MARKET RELEASE

Orion Health Updates on Strategic Review, Delivers FY18 Results, Restructures for a Return to Growth

All figures in NZD

Executing on ongoing strategic review

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

Restructure business to realign cost structure and improve operating performance

- The culmination of significant R&D investments over the last three years and the current sales activity has moved Orion Health to realign the operational cost structure of the Company and reorganise its operations into three main business units - Rhapsody™, Population Health and Hospitals.
- The Group identified and executed on removing $10 million of costs from across the business in FY 2018. As part of the significant redesign of the operating model and the reorganisation into the three main business units in early April 2018, an additional $30 million of costs is being removed. The majority of these cost reductions came from the Population Health business unit. The restructuring into business units is expected to significantly improve Orion Health's customer focus and speed of execution.

Financial Year 2018 performance highlights

- Operating revenue of $170 million was at the bottom end of the FY 2018 revised guidance range of $170 - $173 million due to timing of a major contract near year end.
- Annualised recurring revenue increased from 46% in FY 2017 to 50% in FY 2018 as a percentage of operating revenue.
- While there was a slight increase in FY 2018 operating losses to $40.4 million, H2 2018 was the lowest half yearly operating loss in four years at $15.4 million.
- The Company completed the year at a record high level of accounts receivable, and combined with its bank facility, the sale of the carpark and the significant cost reduction implemented during April 2018, the Company has sufficient capital available to continue to execute on its business plan.

Auckland - Tuesday 29 May 2018 - Orion Health (NZX:OHE) today delivered its Financial Year 2018 Results, an update on the strategic review and outlined the reorganisation of the Company to focus on three business units.

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

Operating revenue of $170 million was at the low end of the FY 2018 revised guidance range of $170 million to $173 million, due to timing of a major contract near year end. Annualised recurring revenue continued to increase from 46% in FY 2017 to 50% in FY 2018 reflecting a shift amongst the healthcare sector to migrate their systems to the cloud.

There was a slight increase in FY 2018 operating losses to $40.4 million, however the second half of the 2018 financial year was the lowest half yearly operating loss in four years, consistent with the Company's ongoing focus on driving a long term sustainable, profitable business model. Operating expenses have continued to trend downward three years running, with an 8% reduction from FY 2017.

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

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

The culmination of significant R&D investments over the last three years and the current sales activity has moved Orion Health to realign the operational cost structure of the Company and reorganise its operations into three main business units - Rhapsody™, Population Health and Hospitals.

The Company has aligned its solutions to its greatest market opportunities and leveraged the recent product investments in its cloud platform and newly completed solutions and services. Orion Health strongly believes this reorganisation will allow it to better work with customers and increase accountability of its global and regional teams and subsequent performance. The Group will report by the three business units in FY 2019.

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

"Building a world-class product and a foundation of loyal customers in a complex sector, Orion Health has significant opportunity in a global market," said Ian McCrae, Founder and Chief Executive Officer. "It took 20 years to achieve $100 million in revenue and four subsequent years to double it. The resulting material growth in R&D and selling costs, which has impacted Orion Health's operating performance over the last few years is now abating, and we are well positioned for FY 2019 and beyond."

Each of the three business units represent significant potential for the Group and are set up for growth in FY 2019 with a dedicated and focused management team. Profitable as a standalone business, Rhapsody is an established integration engine with significant upside in the U.S., and recent growth in the EMEA and APAC regions. While still in an investment phase, the Population Health business unit continues to represent a sizeable growth opportunity for the Company using data analytics and machine learning models to drive precision medicine. The Hospitals business unit is approaching profitability and focuses on markets outside of the U.S. with proven solutions which provide clinicians and administrators with the best single view of a patient's record.

"We are realigning the business for stronger future growth, focusing on the three business units where we see the most potential. Fundamentally, this focus sets up a better organisational structure moving forward and will achieve greater agility, accountability and performance," said McCrae.

The last financial year saw Rhapsody generate $55 million in operating revenue and $27 million operating profit before corporate overhead, with 46% recurring revenue. The other two business units, Population Health and Hospitals combined have total operating revenues of $115 million with 52% recurring revenue and an operating loss of $45 million in FY 2018 as a result of the substantial investment in R&D. In FY 2019, the two businesses will report separately when exact allocations and contributions have been finalised.

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

	Rhapsody	Population Health & Hospitals	Unallocated Corporate Overhead (1)	Total per Financial Statements
Operating Revenue	55	115		170
Operating Profit/(Loss)	27	(45)	(22)	(40)

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

Highlights from the Rhapsody business include:

- Striking an important relationship with the Department of Health and Human Services (DHHS) in Victoria Australia to run across the DHHS and 15 of its public health agencies
- Deploying Rhapsody for Integrated Health Information Systems (IHiS), the health technology agency for the Singapore Ministry of Health to support over 50,000 users across eight public hospitals and 18 polyclinics
- Successfully completing a complex project for Nottingham University Hospitals NHS Trust in the U.K to switch integration engines on budget, and with no disruption to services
- Rhapsody-as-a-Service (RaaS), as a cloud offering launched following a migration to Amazon Web Services (AWS) with the first go-live deployed at University of Louisville Hospital in Kentucky, U.S.

