*
Implementation Services Contribution %	1.0 7%	3.4 21%	(71%)	*(69%)*
Support Services Contribution %	7.4 86%	8.4 88%	(12%)	*5%*
Managed Services Contribution %	2.0 62%	3.4 72%	(41%)	*(28%)*
Sales, Marketing and G&A expense	(17.1)	(17.7)	3%	*(13%)*
Other	0.2	0.2	0%	*(12%)*
Contribution External	**4.7**	**15.2**	**(69%)**	***(58%)***

[1] *Digital Health Intelligence*

APAC

APAC revenue declined from $32m in FY2016 to $30m in FY2017 due to a reduction in perpetual licence sales and the loss of one customer to whom we were providing support services in Australia.

New Zealand remains a stronghold for Orion Health and still represents the largest proportion of our revenue in APAC. Many existing customers are undertaking upgrades with implementation work underway in all four regions (Northern, Midland, Central and South Island). The South Island Patient Information Care System (SIPICS) is now live at Burwood Hospital for Inpatients and Outpatients. Further rollouts across the South Island are planned during FY2018. New Zealand is a key strategic market where we continue to strengthen relationships with the Ministries of Health and Social Development, enhancing our existing national platforms such as the National Immunisation Register and National Child Health Information Platform.

We have a strong presence across the eastern seaboard of Australia. Throughout the year in Australia we completed many of the outstanding unsatisfactory legacy projects, with the remaining legacy projects scheduled to be completed in early FY2018. We have successfully invested in the NSW Shared Care platform which is now live in Northern NSW and is expected to expand through the state during FY2018. We are making progress on several opportunities in Australia which we hope to finalise in FY2018 and remain optimistic about the outlook in this market. Our continued focus is to be the solution of choice on the Eastern seaboard for interoperability and care coordination, providing a platform for short and long term revenue growth.

In South East Asia, we continue to make progress with three sites live across the VinMec group, which combined with our Franco Vietnamese Hospital site, gives us four sites in full production in Vietnam. The fourth, fifth and sixth VinMec sites are contracted for deployment in FY2018. Importantly, our existing Enterprise customer base has been undertaking major upgrade projects to bring them in line with current released and supported software. In the Philippines, our main site for The Medical City has also gone live with a successful deployment, which highlighted the major improvements in the Enterprise product suite.

In China we continue to grow through our strategy of selling Rhapsody via existing partner channels.

Operating Revenue	FY2017 NZ$m	FY2016 NZ$m	% Change	*% Change CC*
Perpetual Licences	3.2	5.5	(42%)	*(44%)*
Implementation Services	15.7	14.8	6%	*8%*
Support Services	9.8	11.1	(12%)	*(10%)*
Managed Services	1.4	0.7	100%	*96%*
Other	0.1	0.3	(67%)	*(53%)*
Total Operating Revenue	**30.2**	**32.4**	**(7%)**	***(5%)***

Contribution - External NZ$m (Contribution %)				
Perpetual Licences	3.2	5.5	(42%)	*(44%)*
Implementation Services Contribution %	4.4 28%	3.2 22%	38%	*38%*
Support Services Contribution %	8.5 87%	9.9 89%	(14%)	*(12%)*
Managed Services Contribution %	0.1 10%	(0.6) (86%)	(117%)	*(127%)*
Sales, Marketing and G&A expense	(8.9)	(10.6)	16%	*13%*
Other	0.1	0.3	(67%)	*(53%)*
Contribution External	**7.4**	**7.7**	**(4%)**	***(4%)***

Operating Expenses

Key in the drive to profitability is our ability to manage costs and match resources to revenue opportunities. Cost reductions throughout the business resulted in a $28m reduction in operating expenses from FY2016 to FY2017 ($21m saving excluding FY2016 abnormal items). The business remains focused on its drive to achieve profitability during the second half of the 2018 financial year and has recently undertaken an organisational review which has reduced costs by approximately $10m on an annualised basis.

We are investing in tooling and automation that will allow our standard reference solutions to be deployed rapidly and reduce the time to value for our customers. Additional solutions and upgrades lead to greater utility for our customers, but also facilitate scale economies in our business.

Direct operating costs have decreased in all services.

Implementation services expenses decreased by $10m in FY2017 compared to FY2016. This more than offset the decrease in implementation services revenue, resulting in a contribution increase from 15% in FY2016 to 19% in FY2017. The improvement in contribution reflects continued improvement in efficiencies, resolving challenging legacy implementation projects in Australia and demonstrating our ability to adjust cost to reflect changes in workload. Remaining legacy projects are expected to be finished in FY2018 and we are focused on initiatives that continue to demonstrate improvement in our implementation services margin.

Managed services expenses decreased from $42m in FY2016 to $39m in FY2017 largely as a result of currency movements. With increasing revenue, contribution increased to 24% in FY2017 from 11% in FY2016. Our managed services business is predominantly in North America (91% of managed services in FY2017). We are looking to deliver ongoing improvement in our margin through the transition of existing customers onto AWS, the introduction of new customers onto AWS and investment in tooling and automation.

Support services contribution increased to 89% in FY2017 from 86% in FY2016.

Research and Development Expenditure

Investment in R&D did not materially change with an expenditure of $64m, slightly above $63m in FY2016. Period end headcount increased by 17 people from 525 at 31 March 2016 to 542 at 31 March 2017.

R&D investment continues to be predominantly staff driven, with almost all costs relating to staff either directly (in the form of salary and benefits) or indirectly (in the form of office space, IT equipment, travel or training).

We are committed to continuing investment in R&D to produce world leading products that enable us to be a leader in the market. However, R&D as a proportion of operating revenue is expected to decrease as operating revenue grows. Following the organisational review in April 2017, headcount in R&D was reduced by 40, delivering greater efficiency and supporting our goal of driving to profitability during the second half of the 2018 financial year.

Cash, Financial Position and Facilities

Net cash balance at 31 March 2017 was $6m. The net cash outflow for the period of $51m is predominantly a reflection of the $34m loss and a $27m reduction in revenue in advance. The majority of this reduction in revenue in advance was due to one major customer changing from payment in advance to payment in arrears.

During the year a receivables purchase agreement was entered into with the Bank of New Zealand (BNZ). This arrangement provided cash immediately to Orion Health and gives BNZ the right to a receivable from a large international corporate when the balance is paid under the extended payment terms which have been provided to that customer.

The company has maintained a longstanding and supportive banking relationship with ASB Bank. In May 2017, as part of the annual review process with the bank, the ASB extended the term of the Group's facility agreement to August 2018.

In addition, on 30 May 2017, the directors announced that Orion Health would proceed immediately with a 2:9 renounceable rights offer, which is expected to raise $32m.

The announced $32m rights offer and the existing banking facilities together provide the business the financial resources to achieve our objective of reaching profitability during the second half of the financial year.

Operating Margins

	FY2017 %	FY2016 %	FY2015 %	FY2014 %	FY2013 %
Perpetual Licence	100	100	100	100	100
Implementation Services Margin	19	15	16	30	31
Support Services Margin	89	86	82	84	74
Managed Services Margin	24	11	8	26	35

Operating Expenses by Function (before abnormal items)

	FY2017 NZ$m	FY2016 NZ$m	FY2015 NZ$m	FY2014 NZ$m	FY2013 NZ$m
Research and Development	64.0	62.8	50.0	34.3	26.7
Sales and Marketing	36.3	42.5	37.3	36.3	27.1
Support Services	4.3	5.9	5.6	4.5	5.6
Implementation Services	47.5	57.2	60.1	42.4	26.1
Managed Services	39.3	42.0	21.3	12.2	4.6
General and Admin	48.4	50.3	46.9	35.6	24.5
Total Operating Expenses	**239.8**	**260.7**	**221.2**	**165.3**	**114.6**

Headcount by Function

	FY2017	FY2016	FY2015	FY2014	FY2013
Research and Development	542	525	461	363	279
Sales and Marketing	106	109	117	122	82
Support Services	39	43	69	44	46
Implementation Services	304	313	355	343	204
Managed Services	87	67	73	50	29
General and Admin	146	154	151	120	93
Total Headcount	**1,224**	**1,211**	**1,226**	**1,042**	**733**

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 CEO of Fonterra Co-Operative Group, New Zealand's largest company.

Andrew currently runs his own investment company, Canz Capital, is Chairman of New Zealand Trade and Enterprise, is 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 Lufa Farms Inc. in Montreal, as well as other advisory 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 ten years (Allied Farmers Co-op and Freightways Holdings) followed by 15 years as a partner in PwC and one of its predecessor firms, Coopers & Lybrand. He was Managing Partner of Coopers & Lybrand Auckland for five years.

He is Chairman and a director of Tappenden Holdings Ltd, a director of Southern Cross Medical Care Society, a Trustee of the University of Auckland Foundation, a member of The Treasury Commercial Operations Advisory Board, Chairman of the Deep South National Science Challenge and a member of the Governance Board of the Sustainable Seas National Science Challenge.

Neil Cullimore

Non-Executive Director, appointed June 2009

Neil has 50 years' experience in the IT industry. Prior to 1993, he was CEO and director of Paxus Corporation, an Australian publicly listed IT company. Following the merger in 1993 of Paxus with The Continuum Company in Texas, he moved to become Executive Vice President of Continuum. In 1996 Continuum was acquired by Computer Sciences Corporation (CSC) and he became Executive Vice President of CSC's Financial Services Group.

Since 1999, Neil has participated in a number of public and private companies in the IT industry both as an investor and director in New Zealand and Australia. Neil is a Director of Culloden Investments and HealthNet Investments in Australia, he is also an Operating Partner in Pioneer Capital.