The Population Health business represents the largest growth opportunity for the Group and has had the majority of R&D investment over the last few years. Despite significant setbacks in the last year with the attrition of customers in the U.S. who have lost government funding, Population Health continues to represent a sizeable growth opportunity for Orion Health. Recently completing a considerable R&D milestone to migrate its Population Health suite to the cloud, the Population Health business unit is beginning to improve operating margins.

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

Responsive to the changes in the U.S. and capitalising on the global growth potential, the Population Health business unit is regaining momentum, striking important deals with top healthcare organisations. Highlights include:

- Horizon Blue Shield of New Jersey, a major Payer organisation in the U.S., has achieved 'go-live' status
- Coordinate solution being deployed in St. Vincent's HealthCare in Florida, with a network of acute-care hospitals, nursing facilities, 30+ primary care centres, medical laboratories, and other services
- A key strategic partnership with The Koble Group, a Minnesota organisation, for the Iowa Health Information Network helping to create a multi-state Health Information Exchange using Orion Health's Amadeus platform

- A significant increase in operating revenue in Canada as a result of deals in the Population Health business.

The Hospitals business unit showed strong potential in FY 2018 with the APAC region generating $23 million in operating revenue for the business. The UK and Ireland are also a core focus for the Hospitals business unit. Highlights include:

- Deployments in both the North and West of Scotland bringing Orion Health's solutions to 10 of 14 Boards, which serve millions of patients across Scotland
- In a first of its kind for New Zealand, a region-wide patient information system pioneered by the South Island Patient Information Care System (SI PICS) which shares records across District Health Boards
- The development of an integrated digital care record between NHS Doncaster CCG and Orion Health to support people at home, preventing unnecessary visits to hospital. In just seven months hundreds of patients were diverted from hospital admissions helping to ease pressure on the hospital system
- Asian Hospital and Medical Center in the Philippines delivered further clinical functionality and improved patient experience across 145 clinics and 1000 medical professionals.

Ends

Documents released today related to the FY 2018 Results:

- OHE Market Release
- OHE FY 2018 Financial Statements
- OHE FY 2018 Investor Presentation
- OHE Appendix 1

About Orion Health
Orion Health (NZX:OHE) is a health technology company that provides solutions which enable healthcare to over 110 million patients globally. Its open technology platform, Orion Health Amadeus, seamlessly integrates all forms of relevant data to enable population and personalised healthcare around the world. The company is committed to continual innovation to cement its position at the forefront of precision medicine. For more information visit www.orionhealth.com.

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Investor Presentation
FY 2018

ORION HEALTH

29 May **2018**

Important Notice

This presentation is given on behalf of Orion Health Group Limited ("OHE"). OHE continues to comply with the NZX Listing Rules.

Information in this presentation:

- is current at the date of this presentation;
- is for general information purposes only, and is not an offer, proposal or invitation for subscription, purchase, a recommendation of securities in OHE or investment advice;
- should be read in conjunction with, and is subject to, OHE's market releases, and information published on OHE's website www.orionhealth.com;
- includes forward-looking statements about OHE and the environment in which OHE operates, which are subject to uncertainties and contingencies outside of OHE's control - OHE's actual results or performance may differ materially from these statements;
- includes statements relating to past performance, which should not be regarded as a reliable indicator of future performance; and
- may contain information from third parties believed to be reliable, however, no representations or warranties are made as to the accuracy or completeness of such information.

All currency amounts are in NZ dollars unless otherwise stated. Due to rounding, the numbers presented throughout this presentation may not add up precisely to the totals presented. Percentages may not precisely reflect the presented figures as these are based on unrounded numbers.

OHE results are reported under NZ IFRS. This announcement includes non-GAAP financial measures which are not prepared in accordance with NZ IFRS. The constant currency analysis is non-confirming financial information, as defined by the Financial Markets Authority, and has been provided to assist users of financial information to better understand and assess Orion Health's financial performance without the impacts of spot foreign currency fluctuations.

Welcome

Andrew Ferrier
Chairman

Agenda

Executing on the strategic review

The Group has continued to make solid progress executing on options that have come out of the strategic review. Work on due diligence and structure is now substantially complete and documentation is well advanced. However, until any final agreement has been reached, there is no certainty that any transaction will result, or the terms of any such transaction that might transpire.