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 U.S. 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 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 Chief Executive Officer of Clarient, a public company on the NASDAQ, which was sold to General Electric Healthcare in December 2010.

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 and chairman of the New England Healthcare Exchange Network, 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 3,000 doctors, 12,000 employees, and 1 million patients.

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 2017 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 2017.

The Board of directors of Orion Health Group Limited authorised these financial statements for issue on 30 May 2017.

For and on behalf of the Board

Andrew Ferrier
Chairman

Ian McCrae
Director and Chief Executive Officer

30 May 2017

Independent Auditors' Report

To the shareholders of Orion Health Group Limited

The consolidated financial statements comprise:

- the balance sheet as at 31 March 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the 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 consolidated 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 2017, 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 consolidated 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 assurance services and treasury and tax 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 in the basis of preparation Note 1 and the subsequent events Note 8.5.

Subsequent to year end the Directors have announced plans to proceed with a rights offer of $32 million as disclosed in Note 8.5 to provide additional equity to fund the path towards profitability. The majority shareholder has given a firm commitment to subscribe for $15 million and the balance has been underwritten subject to the customary terms for such arrangements.

Adoption of the going concern assumption is dependent on the ability of the Group to manage the various identified mitigations to minimise the impact of the uncertainties as disclosed in Note 1. If the Group does not continue to meet its obligations under its banking agreement, the identified mitigations are not achieved and the capital raise is not successful a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Our audit approach

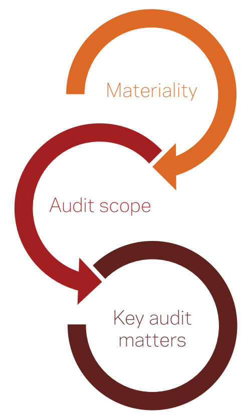
Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

For the purpose of our audit, we applied a threshold for overall group materiality of $2.0 million, which represents 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.

Key audit matters

- Revenue recognition
- Research and development costs



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 consolidated 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 consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated 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 consolidated 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 consolidated financial statements was performed by the Group engagement team, with the exception of taxation where assistance was received from the PwC network firm in the United States in respect of the audit of tax charges and balances in that jurisdiction.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated 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 consolidated 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	How our audit addressed the 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.	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 the operating effectiveness of controls over the approval of time recorded on projects that forms the basis of the percentage completion calculations. ▪ selecting a sample of contracts that included multiple elements and/or high values. We obtained an understanding of each of the contracts and compared the terms with the contract revenue recorded by management to determine whether the Group's revenue recognition policies had been properly applied.

Key audit matter	How our audit addressed the key audit matter
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: » determining 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; and » assessing the degree of completion of contracts recognised on a percentage of completion basis.	▪ for each contract, evaluating the judgements and estimates made by management in applying the Group's revenue recognition policy, including » the identification of separable elements of contracts; and » the basis of recognising revenue included in the contract. » inspecting evidence of customer acceptance of contract terms and agreed invoices raised during the year were in accordance with those terms. » testing management's calculations of the degree of completion of contracts at year-end, 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. ▪ We gained an understanding of the circumstances giving rise to significant changes in estimates of time to complete or loss-making contract provisions and considered whether there was any indication of bias or unreliable estimates. We considered: » the historical outturn of management's estimates of time to complete by reviewing their updated estimates at the end of April 2016 (in relation to opening balances) and April 2017 (in relation to closing balances) for our sample of multi-element and 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; ▪ the revenue processes and controls are mainly manual in nature with significant reliance on management judgement; and ▪ we did not identify any material adjustments as a result of our audit procedures.

Key audit matter	How our audit addressed the key audit matter
Research and development As disclosed in note 3.2, the Group has expensed all research and development expenditure (FY17: $64 million, FY16 $63 million), in the Income Statement. 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. Significant judgements relevant to the Group for capitalisation of research and development include determining if the research and development spend has met: ▪ 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 on the basis of either a lack of technical and/or economic feasibility.	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 prepared by management of the Group's research and development spend for the year allocated by product group and tested the reconciliation of amounts reported to accounting records. ▪ meeting with management, including research and development personnel, and discussed 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. ▪ 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 generated 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. The results of our procedures 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. It is likely that in the future some of the Group's research and development spend will meet the criteria for capitalisation. The Group's systems and processes for recording research and development spend and assessing the stage of each project against all of the specific criteria for recognition under NZ IAS 38 will require further development to provide a framework for capitalisation.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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

30 May 2017

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

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

	Section	2017 NZ$'000	2016 NZ$'000
Operating revenue	3.1	199,074	206,935
Other income	8.2	7,946	6,455
Total income		**207,020**	**213,390**
Expenses			
Direct operating costs and expenses		35,825	45,267
Employee benefits expense	8.2	161,728	174,880
Promotional expenses		3,002	3,363
Administration and other expenses		19,308	20,268
Occupancy expenses		11,944	12,370
Depreciation and amortisation expense		7,066	7,387
Net foreign exchange (gains)/losses		5	(476)
Other operating losses		932	5,049
	3.2	**239,810**	**268,108**
Operating loss		**(32,790)**	**(54,718)**
Finance income – interest income on cash, cash equivalents and term deposits		132	1,986
Finance income – other		175	234
Finance costs		(222)	(204)
Finance income – net		**85**	**2,016**
Loss before income tax		**(32,705)**	**(52,702)**
Income tax expense	7.1	1,510	1,698
Loss for the year attributable to equity holders of the Parent		**(34,215)**	**(54,400)**
Other comprehensive income **Items that may be reclassified subsequently to profit or loss:**			
Currency translation differences	2.4	(1,324)	837
Items that will not be reclassified subsequently to profit or loss			
Revaluation of land	5.2	-	2,376
Total other comprehensive income		**(1,324)**	**3,213**
Total comprehensive loss attributable to equity holders of the Parent		**(35,539)**	**(51,187)**
Loss per share			
Basic and diluted loss per share (cents)	8.3	(21.5)	(34.2)

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

Consolidated Balance Sheet

as at 31 March

	Section	2017 NZ$'000	2016 NZ$'000
ASSETS			
Current assets			
Cash and cash equivalents	4.1	10,091	58,576
Trade and other receivables	5.1	53,381	53,487
Accrued revenue		16,761	18,851
Current income tax asset		2,391	430
		82,624	131,344
Non-current assets			
Trade and other receivables	5.1	4,557	-
Accrued revenue		5,027	2,503
Deferred tax assets	7.2	1,867	3,622
Property, plant and equipment	5.2	12,782	15,764
Intangible assets – software	5.3	3,712	4,148
		27,945	26,037
TOTAL ASSETS		110,569	157,381
LIABILITIES			
Current liabilities			
Bank overdraft	4.1	4,198	-
Trade and other payables	5.5	16,547	15,593
Current income tax payable		593	555
Employee benefits	5.6	17,441	15,404
Revenue in advance		31,360	57,715
Secured borrowings	5.1	3,661	-
Provisions for other liabilities	5.7	2,614	3,676
		76,414	92,943
Non-current liabilities			
Trade and other payables	5.5	491	829
Revenue in advance		305	869
Provisions for other liabilities	5.7	858	764
Secured borrowings	5.1	4,059	-
Deferred tax liabilities	7.2	-	118
		5,713	2,580
TOTAL LIABILITIES		82,127	95,523
NET ASSETS		28,442	61,858

Consolidated Balance Sheet

as at 31 March

	Section	2017 NZ$'000	2016 NZ$'000
EQUITY			
Share capital	6.1	159,057	158,651
Treasury shares	6.3	(2,120)	(2,787)
Share-based payment reserve	6.3	2,070	1,020
Accumulated losses		(131,412)	(97,197)
Foreign currency translation reserve	2.4	(1,529)	(205)
Asset revaluation reserve	5.2	2,376	2,376
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		28,442	61,858

The accompanying notes form an integral part of these financial statements.
For and on behalf of the Board, 30 May 2017

Andrew Ferrier
Chairman

Ian McCrae
Director and Chief Executive Officer

Consolidated Statement of Changes in Equity

for the year ended 31 March

	Section	Share capital NZ$'000	Treasury shares NZ$'000	Share-based payment reserve NZ$'000	(Accumulated losses)/ Retained earnings NZ$'000	Foreign currency translation reserve NZ$'000	Asset revaluation reserve NZ$'000	Total equity NZ$'000
Balance at 1 April 2015		159,752	(4,388)	1,257	(42,797)	(1,042)	-	112,782
Loss for the year		-	-	-	(54,400)	-	-	(54,400)
Other comprehensive income for the year		-	-	-	-	837	2,376	3,213
Total comprehensive loss for the year ended 31 March 2016		**-**	**-**	**-**	**(54,400)**	**837**	**2,376**	**(51,187)**
Issue of share capital, net of transaction costs	6.2	154	-	-	-	-	-	154
Issue of share capital – employee share schemes	6.2	(1,500)	1,500	-	-	-	-	-
Vesting of share-based employee benefits	6.3	245	101	(346)	-	-	-	-
Accrual of share-based employee benefits	6.3	-	-	109	-	-	-	109
Total transactions with owners		**(1,101)**	**1,601**	**(237)**	**-**	**-**	**-**	**263**
Balance at 31 March 2016		**158,651**	**(2,787)**	**1,020**	**(97,197)**	**(205)**	**2,376**	**61,858**
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**