Operating Performance

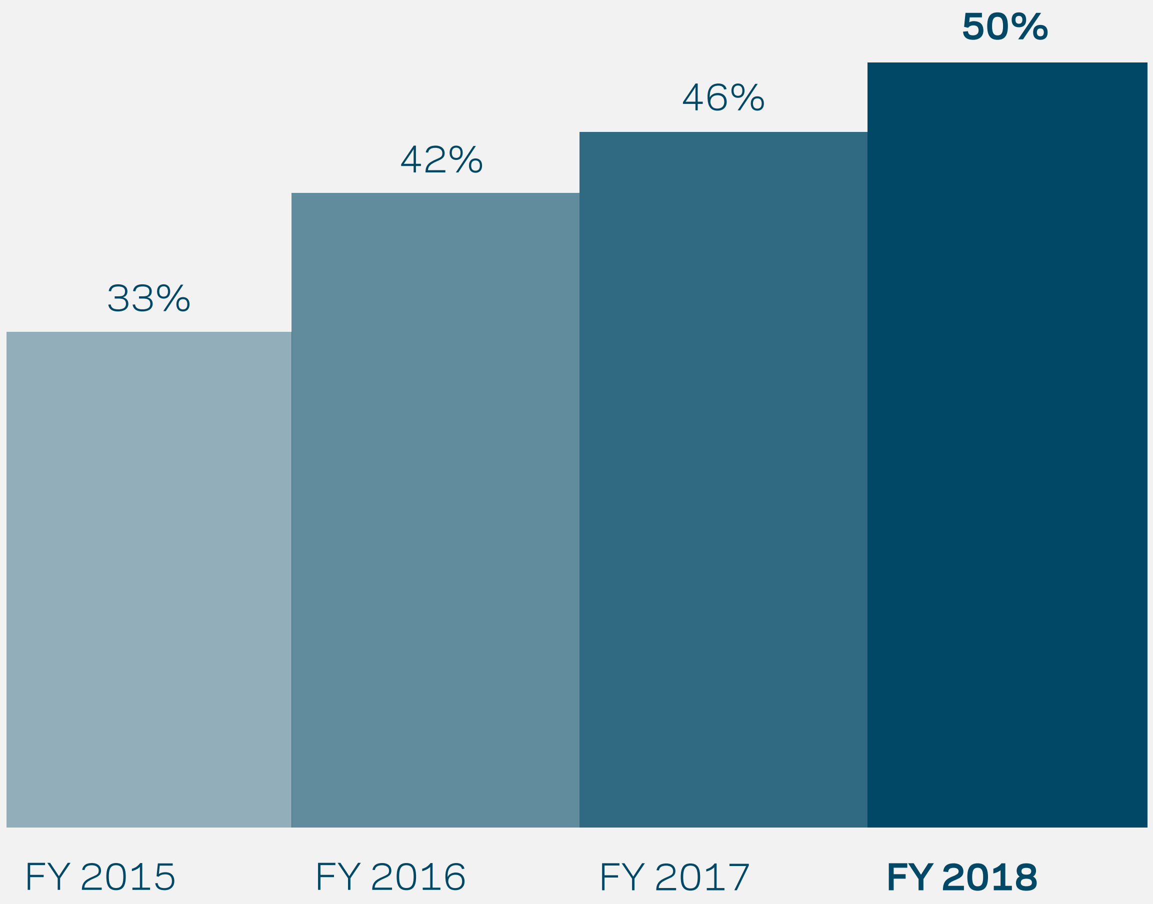
Mark Tisdel
Chief Financial Officer

FY 2018
Financial summary

OPERATING REVENUE	OPERATING LOSS	RECURRING REVENUE	ACCOUNTS RECEIVEABLE
$170m	**($40m)**	**50%**	**$71m**
Inline with previous announcement		% of operating revenue	An all time high

50%

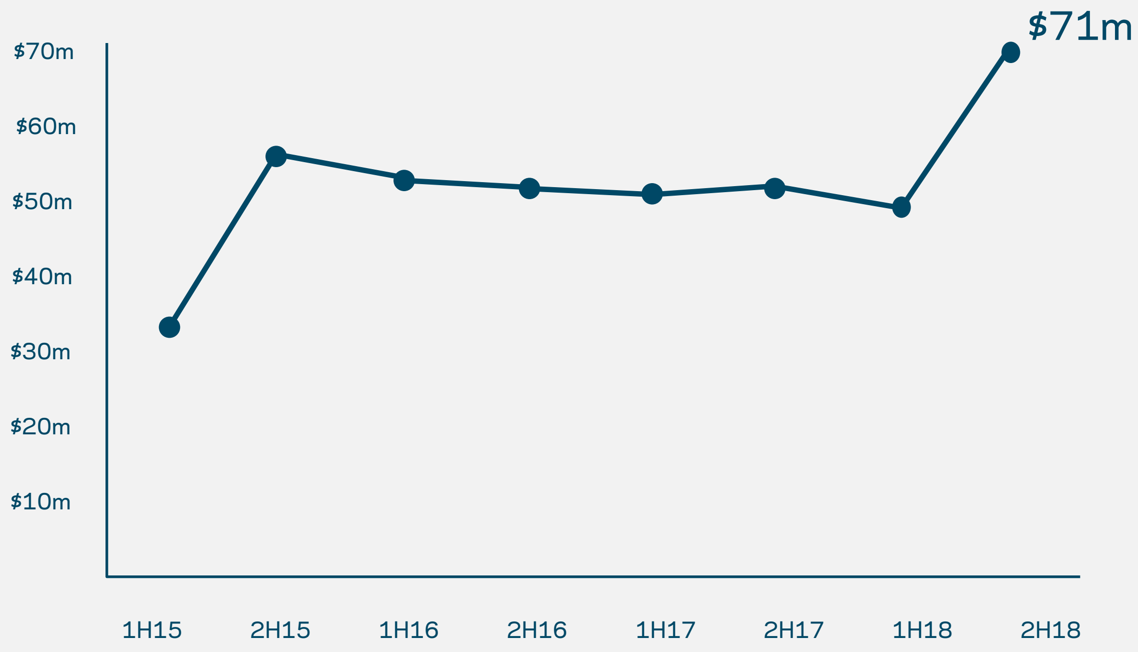
Annualised recurring revenue as a percentage of operating revenue



Cash position

- Accounts Receivable of $71 million for year ending 31 March 2018, an all-time high.
- $20 million working capital bank facility with ASB renegotiated and extended through 31 May 2019.
- The projected revenue pipeline, a material reduction in the Group's costs, the return of receivables to a normalised level, a contracted sale of surplus land, and a renewed working capital facility of $20 million with ASB, provide the company with sufficient liquidity to pursue its strategy in the upcoming period.

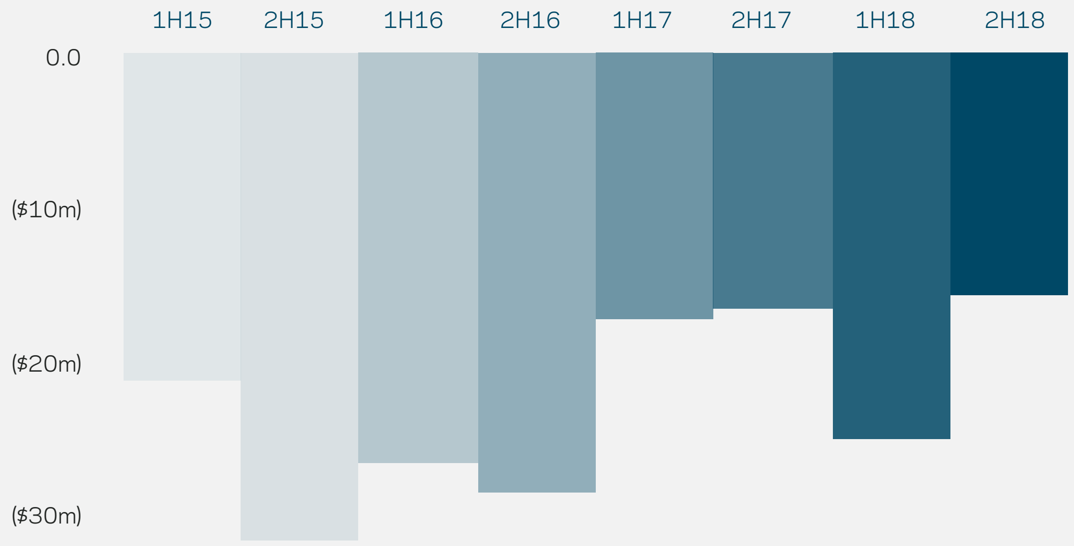
All time high for Accounts Receivable for year ending 31 March 2018



Delivering cost efficiencies

- While a slight increase in FY 2018 operating losses to $40.4 million, H2 2018 was the lowest half yearly operating loss in four years at $15.4 million.
- Operating expenses continuing to trend downward, with an 8% reduction from FY 2017.
- Overall the Company expects an approximate 15% decrease in operating costs in FY 2019.
- R&D expenses reduced $64 million to $61.4 million from FY 2017 with further reductions expected in FY 2019.

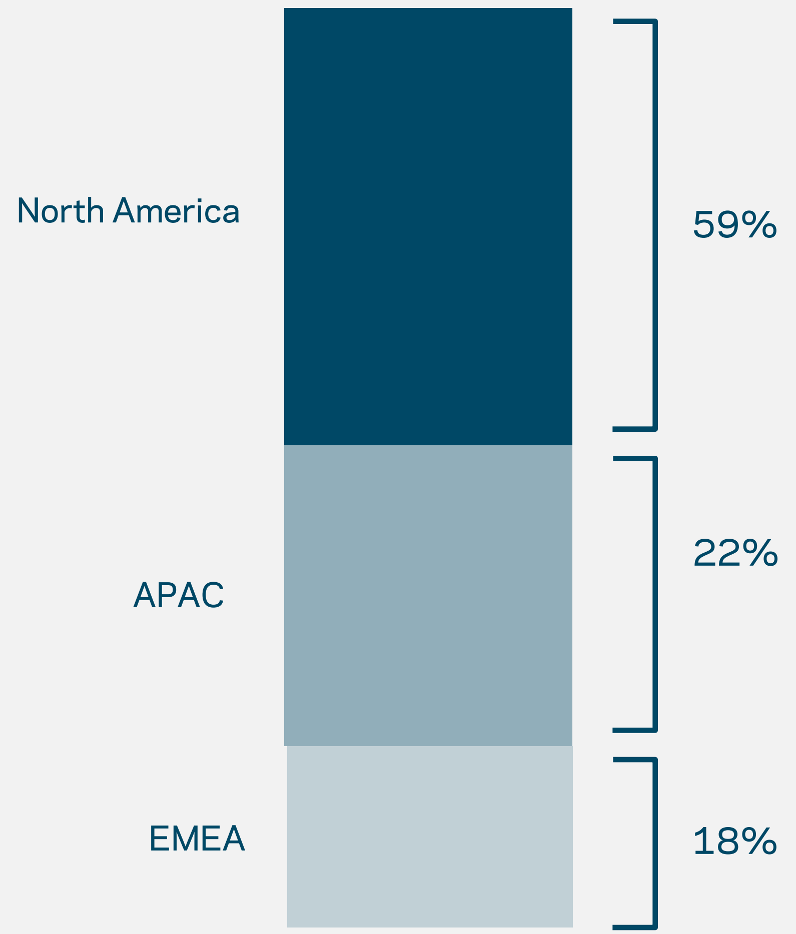
Lowest half yearly operating loss in four years