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

Consolidated Statement of Cash Flows

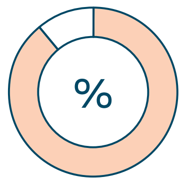
for the year ended 31 March

	Section	2017 NZ$'000	2016 NZ$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash provided from			
Receipts from customers		177,039	224,406
Interest received		127	3,000
		177,166	**227,406**
Cash applied to			
Payment to suppliers		(80,371)	(91,534)
Payment to employees		(149,650)	(164,360)
Interest paid		(111)	(28)
Taxation paid		(1,845)	(3,815)
		(231,977)	**(259,737)**
Net cash outflow from operating activities	4.2	**(54,811)**	**(32,331)**
CASH FLOW FROM INVESTING ACTIVITIES			
Cash provided from			
Term deposits		-	64,200
Cash applied to			
Property, plant and equipment – additions		(2,245)	(4,135)
Intangible assets – additions		(2,165)	(2,029)
Net cash inflow/(outflow) from investing activities		**(4,410)**	**58,036**
CASH FLOW FROM FINANCING ACTIVITIES			
Cash provided from			
Proceeds from secured borrowings		7,720	-
Net cash inflow from financing activities		**7,720**	**-**
TOTAL NET CASH INFLOW/(OUTFLOW)		**(51,501)**	**25,705**
Cash and cash equivalents as the beginning of period		**58,576**	**30,944**
Effect of exchange rate on foreign currency balances		(1,182)	1,927
Net cash inflow/(outflow)		(51,501)	25,705
Cash and cash equivalents at the end of period		**5,893**	**58,576**
Composition of cash and cash equivalents			
Cash and cash equivalents	4.1	10,091	58,576
Bank overdraft	4.1	(4,198)	-
Total cash and cash equivalents	4.1	**5,893**	**58,576**

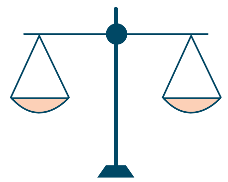
The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements
for the year ended 31 March 2017


General Information



Accounting Policies


Critical Judgement

1. General information

In the previous financial year, the style of these financial statements was modernised to present them in a way that was more intuitive for readers to follow. This was 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') and its subsidiaries (together referred to as the 'Group').

Orion Health Group Limited is incorporated and domiciled in New Zealand, is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The registered office is 181 Grafton Road, Grafton, Auckland 1010, New Zealand. The Group is primarily involved in the sale, support, implementation and managing of software for the healthcare IT market.

These financial statements were approved by the directors on 30 May 2017.

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

The directors have approved forecasts that indicate the Group can manage its working capital requirements and trade at levels appropriate to meet its agreed bank covenants for the period of at least 12 months from the date of authorisation of these financial statements without the injection of additional capital. The directors have also considered the achievability of the assumptions underlying the forecasts and recognise there are uncertainties within the forecast assumptions required to meet the Group's obligations under its banking facility agreement and profitability forecasts. These uncertainties relate predominantly to market conditions across all territories in which the Group operates, the inherent unpredictability in the timing of large licence sales and foreign exchange fluctuations.

The directors have therefore resolved to proceed with a rights offer of $32m. As detailed in §8.5, CEO and 50.8% shareholder, Ian McCrae has committed to take up $15m of shares in the rights offer and 9.6% shareholder G.A. Cumming, together with all the New Zealand based directors, have committed to take up their full entitlements in support of the rights offer. The balance of the total $32m offer has been 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.

If:

- Ian McCrae and G.A. Cumming fail to meet their firm commitments in the rights offer; and
- the underwriting arrangement is unable to be accessed due to the occurrence of a material adverse event or a force majeure event; and
- a material proportion of the remaining shareholders do not take up their entitlements in the rights offer; and
- there is a material departure from the Group's revenue forecasts; and
- the Group does not reduce operating costs to an appropriate level to compensate for lower revenue, such that it cannot meet its obligations under its bank facility agreement; and
- is unable to renegotiate that facility; and
- is unable to raise any further funds,

there would be material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

After considering these various uncertainties, the directors are satisfied that the Group will continue to operate as a going concern for the foreseeable future.

These financial statements do not include any adjustments that may need to be made to reflect the situation should the Group be unable to continue as a going concern. Such adjustments may include assets being realised at amounts other than those recorded in the balance sheet. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current.

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.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2016 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 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.

  NZ IFRS 9 will allow the Group to align its hedge accounting more closely with its risk management practices. It also relaxes the requirements for hedge effectiveness by replacing the bright line 80-125% retrospective hedge effectiveness test with an economic relationship effectiveness test. Under the new hedging rules, the Group will also now be able to rebalance a hedge to better align hedging relationships with hedged risks, without terminating the hedge. Impairment losses will in future be recognised using the expected credit loss (ECL) model. This involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for lease and trade receivables.

  The standard will be effective for the Group from the year ending 31 March 2019. The Group is currently assessing the impact of the final version of NZ IFRS 9 and intends to apply the standard in the year ending 31 March 2018.

- NZ IFRS 15 'Revenue from contracts with customers' (NZ IFRS 15) will replace NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and related interpretations and introduces a core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. The most significant changes that flow from this principle 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 reasons (such as incentives, rebates, performance fees, royalties, success of an outcome, etc); minimum amounts must be recognised if they are not at significant risk of reversal.

  » The point at which revenue is able to be recognised may shift: some revenue that is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.

  » There are new specific rules and implementation guidance on accounting for intellectual property licences.

  » There are likely to be increased disclosures, although the Group will have a choice of full retrospective application, or prospective application with additional disclosures.

These accounting changes may have a material impact on the Group and management is in the process of assessing the impact on revenue arising from adoption of the new standard. The standard will be effective for the Group from the year ending 31 March 2019. The Group is currently assessing the impact of NZ IFRS 15, will make more detailed assessments of the impact over the next 12 months, and is expected to adopt it in the period it becomes mandatory.

- 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; however, this exemption can only be applied by lessees. To measure a lease, the lease term and lease payments must be established. Specifically, the lease term now includes extension periods if it is reasonably certain that a lease will be extended, while lease payments now include certain variable payments that depend on an index or rate and purchase options which are reasonably certain to be exercised. For lessors, the accounting stays almost the same. Details of the Group's current operating lease commitments can be found in note 8.6. However, 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.

  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. The Group is currently assessing the impact of NZ IFRS 16 and is expected to adopt it in the period it becomes mandatory.

There are no other standards, amendments or interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 §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 §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 §4.6.

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 (%) 2017	2016
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 K.K	Sales and support	Japan	JPY	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	-
Orion Health Software Technology Consulting (Shenzhen) 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 and Orion Health Software Technology Consulting (Shenzhen) Co., Ltd also 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.

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.

Other income

Other income includes government grants and property revenue. 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 on a straight-line basis 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.

In order to align with the current year presentation of property revenue, $1,337,000 has been reclassified in the comparative financial year from occupancy expenses to other income.

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: $7,541,000 (2016: $9,020,000)
- USA: $4,786,000 (2016: $6,261,000)
- Other countries: $4,167,000 (2016: $4,631,000)

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.

Abnormal items in the U.S. in the prior year related to the combined costs of reorganising the business including costs related to reducing the premises' footprint, removing overhead, associated staff and restructuring costs, and exiting a significant legacy contractual arrangement.

Regional segmentation by category of product/service:

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

31 March 2016	NA NZ$'000	APAC NZ$'000	EMEA NZ$'000	Corp/Dev NZ$'000	Total NZ$'000
Revenue: external					
Perpetual licences	26,134	5,478	17,465	-	49,077
Implementation services	36,205	14,794	16,415	-	67,414
Support services	20,280	11,071	9,553	-	40,904
Managed services	41,540	738	4,714	-	46,992
Other revenue	1,265	275	270	738	2,548
Operating revenue	**125,424**	**32,356**	**48,417**	**738**	**206,935**
Segment contribution - external - before abnormal items	**12,231**	**7,673**	**15,215**	**(82,859)**	**(47,740)**
Abnormal items	(7,454)	-	-	-	(7,454)
Segment contribution - external	**4,777**	**7,673**	**15,215**	**(82,859)**	**(55,194)**
Inter-segment transactions	(4,199)	(7,940)	(12,907)	25,046	-
Segment contribution	**578**	**(267)**	**2,308**	**(57,813)**	**(55,194)**
Significant non-cash items recognised in segment contribution:					
Depreciation and amortisation	(3,755)	(1,337)	(384)	(1,911)	(7,387)
Operating losses and movements in provisions	(5,441)	(137)	(76)	-	(5,654)

Reconciliation from segment contribution to consolidated operating loss:

	2017 NZ$'000	2016 NZ$'000
Segment contribution	(32,785)	(55,194)
Net foreign exchange gains/(losses)	(5)	476
Operating loss	(32,790)	(54,718)

Revenue by geographical location:

	2017 NZ$'000	2016 NZ$'000
New Zealand	16,600	15,985
All other global locations	182,474	190,950
Total revenue	199,074	206,935

3.2 Operating expenses

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

Refer §8.2 for specific disclosure as required for certain items of expense. Refer also to §3.1 for the description of abnormal items.

	2017 NZ$'000	2016 NZ$'000
EXPENSES: BY FUNCTION		
Research and development (refer also to §5.4)	64,043	62,762
Sales and marketing	36,334	42,518
Support services	4,250	5,899
Implementation services	47,468	57,168
Managed services	39,346	41,975
General and administration	48,369	50,332
Abnormal items (refer also to §3.1)	-	7,454
	239,810	268,108

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.

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.

	2017 NZ$'000	2016 NZ$'000
Cash at bank and on hand	10,091	38,032
Deposits at call	-	20,544
Bank overdraft	(4,198)	-
Cash and cash equivalents	5,893	58,576

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

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

	2017 NZ$'000	2016 NZ$'000
NET LOSS AFTER INCOME TAX	(34,215)	(54,400)
Adjusted for:		
Depreciation and amortisation	7,066	7,387
Loss on disposal of property, plant and equipment	532	80
Movement in provisions for doubtful debts	411	4,969
Movement in provisions for other liabilities	(2,320)	3,807
Deferred tax	1,720	(2,125)
Net gain/(loss) on foreign exchange	5	(476)
Share based payments	2,123	(119)
Impact of changes in working capital items		
Increase/(decrease) in trade and other payables	178	374
Increase/(decrease) in employee entitlements payable	4,357	(4,056)
Increase/(decrease) in revenue in advance	(26,919)	436
Increase/(decrease) in provisions for other liabilities	(968)	738
(Increase)/decrease in trade and other receivables	(4,424)	3,940
(Increase)/decrease in accrued revenue	(434)	7,106
(Increase)/decrease in taxation payable	(1,923)	8
Net cash outflow from operating activities	(54,811)	(32,331)

4.3 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.

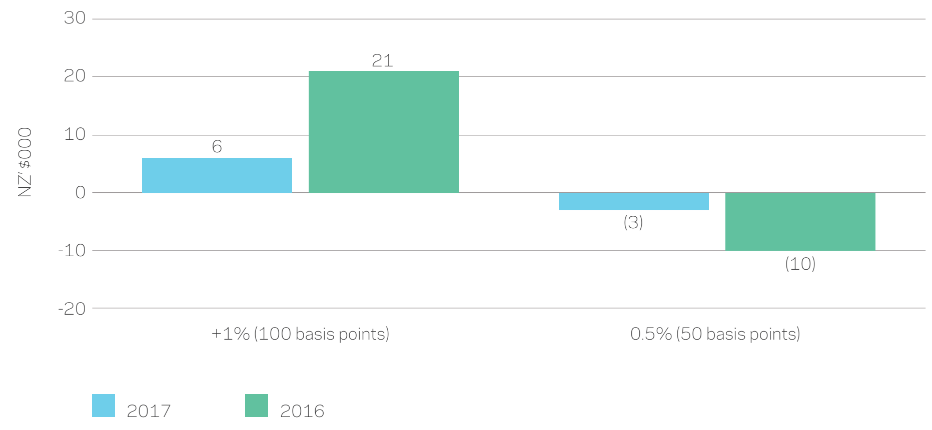
4.4 Interest rate risk

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

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

	2017 NZ$'000	2016 NZ$'000
Financial assets		
Cash and cash equivalents	10,091	58,576
Financial liabilities		
Bank overdraft	(4,198)	-
Secured borrowings	(7,720)	-
Net exposure	(1,827)	58,576

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:



4.5 Bank facilities and liquidity risk

Bank overdraft

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

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.

The Group maintains a multi-currency working capital facility with a limit of NZD 30m and a standby facility with a limit of NZD 10m (2016: NZD 10m interchangeable facilities overdraft and/or combined trade facility). These facilities were extended, on substantially the same terms, on 25 May 2017 and now expire on 21 August 2018.

On the working capital facility:

- for NZD denominated borrowings, overdraft interest is payable at either:
  - » the ASB Corporate Indicator Rate plus applicable margin; or
  - » the BKBM bid rate for the relevant interest period plus applicable margin.
- For non-NZD denominated borrowings, overdraft interest is payable at either:
  - » the LIBOR bid rate for the relevant interest period plus applicable margin; or
  - » 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.

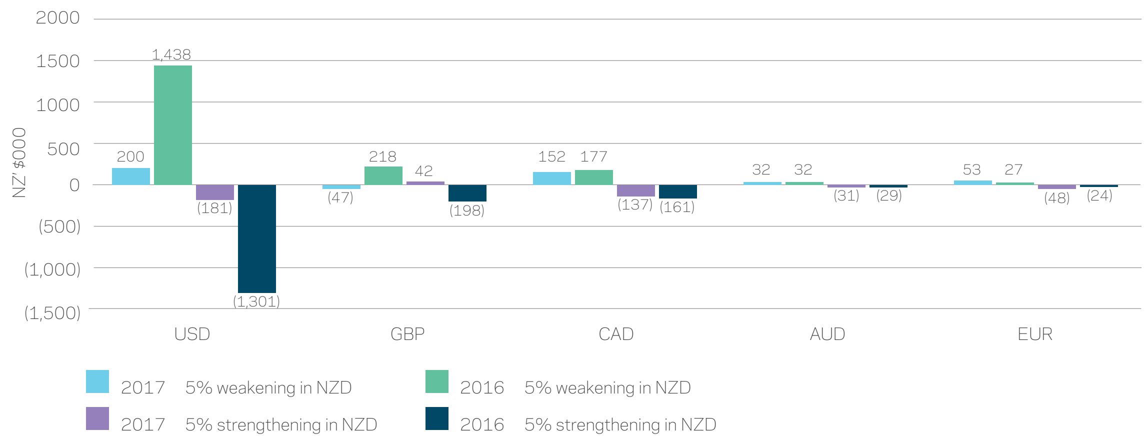
The facilities are subject to a small number of external bank covenants. These covenants are calculated and reported either monthly or quarterly. The Group has complied with all tested covenants during the current and prior year.

4.6 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:

	2017 NZ$'000	2016 NZ$'000
AUD	641	617
CAD	2,883	3,372
EUR	1,008	513
GBP	(890)	4,150
USD	3,809	27,325

Based on the net exposure above, the graph below outlines the sensitivity of post-tax result and equity to 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.

	2017 NZ$'000 Current	2017 NZ$'000 Non-Current	2016 NZ$'000 Current	2016 NZ$'000 Non-Current
Trade receivables - standard	44,140	498	52,250	-
Trade receivables - securitised	3,661	4,059	-	-
Less allowance for impairment	(814)	-	(3,930)	-
Net trade receivables	**46,987**	**4,557**	**48,320**	**-**
Prepayments	5,495	-	4,792	-
Government Grants receivable	500	-	375	-
Other receivables	399	-	-	-
	53,381	4,557	53,487	-

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.

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:

	2017 NZ$'000 Current	2017 NZ$'000 Non-Current	2016 NZ$'000 Current	2016 NZ$'000 Non-Current
Transferred receivables	3,661	4,059	-	-
Associated secured borrowings	3,661	4,059	-	-

Interest is charged based on the 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 2017, trade receivables of $37,239,000 (2016: $34,266,000) were fully performing. None of the financial assets that are fully performing have been re-negotiated.

As of 31 March 2017, trade receivables of $14,305,000 (2016: $14,054,000) 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:

	2017 NZ$'000	2016 NZ$'000
1-60 days	6,957	8,384
61-90 days	1,418	1,125
91-180 days	1,979	2,513
Over 180 days	3,951	2,032
	14,305	**14,054**

As of 31 March 2017, trade receivables of $814,000 (2016: $3,930,000) were impaired and provided for. The amount of the provision was $814,000 (2016: $3,930,000).

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

	2017 NZ$'000	2016 NZ$'000
Current	-	-
1-60 days	142	20
61-90 days	-	3
91-180 days	36	45
Over 180 days	636	3,862
	814	**3,930**

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

	2017 NZ$'000	2016 NZ$'000
Opening balance	3,930	1,119
Receivables written off during the year	-	(731)
Provision utilised during the year	(3,558)	(388)
Other increases/(decreases) in provision	560	3,826
Foreign exchange movement	(118)	104
Closing balance	**814**	**3,930**

5.2 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.

	Land NZ$'000	Leasehold improvements NZ$'000	Furniture, fittings and office equipment NZ$'000	Computer equipment NZ$'000	Total NZ$'000
At 1 April 2015					
Cost	1,512	5,241	6,442	12,659	25,854
Accumulated depreciation	-	(2,415)	(2,489)	(7,922)	(12,826)
Net book amount	**1,512**	**2,826**	**3,953**	**4,737**	**13,028**
Year ended 31 March 2016					
Opening net book amount	1,512	2,826	3,953	4,737	13,028
Additions	12	2,140	711	2,500	5,363
Revaluation	2,376	-	-	-	2,376
Disposals at cost	-	(1,497)	(615)	(3,352)	(5,464)
Depreciation on disposals	-	1,215	556	3,339	5,110
Depreciation charge	-	(1,037)	(957)	(3,048)	(5,042)
Foreign exchange movement	-	(16)	275	134	393
Closing net book amount	**3,900**	**3,631**	**3,923**	**4,310**	**15,764**
At 31 March 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 and revaluation	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**

Land valuation

The external independent valuation of land was conducted by CBRE Limited at 31 March 2016. CBRE Limited valued the land at $3,900,000 in accordance with the Property Institute of New Zealand Valuation and Property Standards and the provisions of NZ IAS 16 Property, plant and equipment and NZ IFRS 13 Fair value measurement. The valuation was performed using both a Floor Area Ratio method and an Area method which valued the land at $3,578 per square metre.

This valuation as at 31 March 2016 was the first valuation of land and the increase in fair value of $2,376,000 was included in Other Comprehensive Income and included in the Asset Revaluation Reserve in equity. The carrying amount of the land that would have been recognised if it had not been revalued was $1,524,000 (2016: $1,524,000).

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.

5.3 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.

	2017 NZ$'000	2016 NZ$'000
Cost	9,721	9,017
Accumulated amortisation	(6,009)	(4,869)
Net book amount	**3,712**	**4,148**
Movements during the year:		
Opening net book amount	4,148	4,145
Additions	2,262	2,029
Disposals at cost	(1,372)	(681)
Amortisation on disposals	1,275	681
Amortisation charge	(2,506)	(2,345)
Foreign exchange movement	(95)	319
Closing net book amount	**3,712**	**4,148**

5.4 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.

5.5 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.