Strong global footprint

- Global footprint continues to strengthen with approximately 90% operating revenue generated outside of NZ.
- APAC continues to be a region with significant potential generating revenues of $37.1 million, 23% growth from FY 2017 and increased annualised recurring revenue by 16% from FY 2017.
- EMEA saw a slight decline in operating revenue offset by strong growth in France.
- North America remains a significant opportunity despite a decline in overall operating revenue.
  - Canada grew operating revenue by 26%.

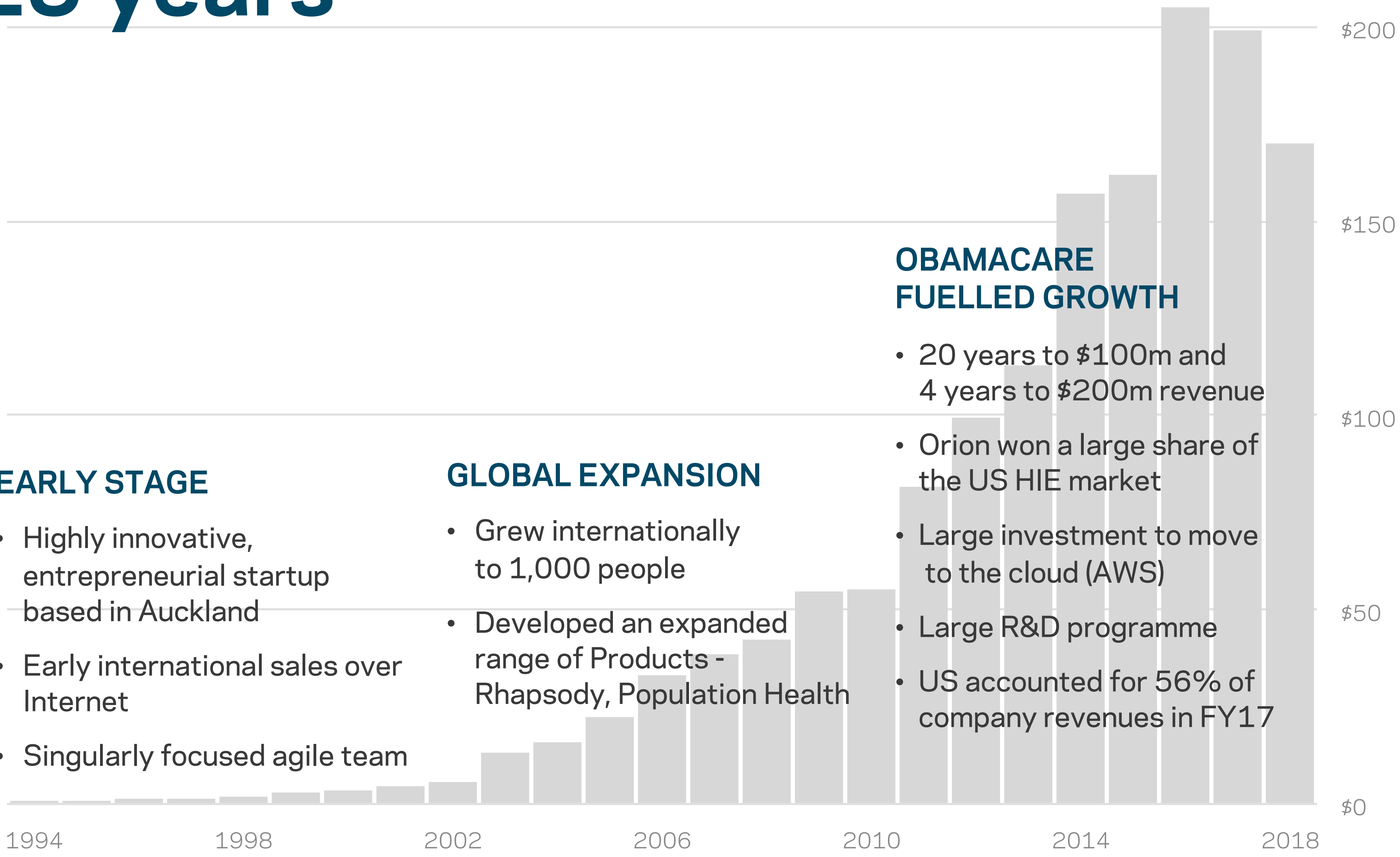
Globally diversified revenue



Business update

Ian McCrae
Chief Executive Officer & Founder

Orion Health's first 25 years



EARLY STAGE

- Highly innovative, entrepreneurial startup based in Auckland
- Early international sales over Internet
- Singularly focused agile team