	2017 NZ$'000	2016 NZ$'000
Trade payables	6,886	7,673
Accrued expenses	3,004	2,547
Deferred lease incentive	1,881	1,832
Other payables	5,267	4,370
	17,038	**16,422**
Analysis of total trade and other payables:		
Current	16,547	15,593
Non-current	491	829
Total	**17,038**	**16,422**

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 2017						
Trade payables and accruals	9,890	9,856	8,769	596	491	-
At 31 March 2016						
Trade payables and accruals	10,220	10,339	8,739	749	851	-

5.6 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.

	2017 NZ$'000	2016 NZ$'000
EMPLOYEE BENEFITS		
Wages and salaries	2,304	4,416
Annual leave	8,183	7,682
Commissions payable	505	730
Bonuses	5,450	1,615
Long service leave and awards	999	961
	17,441	15,404

5.7 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 2015	981	656	1,456	3,093
Amount provided	2,031	108	136	2,275
Amount utilised	(198)	-	(998)	(1,196)
Unused amounts reversed	-	(34)	-	(34)
Foreign exchange movement	87	34	181	302
At 31 March 2016	**2,901**	**764**	**775**	**4,440**
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**

	2017 NZ$'000	2016 NZ$'000
Current	2,614	3,676
Non-current	858	764
Total	3,472	4,440

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.

	2017 No. shares	2016 No. shares
Balance at 1 April	159,916,167	160,557,586
Issue of ordinary shares	295,437	108,581
Shares cancelled	(166,666)	(750,000)
Ordinary Shares on issue at 31 March	**160,044,938**	**159,916,167**
Treasury shares	(636,555)	(803,221)
Net Ordinary Shares on issue at 31 March	**159,408,383**	**159,112,946**

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 2016:			
Cancellation of ordinary shares – LTI Scheme (refer §6.3)	750,000	n/a	n/a
Issue of ordinary shares – LTI Scheme (refer §6.3)	74,417	3.36	-
Issue of ordinary shares – to staff – 26 May 2015	34,164	4.51	-
During the year ended 31 March 2017:			
Cancellation of ordinary shares – LTI Scheme (refer §6.3)	166,666	4.00	n/a
Issue of ordinary shares – LTI Scheme (refer §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	-

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 six active variants of this scheme. The extent of the range is driven by the requirements of local law in different countries. Two further variants were discontinued during the prior year. The active 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.

The discontinued variants of the scheme are disclosed for the purpose of prior year disclosures only with details of the Restricted Stock Purchase Agreement (RSPA) and Extended Restricted Stock Unit Agreement (ERSUA) being provided in prior years.

Movements in the total number of shares held by the Trustee in relation to the SAS, RSAA, RSPA and ESAS variants of the LTI Scheme are as follows:

	2017 No. of shares	2016 No. of shares
Unvested shares at 1 April – allocated to employees	437,174	1,432,886
Forfeited	(205,340)	(951,666)
Vested and transferred	-	(44,046)
Unvested shares at 31 March – allocated to employees	**231,834**	**437,174**
Shares not yet allocated at 1 April – held by Trustee	362,001	160,335
Shares issued but not yet allocated	-	-
Shares cancelled	-	-
Forfeited and unallocated	131,250	201,666
Shares not yet allocated at 31 March – held by Trustee	**493,251**	**362,001**

Movements in the number of share awards and Restricted Stock Units allocated to employees and outstanding are as follows:

	SAS No. of Shares	RSAA No. of Shares	RSPA No. of Shares	ESAS No. of Shares	RSUA No. of Units	ERSUA No. of Units	RSUS No. of Units	VRSUS No. of Units
Unvested shares/units at 1 April 2015	245,756	78,136	750,000	200,000	165,350	250,000	-	-
Awarded pursuant to the LTI Scheme	-	-	-	-	-	-	472,253	378,230
Forfeited	(35,000)	-	(750,000)	(166,666)	(75,686)	(250,000)	-	-
Vested	(79,506)	(4,046)	-	-	(25,667)	-	-	(48,750)
Unvested shares/units at 31 March 2016	131,250	74,090	-	33,334	63,997	-	472,253	329,480
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

Fair value of awards granted

The weighted average fair values of the awards granted during the period under the RSUS variant was $3.22 (2016: $3.57) and under the VRSUS variant was $nil (2016: $3.93).

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 - 2017	3.50	37.8	21.3	3.0	2.02	-
Restricted Stock Unit Scheme - 2016	4.87	38	27	3.0	3.09	-

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 §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 §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 §4.5. 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. The recognition of these assets and liabilities is subject to management judgement and is 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 §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

	2017 NZ$'000	2016 NZ$'000
Current tax	(210)	5,183
Deferred tax	1,720	(3,485)
	1,510	**1,698**

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:

	2017 NZ$'000	2016 NZ$'000
Loss before income tax	**(32,705)**	**(52,702)**
Tax calculated at domestic tax rates applicable to (losses)/profits in the respective countries	(8,743)	(15,599)
Expenses not deductible	438	300
Non-taxable income	(7)	(124)
Other adjustments	(736)	754
Prior period adjustments	356	137
Current year tax losses not recognised in the year	10,282	16,230
Prior year tax losses recognised	(80)	-
Income tax expense	**1,510**	**1,698**

The weighted average applicable tax rate was 27% (2016: 30%). 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

	2017 NZ$'000	2016 NZ$'000
Deferred tax assets/(liabilities):		
Deferred tax assets to be recovered after more than 12 months	63	-
Deferred tax assets to be recovered within 12 months	1,300	4,316
Deferred tax liabilities to be recovered after more than 12 months	219	(652)
Deferred tax liabilities to be recovered within 12 months	285	(160)
Net deferred tax assets	**1,867**	**3,504**
The gross movement on the deferred income tax accounts is as follow:		
Opening balance	3,504	50
Credited to income	(1,720)	3,485
Foreign exchange differences	83	(31)
Closing balance	**1,867**	**3,504**

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 2015	**(1,352)**	**397**	**1,567**	**(1,174)**	**612**	**50**
(Charged)/credited to income statement	725	1,138	592	1,642	(612)	3,485
Foreign exchange differences	9	(21)	(12)	(7)	-	(31)
At 31 March 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**

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 $64,793,000 incurred in the 2017 financial year. The total amount of deferred research and development expenditure available to the Group is $155,680,000 (2016: $0).

During the 2017 financial year, the Group elected to defer the deduction of research and development expenditure incurred during the 2015 and 2016 financial years of $90,887,000. 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 is not dependent on maintaining shareholder continuity.

The Group has unrecognised tax losses available to carry forward:

- In New Zealand of $15,695,000 (2016: $134,274,000) subject to shareholder continuity being maintained as required by New Zealand tax legislation; and
- In Spain of EUR 875,000 (2016: EUR 1,047,000). 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 (2016: $4,165,000)
- Australia: $1,564,000 (2016: $1,313,000)

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:

	2017 NZ$'000	2016 NZ$'000
Short-term employee benefits	7,417	7,792
Share-based payments	760	78
Directors' fees	518	483
	8,695	8,353

The ELT currently includes 15 members, with 20 members being part of the ELT across the year (2016: 20 members).

Transactions with related parties

McCrae Limited
The Group is controlled by McCrae Limited, which owned 50.52% of the shares in the Parent as at 31 March 2017 (2016: 50.56%). McCrae Limited is the Group's ultimate parent. There have been no transactions with this company during the period (2016: 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 an arm's length basis and 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 an arm's length basis and on normal trade terms.

Pioneer Capital Partners
Neil Cullimore, director, is an Operating Partner at Pioneer Capital which provided professional services to the Group. These transactions were on an arm's length on normal trade terms.

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 an arm's length basis and on normal trade terms. The Group also made award contributions to the University of Auckland.

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

Salesforce.com
John Halamka, director, is an advisor to Salesforce.com which provided professional services to the Group. These transactions were on an arm's length basis on normal trade terms.

Trading transactions

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

	2017 NZ$'000	2016 NZ$'000
Sale of software or service		
Auckland District Health Board*	-	96
HealthAlliance N.Z. Limited*	-	996
Waitemata District Health Board*	-	180
New Zealand Trade and Enterprise	5	-
Southern Cross Medical Care Society	3	-
Purchase of goods or services		
Pioneer Capital Partners	2	2
Auckland District Health Board*	-	2
University of Auckland	12	-
The University of Auckland Foundation	9	-
Salesforce.com	5	-

** Auckland District Health Board, Waitemata District Health Board and HealthAlliance N.Z. Limited are considered related parties only during the period of Lester Levy's tenure as a director from August 2014 through September 2015.*

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	2017 NZ$'000	2016 NZ$'000
OTHER INCOME			
Grant and other income		5,020	5,118
Operating lease sub-rental income (refer note 3 for further details on reclassification in the current year)		2,926	1,337
OPERATING EXPENSES			
Donations paid		16	2
Directors' fees		518	483
Net foreign exchange losses/ (gains)		5	(476)
Bad debts written off		-	731
Movement in allowance for trade receivable impairment		411	(717)
Operating lease payments		10,785	11,148
Abnormal items*		-	7,454
EMPLOYEE BENEFITS			
Wages and salaries		143,421	151,311
Other employee costs		9,989	11,777
Share-based payments	6.3	1,810	117
Contributions to defined contribution pension schemes		6,508	7,869

** Abnormal items in the U.S. in the prior year related to the combined costs of reorganising the business including costs related to reducing the premises' footprint, removing overhead, associated staff and restructuring costs, and exiting a significant legacy contractual arrangement.*

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.

	2017 NZ$'000	2016 NZ$'000
Audit and review of financial statements		
Audit of Group financial statements	247	208
Audit of subsidiary financial statements	58	32
Half year review	80	53
Total remuneration for audit services	385	293
Other assurance services		
Assurance report – constant currency and Callaghan schedule	20	-
Accounting advice and assistance	10	3
Total remuneration for other assurance services	30	3
Other services		
Treasury advisory services	28	17
Tax advisory services	5	-
Executive remuneration benchmarking advice	-	10
Total remuneration for other services	33	27
Total auditors' remuneration	448	323

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.

	2017	2016
Loss for the year attributable to equity holders of the Parent (NZ$'000)	(34,215)	(54,400)
Number of issued ordinary shares (number of shares)	159,408,383	159,112,946
Weighted average number of issued ordinary shares (number of shares)	159,210,615	159,036,292
Basic and diluted loss per share (cents)	(21.5)	(34.2)

8.4 Contingent liabilities

The Group had outstanding letters of credit of $1,731,000 (2016: $1,884,000). As at 31 March 2017, the Group has:

- a standby letter of credit in place for $266,000 (2016: $313,000),
- performance bonds totalling $549,000 (2016: $557,000) in favour of customers; and
- lease bonds totalling $916,000 (2016: $1,014,000) in favour of premise landlords.

8.5 Events after reporting date

Bank facility

The Group's existing banking facilities were extended on 25 May 2017. This is detailed in §4.5.

Rights offer

On 30 May 2017, the directors announced that the Company would proceed immediately with a 2:9 renounceable rights offer, which will raise $32m.

The offer will open on 14 June 2017 with allotment on 4 July 2017.

CEO and 50.8% shareholder, Ian McCrae has committed to take up $15m of shares in the rights offer and 9.6% shareholder G.A. Cumming, together with all the New Zealand based directors, have committed to take up their full entitlements in support of the rights offer. The balance of the total $32m offer has been 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.

Other

There were no other significant events requiring reporting between 31 March 2017 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.

	2017 NZ$'000	2016 NZ$'000
No later than 1 year	9,786	7,971
Later than 1 year and no later than 5 years	24,389	24,164
Later than 5 years	13,599	18,866
	47,774	51,001

Sub-lease payments

Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases at 31 March 2017 total $10,923,000 (2016: $3,643,000).

Capital commitments

The Group has no capital commitments as at 31 March 2017 (2016: 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 $1,250,000 by 30 June 2017, of which $250,000 had been invested by 31 March 2017.

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 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

	2017 NZ$'000	2016 NZ$'000
Financial assets – loans and receivables		
Cash and cash equivalents	10,091	58,576
Trade receivables	51,544	48,320
Accrued revenue	21,788	21,354
	83,423	**128,250**
Financial liabilities – measured at amortised cost		
Bank overdraft	(4,198)	-
Secured borrowings	(7,720)	-
Trade payables and accrued expenses	(9,890)	(10,220)
	(21,808)	**(10,220)**

Contractual amounts of forward exchange and option contracts outstanding, and maturing at various dates within seven months of 31 March 2017, were as follows:

	2017 NZ$'000	2016 NZ$'000
Purchase commitments forward exchange contracts	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:

	2017 NZ$'000	2016 NZ$'000
United States Dollars	6,531	-
British Pounds	6,144	-
Canadian Dollars	2,777	-

Other financial risk management information is presented as follows:

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

Corporate Governance Statement

Our Board and Management recognise the importance of good corporate governance and are committed to maintaining the highest standards of corporate behaviour and responsibility. To this end, we have developed a framework of rules and governance policies to ensure Orion Health meets international best practice standards.

The Board has been closely monitoring developments in corporate governance disclosures in New Zealand and offered submissions in support of the NZX's recent review of corporate governance reporting requirements within NZX Main Board Listing Rules through Orion Health's representation on the Executive of the Listed Companies Association. Now that the new NZX Corporate Governance Code has been finalised and comes into effect on 1 October 2017, the Board intends to align corporate governance disclosures against that model in the next reporting period. For this reporting period, the Board has established a reporting framework by observing applicable laws, the current NZX Corporate Governance Best Practice Code (NZX Code) and the Corporate Governance Principles and Recommendations (3rd Edition) issued by the ASX Corporate Governance Council (ASX Principles). The ASX Principles set out eight fundamental principles of good corporate governance, which have been used as a framework for the presentation of this section of the annual report. In doing so, Orion Health's compliance with the current NZX Code is also addressed. The Board considers this approach maximises the transparency of our corporate governance practices for the benefit of shareholders and other stakeholders. This statement is current as at 31 March 2017, and has been approved by our Board.

Further information and each of the individual policies and charters referred to below are available on our website at

https://orionhealth.com/nz/about-us/investor-centre/governance-leadership/.

Lay solid foundations for management and oversight

The Board has adopted a Charter that records its commitment to best corporate governance practices. The Board Charter outlines our board 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.

Having regard to its role, the Board directs, and supervises the management of, the business and affairs of Orion Health including, in particular:

- ensuring that our goals are clearly established, and that strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from Management);
- establishing policies for strengthening our performance, including ensuring that Management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;
- monitoring the performance of Management;
- appointing the Chief Executive Officer, setting the terms of his or her employment contract and, where necessary, terminating the Chief Executive Officer's employment with Orion Health;
- deciding on whatever steps are necessary to protect our financial position and the ability to meet debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that our financial statements are true and fair and otherwise conform with law;
- ensuring that we adhere to high standards of ethics and corporate behaviour;
- ensuring that we have appropriate risk management/regulatory compliance policies in place. In the normal course of events, day-to-day management of Orion Health will be in the hands of Management. The Board will satisfy itself that Orion Health is achieving Orion Health's goals;
- using its best endeavours to familiarise itself with issues of concern to shareholders; 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, taking outside expert advice on these matters.

The Board schedules to meet not less than six times during the financial year, including sessions to consider Orion Health's strategic direction and business plans, with an additional five teleconference calls scheduled in between the primary Board meetings. Other meetings of the Board are held during the financial year, as necessary. Executives regularly attend Board meetings and are also available to be contacted by directors between meetings.

The governance and management functions are linked through the Chief Executive Officer. All Board authority conferred on Management is delegated through the Chief Executive Officer so that the authority and accountability of Management is considered to be the authority and accountability of the Chief Executive Officer so far as the Board is concerned. The Board must agree to the levels of sub-delegation immediately below the Chief Executive Officer.

The Board critically evaluates its own performance, processes and procedures to ensure that they are not unduly complex and are designed to assist the Board in effectively fulfilling its role. This evaluation was completed in the last reporting period.

Additionally, the Board evaluates, directly or through the Board Committees, the performance of its committees, individual directors and senior executives. Evaluations of senior executives were undertaken in the last reporting period. Evaluations of individual non-executive directors due for re-election will be completed before the Company's annual general meeting and reviews of the Board Committees were undertaken in the last reporting period.

The reviews are conducted by the Board with the assistance of the People Development, Nominations and Remuneration Committee. The Chairman interviews each director to get individual views on Board dynamics, director performance and feedback to improve good governance and Board performance. The Chairman provides feedback to the full Board.

The review of the Chief Executive Officer's performance is led by the Chairman in consultation with the Board. The performance of all other senior executives is reviewed by the Chief Executive Officer and reported to, and discussed by, the Board and the People Development, Nominations and Remuneration Committee. Performance reviews take place after the end of the financial year.

Structure the Board to add value

The number of directors is determined by the Board to ensure it is large enough to provide a range of knowledge, views and experience relevant to our business. Our 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 2017, the Board comprised seven directors, consisting of five independent directors (being Andrew Ferrier, Roger France, Paul Shearer, Ronald Andrews and John Halamka) and two non-independent directors (being Ian McCrae and Neil Cullimore). The Board considers the independent directors to be independent in accordance with Box 2.1 of the ASX Principles.

The Board considers that a range of skills, experience, knowledge and backgrounds is required to effectively govern our business. To assist in identifying areas of focus and maintaining an appropriate experience mix, the Board developed a skills matrix. It 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, U.S., the health industry and the information technology industry to be particularly relevant, and the Board values gender diversity.

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

Neil Cullimore
Non-Executive Director, appointed June 2009

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

Ronald Andrews
Independent Director, appointed September 2016

John Halamka
Independent Director, appointed December 2016

A biography of each director can be found on pages 20-21.

The Board acknowledges and observes the relevant director rotation/retirement rules under the NZX Listing Rules and the ASX Listing Rules. Appropriate checks are undertaken prior to appointing a person and recommending that person for election as a director. These include checks as to the person's character, experience, education, criminal record, bankruptcy history, fitness and propriety. Upon appointment, new directors will receive a letter of appointment and are given unfettered access to Management so as to ensure they are properly inducted into the Company. The Board Charter provides that the Board seeks to ensure that any new directors are appropriately introduced to Management and the business and that all directors are acquainted with relevant industry knowledge and receive copies of appropriate company documents to enable them to perform their role. In the financial year ended 31 March 2017, the Board met 11 times and there were also separate meetings of the Board committees. Minutes are taken of all Board and committee meetings.

Subject to the prior approval of the Chair of the Board, any director is entitled to obtain independent professional advice relating to the affairs of Orion Health or the director's responsibilities as a director at the cost of Orion Health. The directors have unfettered 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 decision-making.

Board committees

The Board has two formally constituted committees of directors: the Audit and Risk Committee and the People Development, Nominations and Remuneration Committee. Each committee has a charter, which is available on our website. These committees review and analyse policies and strategies, usually developed by 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.