GLOBAL EXPANSION

- Grew internationally to 1,000 people
- Developed an expanded range of Products - Rhapsody, Population Health

OBAMACARE FUELLED GROWTH

- 20 years to $100m and 4 years to $200m revenue
- Orion won a large share of the US HIE market
- Large investment to move to the cloud (AWS)
- Large R&D programme
- US accounted for 56% of company revenues in FY17

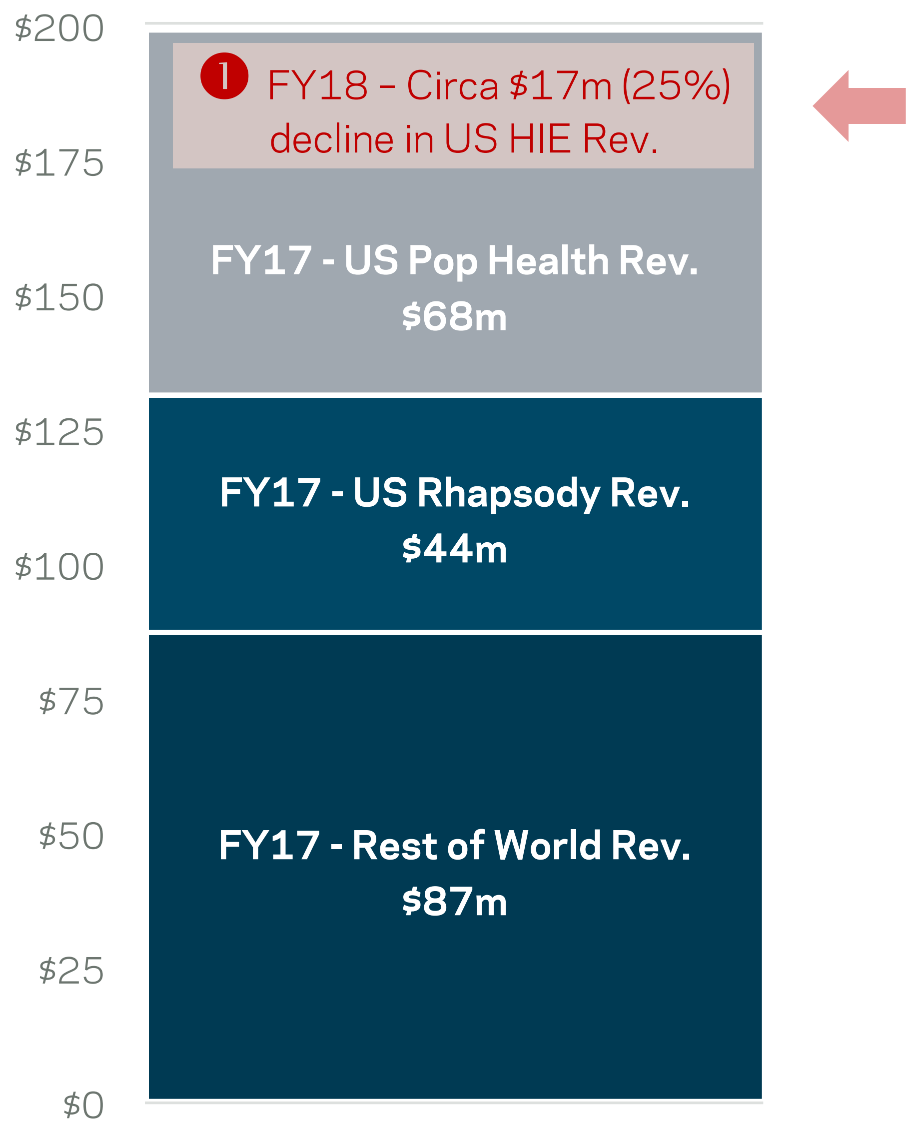
FY18

- Obamacare funding ended
- Many US HIE's closed or in financial difficulty with up to a 50% market retrenchment
- $15m of costs removed from Orion Health

FY19 - Q1

- Further $30m of costs being removed
- Reorganised into 3 independent businesses (Rhapsody, Pop. Health, Hospitals)
- Each business unit has been organised as a collection of agile start-ups - Essentially larger companies of innovative start-ups.