	Board & AGM		Audit Committee		PEOPLE Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Andrew Ferrier	11	11	5	5	6	6
Roger France	11	10	5	5		
Paul Shearer	11	10	5	5		
Neil Cullimore	11	11			6	6
Ian McCrae	11	11				
Ronald Andrews	6	6			3	3
John Halamka	3	3			2	2

Audit and Risk Committee

The Audit and Risk Committee is responsible for overseeing the risk management (including treasury and financing policies), treasury, insurance, accounting and audit activities of Orion Health, and reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of external auditors, reviewing the consolidated financial statements, and making recommendations on financial and accounting policies.

The current members of the Audit and Risk Committee are Roger France (Chair), Andrew Ferrier and Paul Shearer. Details of the committee members' qualifications can be found on the Orion Health website.

The Audit and Risk Committee sat five times during the financial year ended 31 March 2017. The attendance of the members is set out in the table above.

People Development, Nominations and Remuneration Committee

The People Development, Nominations and Remuneration Committee is responsible for overseeing Management succession planning, establishing employee incentive schemes, reviewing and approving the compensation arrangements for the executive management group, and recommending to the full Board the compensation of directors.

The People Development, Nominations and Remuneration Committee is also responsible for reviewing the composition of the Board annually and making recommendations to the Board where it is considered necessary to ensure the Board comprises a majority of non-executive members with an appropriate mix of skills and experience.

The current members of the People Development, Nominations and Remuneration Committee are Andrew Ferrier (Chair), Neil Cullimore, Ronald Andrews and John Halamka. Details of the committee members' qualifications can be found on the Orion Health website.

The People Development, Nominations and Remuneration Committee sat six times during the financial year ended 31 March 2017. The attendance of the members is set out in the table above.

Act ethically and responsibly

We have established a Code of Ethics, which provides an ethical and legal framework for all directors, officers, employees and contractors in the conduct of our business to safeguard the confidence of Orion Health's stakeholders.

The Code of Ethics outlines the necessary practices in relation to conflicts of interest, gifts, corporate opportunities, delegated authority, confidentiality, behaviours and responsibilities, proper use of Orion Health's assets and information and reporting concerns. Our employees are obliged to familiarise themselves with, and comply with, Orion Health's policies, frameworks and processes.

Any employee who becomes aware of a possible breach of this code must immediately report the breach to their manager, a member of the executive leadership team, a member of the Board, or a member in the People or Legal teams, as appropriate.

We have adopted a Diversity Policy to outline our commitment to creating a workplace that applies the principles of diversity and equal employment opportunities. This policy involves the identification and elimination of barriers that cause or perpetuate inequality in the workplace. We are committed to embracing diversity as 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, colour, race, ethnic or national origin, disability, political opinion, employment status, family status or sexual orientation.

The relevance and effectiveness of the policy was reviewed by the Board in February 2017, and includes consideration of the following matters:

- the effectiveness and relevance of the policy;
- Orion Health's workforce composition and key insights and activities taken to ensure strong alignment to Orion Health's approach and practical application; and
- provide an evaluation of our performance with respect to the policy, including approaches and measurable objectives, and the progress towards achieving those objectives.

As at 31 March 2017, all seven members of the Board were male (no change from the previous financial year) and two members of the senior executive team were women (one fewer than the previous financial year). Women made up 29 per cent of all permanent employees across Orion Health as at 31 March 2017.

	31 March 2017		31 March 2016	
	Male	Female	Male	Female
Board	100% (7 males)	0% (0 females)	100% (5 males)	0% (0 females)
Executive leadership team	86% (12 males)	14% (2 females)	85% (17 males)	15% (3 females)
All employees	71% (866 males)	29% (358 females)	72% (916 males)	28% (356 females)

The Board is satisfied with the initiatives being implemented by Orion Health and its performance with respect to its diversity policy. However, the Board also appreciates the need to continue to strive for enhanced female representation in a male dominated industry and is actively seeking to introduce at least one female Board member.

Safeguard integrity in financial reporting

The Board is committed to a transparent system for auditing and reporting of our financial performance.

The Audit and Risk Committee is responsible for financial risk management oversight and must have at least three members. At least one member of the Committee must have a financial or accounting background and other members should have a working knowledge of finance and accounting principles and practices. The Audit and Risk Committee is subject to a formal charter available on our website, which sets out the roles and responsibilities of the Audit and Risk Committee.

The Audit and Risk Committee meets at least three times a year, and meetings are scheduled to ensure timely review of the interim and year-end financial statements. As set out in the charter, the Audit and Risk Committee must maintain direct lines of communication with the auditors, Chief Executive Officer, Chief Financial Officer and Management of Orion Health, as deemed necessary by the Committee. The Chief Executive Officer and Chief Financial Officer are responsible for drawing 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. In connection with our financial statements for each financial period during the year ended 31 March 2017, our Chief Executive Officer and Chief Financial Officer provided the Board with declarations that, in their opinion:

- the financial records of the Orion Health have been properly maintained;
- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Orion Health; and
- their opinion was formed on the basis of a sound system of risk management and internal control, which is operating effectively.

Our auditors will attend our annual shareholders' meeting to assist in answering questions from shareholders.

Make timely and balanced disclosure

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. As we changed to an ASX Foreign Exempt Listing in October 2015, we are now 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

We have adopted a Continuous Disclosure Policy under which we must immediately notify the NZX and ASX of material information (unless an exception applies).

The Continuous Disclosure Policy supports our commitment to the continuous disclosure obligations imposed by law and effective communication to the market. This sets out Orion Health's practices with respect to the prevention of a "false market", identifying material information, 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.

The Board has appointed the Group General Counsel as Disclosure Officer. The Board has also appointed a Disclosure Committee, made up of:

- the Chairman of the Board;
- the Chair of the Audit and Risk Committee;
- the Chief Executive Officer;
- the Chief Operating Officer; and
- the Disclosure Officer.

The Disclosure Committee is responsible for ensuring we comply with the Continuous Disclosure Policy and the continuous disclosure obligations. In addition to ensuring that Orion Health complies with its ongoing disclosure obligations, at each Board meeting directors formally consider whether there is relevant material information that should be disclosed to the market.

Respect the rights of shareholders

The Board encourages a high level of communication with shareholders and the market generally. We have adopted a Continuous Disclosure Policy as well as a Shareholder Communication Policy, which are designed to promote effective communication with the NZX, ASX, shareholders and other stakeholders.

We recognise that shareholders and other stakeholders are entitled to be informed in a timely and readily accessible manner of all major developments affecting Orion Health.

At each general meeting of Orion Health, shareholders have the opportunity to ask questions of directors. Senior Management and our auditors will also attend general meetings to assist in answering questions from shareholders.

Recognise and manage risk

The Audit and Risk Committee Charter seeks to assist the Audit and Risk Committee, and through it the Board, in discharging their responsibilities to exercise due care, diligence and skill in relation to oversight of:

- the quality and integrity of external financial reporting;
- the independence and performance of the external auditors;
- the effectiveness and appropriateness of the risk management framework; and
- the adequacy of the internal control system for financial reporting integrity.

As stated in the Audit and Risk Committee Charter, the Audit and Risk Committee must meet not less than three times a year, and meetings will be scheduled to ensure timely review of the interim and year-end financial statements.

The Audit and Risk Committee must meet with the external auditors on a regular basis, as appropriate, but no less than annually and for at least part of that meeting, no executive directors or other employees of Orion Health will be present.

Any member of the Audit and Risk Committee, the Group General Counsel, the Chief Executive Officer, the Chief Financial Officer, or the auditors may request a meeting if they consider it necessary.

Responsibility for internal audit rests with the Company's Assurance function. The Board considers that a number of risks, across various risk categories, have the potential to impact upon the economic, environmental and social sustainability of the organisation in one way or another.

The Audit and Risk Committee reviewed the Company's approach to risk management in March 2017, with a particular focus on implementing a risk management framework.

The Audit and Risk Committee is provided with copies of all reports from the external auditors to Management of Orion Health.

Remunerate fairly and responsibly

The People Development, Nominations and Remuneration Committee is responsible for overseeing Management succession planning, establishing employee incentive schemes, reviewing and approving the compensation arrangements for the executive management group, and recommending to the full Board the compensation of directors.

The People Development, Nominations and Remuneration Committee's objectives in relation to executive directors and other senior executives are to maintain a remuneration policy that:

- supports a performance culture that is based on merit, and differentiates and rewards excellent performance, both in the short and long-term, and recognises our values;
- enables Orion Health to attract and retain executives, and motivate them to achieve results with integrity and fairness;
- balances 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
- takes into account our long-term performance, in order to create sustainable value for our shareholders.

Our remuneration policy is to pay close to the market median for employees who are fully competent in their roles. This applies to both fixed and variable remuneration components.

Our policy on setting remuneration is based on a market pricing approach. This involves evaluating individual roles and matching them to the appropriate role in the market. We partner with local and global remuneration data providers to obtain the most relevant and extensive market data. The data we benchmark to is continuously updated to ensure we are 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 the Company's circumstances, goals and objectives.

For non-executive directors, we review the individuals' remuneration periodically and benchmark this against market data specific to Board directors. The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior management. Non-executive directors do not receive performance-based remuneration and the level of fixed remuneration that they receive reflects the time commitments and responsibilities of their role.

The People Development, Nominations and Remuneration Committee is also responsible for reviewing the composition of the Board annually and making recommendations to the Board where it is considered necessary to ensure the Board comprises a majority of non-executive members with an appropriate mix of skills and experience.

The members of the Committees and the attendance at meetings for the financial year ended 31 March 2017 are described on page 74.

We have a policy in relation to our equity-based remuneration scheme that participants are not permitted to enter into transactions (whether through the use of derivatives or otherwise) that limit the economic risk of participating in the scheme.

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 are 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 2016 to 31 March 2017.

Directors' interests:

Directors disclosed interests in the following entities pursuant to section 140 of the Companies Act 1993 during the year ended 31 March 2017.

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
	Elanco Animal Health	Member of Advisory Board
	Bunge Ltd	Director
	Lufa Farms Inc	Director
Ian McCrae	McCrae Limited	Director and Owner
	McCrae Research Limited	Director
Neil Cullimore	Culloden Investments Ltd	Director and Shareholder
	HealthNet Investments Pty Ltd	Director and Shareholder
	Heartland Investments Ltd and its associated subsidiaries	Director and/or Shareholder
	Pioneer Capital II	Operating Partner
	The North and South Trust Ltd	Shareholder
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	Dilworth Trust Board[1]	Trustee
	Tappenden Holdings Limited	Director and Chairman
	Tappenden Management Limited	Director
	The University of Auckland Foundation	Trustee
	The Treasury	Member of Commercial Operations Advisory Board
	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

[1] Roger France ceased being a trustee of Dilworth Trust Board on 1 October 2016.

Share dealings of directors

Directors have advised the following changes in their interests during the year ended 31 March 2017.

Name	Date of acquisition/disposal	Consideration per share (NZD)	Number of shares acquired / (disposed)
Paul Shearer	15 July 2016	$4.86	(50,000) ordinary shares
	31 March 2017	$1.98	4,230 ordinary shares*
Andrew Ferrier	15 July 2016	$4.86	(337,500) ordinary shares
	31 March 2017	$1.98	10,997 ordinary shares*
Ian McCrae	18 January 2017	n/a**	344,053 ordinary shares
Neil Cullimore	31 March 2017	$1.98	4,230 ordinary shares*
Roger France	31 March 2017	$1.98	5,922 ordinary shares*
Ronald Andrews	31 March 2017	$1.98	5,957 ordinary shares*
John Halamka	31 March 2017	$1.98	3,288 ordinary shares*

** Issued as part of their director remuneration for the six month period ended 31 March 2017.*
*** Acquired by way of inheritance.*

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	81,351,360*
Andrew Ferrier	Legal and beneficial	1,210,997
Neil Cullimore	Legal and beneficial	250,730
Roger France	Legal and beneficial	43,422
Paul Shearer	Legal and beneficial	1,004,230
Ronald Andrews	Legal	5,957
John Halamka	Legal	3,288

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

Director remuneration

Name	Remuneration (NZD)
Ian McCrae	$794,615
Andrew Ferrier*	$195,000
Neil Cullimore*	$75,000
Roger France*	$105,000
Paul Shearer*	$75,000
Ronald Andrews*	$52,364
John Halamka*	$28,684

** 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.*

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	106
$110,001 - $120,000	80
$120,001 - $130,000	68
$130,001 - $140,000	57
$140,001 - $150,000	37
$150,001 - $160,000	35
$160,001 - $170,000	34
$170,001 - $180,000	36
$180,001 - $190,000	23
$190,001 - $200,000	17
$200,001 - $210,000	20
$210,001 - $220,000	11
$220,001 - $230,000	12
$230,001 - $240,000	10
$240,001 - $250,000	5
$250,001 - $260,000	5
$260,001 - $270,000	3
$270,001 - $280,000	3
$280,001 - $290,000	3
$290,001 - $300,000	1
$300,001 - $310,000	3
$310,001 - $320,000	2
$330,001 - $340,000	1
$340,001 - $350,000	2
$350,001 - $360,000	1
$360,001 - $370,000*	2
$370,001 - $380,000	1
$380,001 - $390,000	1
$390,001 - $400,000	3
$420,001 - $430,000	1
$430,001 - $440,000	1
$450,001 - $460,000	1
$470,001 - $480,000	2
$630,001 - $640,000	1
$770,001 - $780,000	1
$790,001 - $800,000	1

**Includes severance payments.*

The numbers above include 216 New Zealand based current and former employees and 374 overseas-based current and former employees.

Shareholders

As at 31 March 2017, Orion Health had 160,044,938 voting shares on issue and 3,160 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 2017:

Rank	Name	Total number of securities	% of total securities
1	McCrae Limited	80,860,057	50.50
2	G A Cumming	12,400,000	7.74
3	Pioneer Capital I Nominees Limited	10,683,400	6.67
4	New Zealand Central Securities Depository Limited	4,727,724	2.95
5	Telstra Holdings Pty Ltd	3,508,772	2.19
6	Emerald Capital Limited	2,980,000	1.86
7	HSBC Custody Nominees (Australia) Limited	2,687,292	1.68
8	Deborah Mary Thomson & Mark James Thomson	1,778,052	1.11
9	Hamish Alexander Kennedy	1,648,550	1.03
10	FNZ Custodians Limited	1,632,870	1.02
11	Michael Brian Clegg & Kylie Anne Clegg	1,212,500	0.76
12	Canz Capital Limited	1,200,000	0.75
13	Edwin Weng Kit Ng	1,170,942	0.73
14	Gordon Stanley McCrae	1,090,598	0.68
15	Jacon Investments Limited	1,028,500	0.64
16	Mark Stewart Capill & Bronwyn Jane Capill & Integrity Trustees Limited	1,000,234	0.62
17	Paul Nigel Shearer & Sonya Maree Shearer & Mark Edgar Wilson	1,000,000	0.62
18	Orion Health Corporate Trustee Limited	947,123	0.59
19	J P Morgan Nominees Australia Limited	878,134	0.55
20	Custodial Services Limited	829,001	0.52

New Zealand Central Securities Depository Limited (NZCSD) is a depository system, which allows electronic trading of securities to members. As at 31 May 2017, the 10 largest shareholdings in Orion Health held through NZCSD were:

Name	Total number of securities	% of total securities
National Nominees New Zealand Limited	2,366,278	1.48
Accident Compensation Corporation	635,000	0.40
HSBC Nominees (New Zealand) Limited	550,067	0.34
Public Trust Forte Nominees Limited	450,790	0.28
JPMorgan Chase Bank	211,597	0.13
Citibank Nominees (NZ) Limited	119,413	0.07
Private Nominees Limited	80,006	0.05
BNP Paribas Nominees NZ Limited	55,157	0.03
HSBC Nominees (New Zealand) Limited	30,362	0.02
New Zealand Permanent Trustees Limited	18,050	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 2017 in respect of the number of quoted voting securities noted below. As at 31 March 2017, Orion Health had 160,044,938 quoted voting securities on issue.

Name	Total number of securities	Cass of quoted voting product	Percentage held in class
McCrae Limited	80,860,057	Ordinary shares	50.52%
G A Cumming	15,380,000*	Ordinary shares	9.61%
Pioneer Capital I Nominees Limited	10,683,400	Ordinary shares	6.68%

** 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 2017:

Ranges	Investors	Securities	% of Issued Capital
1 to 1,000	1,258	783,276	0.49
1,001 to 5,000	1,328	3,454,390	2.16
5,001 to 10,000	295	2,253,940	1.41
10,001 to 100,000	319	8,875,071	5.54
100,001 and Over	67	144,751,619	90.40
Total	3,267	160,118,296	100

Waivers

Orion Health had no NZX waivers granted or published by the NZX within or relied upon in the 12 months ending 31 March 2017.

Disciplinary action taken by the NZSX, ASX or the Financial Markets Authority (FMA)

None of the NZSX, the ASX or the FMA has taken any disciplinary action against Orion Health during the financial year ending 31 March 2017.

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 2017 are included in the relevant bandings for remuneration disclosed on page 81 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 2017:

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 Services Limited
Orion Health China Limited
Orion Health K.K.
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

Neil Cullimore
Orion Heath Properties Limited
Orion Health Corporate Trustee Limited

Luke Facer
McCrae Research Limited

Gary Folker
Orion Health Limited (Canada)

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:

- Yuichi Hirokawa - Orion Health K.K. (JPY150,000)
- Joan Reyes – Orion Health Philippines Inc. (PHP82,800)
- Rubie Pregoner – Orion Health Philippines Inc. (PHP82,800)
- Paulo Villareal – 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

The following individuals ceased to be directors of Orion Health or its subsidiaries during the period from 1 April 2016 to 31 March 2017:

- Luke Facer resigned as a director of 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) and Orion Health Philippines Inc.
- Darren Jones resigned as a director of Orion Health Pty. Limited.
- Andrew van Dort resigned as a director of Orion Health Pte. Limited.
- Colin Henderson resigned as a director of Orion Health Limited (United Kingdom).
- David Hepburn resigned as a director of Orion Health Limited (Thailand) and Orion Health Philippines Inc.
- Wayne Oxenham resigned as a director of Orion Saglik ve Bilgi Sistemleri Limited Sirketi.

Directory

Our principal administrative and registered office in New Zealand is:

Orion House, 181 Grafton Road,
Grafton, Auckland 1010, New Zealand
PO Box 8273, Symonds Street,
Auckland 1150

Telephone: +64 9 638 0600
Facsimile: +64 9 638 0699

www.orionhealth.com

Our registered office in Australia is:

Level 4, 180 Flinders Street, Melbourne,
Victoria 3000

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

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Share registrars

New Zealand

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80 Queen Street
Auckland 1010

Facsimile: +64 9 375 5990
Investor enquiries: +64 9 375 5998

Email: operations@linkmarketservices.co.nz

www.linkmarketservices.co.nz

Australia

Link Market Services
Level 12, 680 George Street, Sydney,
NSW 2000, Australia
Locked Bag A14, Sydney South,
NSW 1235, Australia

Facsimile: +61 2 9287 0303
Investor enquiries: +61 2 8280 7111

Email: registrars@linkmarketservices.com.au

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