Impact of U.S. HIE business on FY18



Other Issues

❷ R&D costs to move to the cloud

❸ A general increase in HIE R&D spend

❹ A significant deferment of revenue due to moving from upfront perpetual licensing to monthly recurring revenues

Today

- Most of the remaining HIEs are viable operations
- Orion Health software is now live and operational in AWS and the focus now is margin improvement by:
  - Moving all customers to this instance
  - Optimising the usage of AWS services
  - Further automation

Reorganised into 3 independent businesses

RHAPSODY

World class health integration engine

POPULATION HEALTH

Solutions for entire countries, regions and health systems

HOSPITALS

Hospital administrative and Electronic Medical Record (EMR) software

Rhapsody Metrics

FY18 Revenues	$55m
Recurring Revenue	46%
Contribution (1)	$27m
Staff - 1 Mar 18	130 FTE's
28 May 18	126 FTE's

Population Health / Hospitals Metrics

FY18 Revenues	$115m
Recurring Revenue	52%
Contribution (1)	($45m)
Staff - 1 Mar 18	832 FTE's
28 May 18	659 FTE's (down 20%)

(1) Contribution to Orion Health Corporate after R&D costs have been deducted
Rhapsody, Population Health, Hospitals and corporate overhead are unaudited

Rhapsody
Integration Engine

Rhapsody

TBA
CEO

Overview

- A premier health integration engine that delivers rapid and scalable interoperability within complex healthcare environments by connecting systems seamlessly, in less time, and at a lower cost.

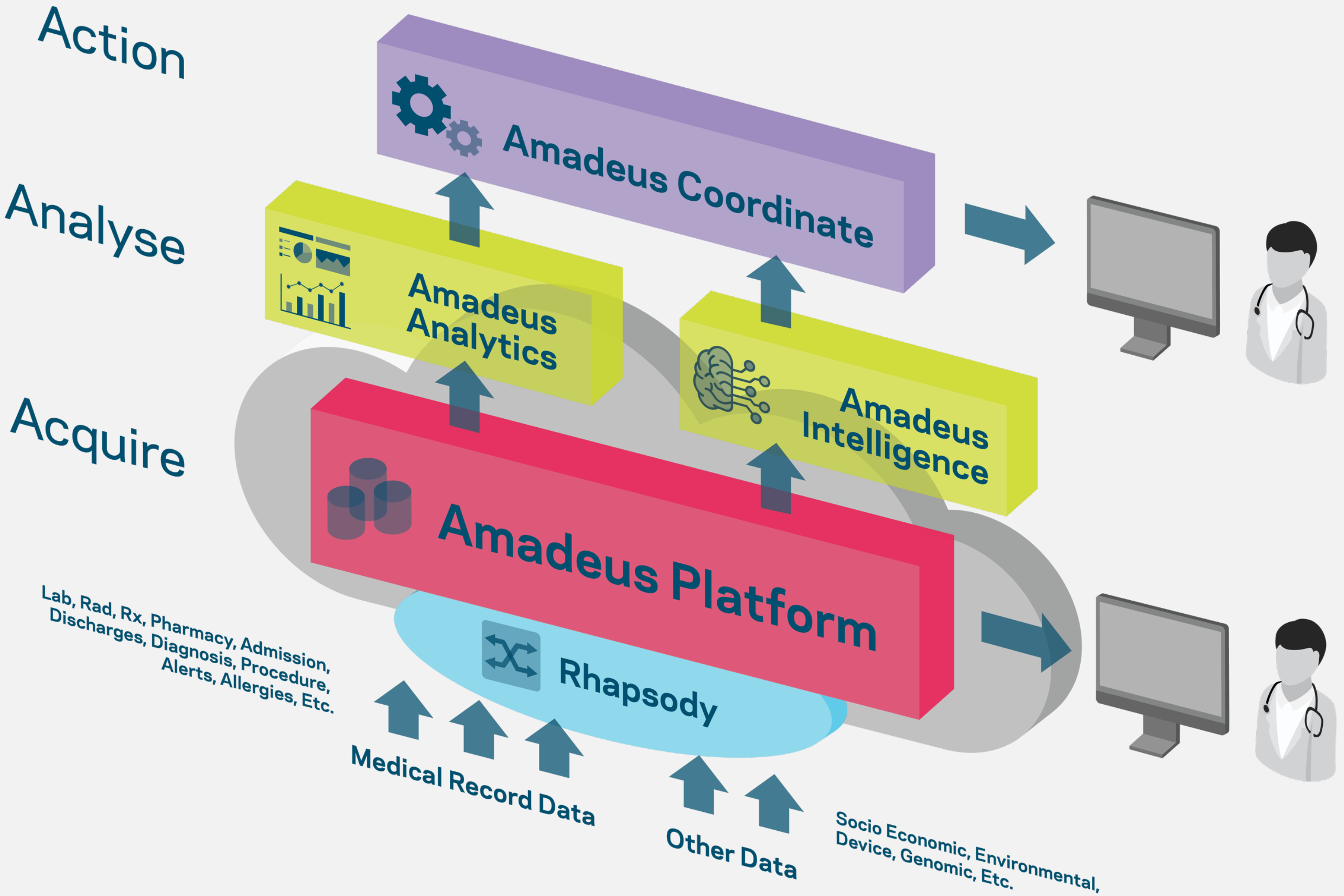
FY18 Successes

- Rhapsody-as-a-Service (RaaS), an AWS cloud offering, was launched with a first go-live at University of Louisville Hospital in Kentucky, US.
- Sales to Victorian Department of Health and Human Services (DHHS), Australia to run across the DHHS and 15 of its public health agencies.
- A further large Australian licensing sale.
- Sale to Singapore Ministry of Health for Rhapsody to support over 50,000 users across 8 public hospitals, 8 national specialty centers and 18 polyclinics.
- Nottingham University Hospitals NHS Trust, UK successfully completed a complex project to switch integration engines.

Key Information

Market	Global
Offices	Auckland, Scottsdale, Boston, and Shanghai
Products	Rhapsody Integration Engine Rhapsody-as-a-Service (RaaS)
Goals	1. Grow global distribution 2. Roll out Rhapsody-as-a-Service (RaaS) cloud offering

Population Health



Population Health

Ian McCrae
CEO

Overview

- Population Health continues to represent a sizeable growth opportunity for Orion Health. Using data analytics to drive precision medicine, disease diagnosis and helping insurers to quantify risk, Population Health is an integrated, patient-centric solution which manages and improves the health of an entire population by providing optimal care for every individual.

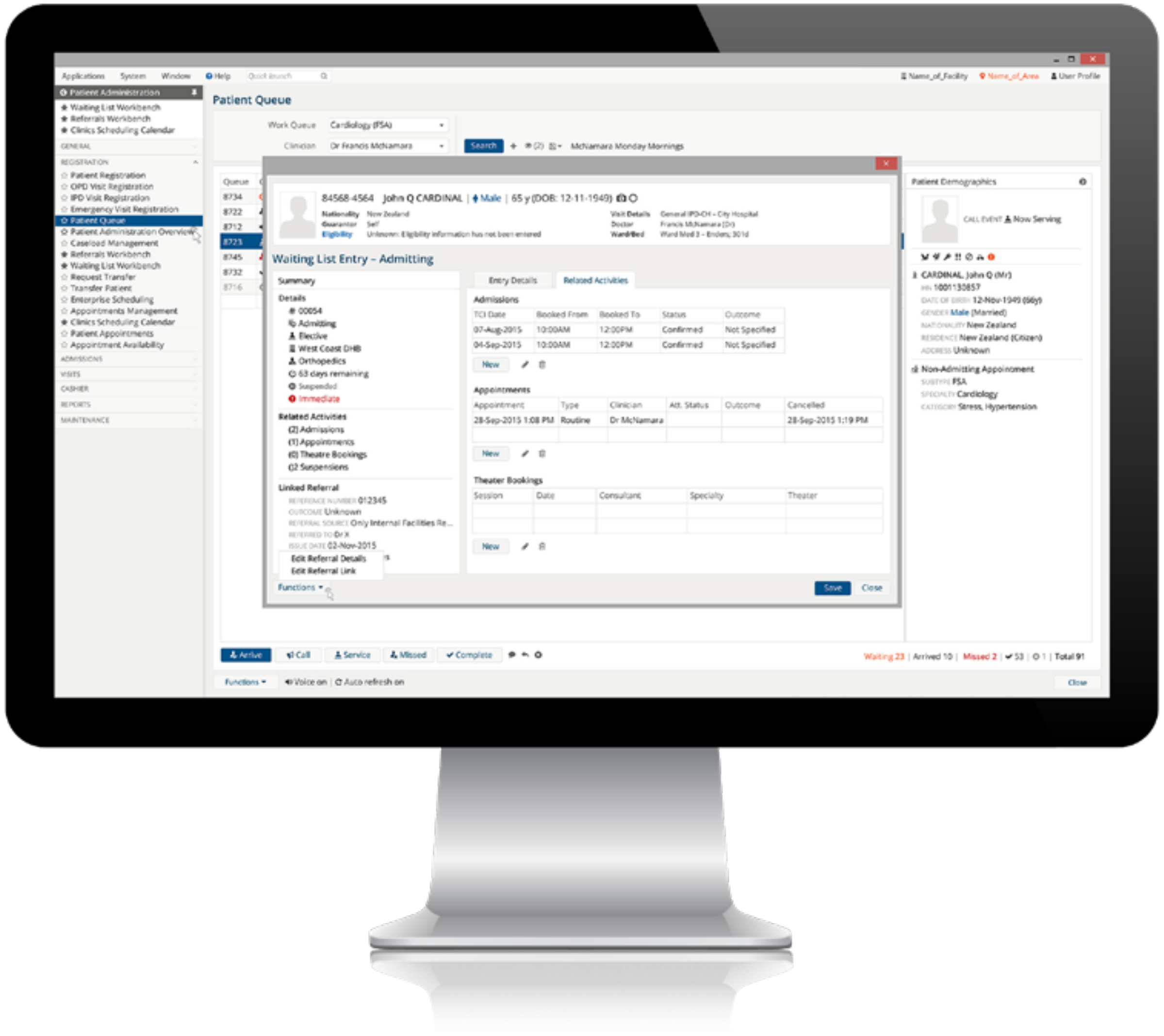
FY18 Successes

- Horizon Blue Shield of New Jersey, a major Payer organisation in the U.S. has gone live.
- Coordinate solution being deployed in St. Vincent's HealthCare, Florida, a network of acute-care hospitals, nursing facilities, 30+ primary care centres, medical laboratories, and other services.
- A key strategic partnership with The Koble Group, a Minnesota organisation, for the Iowa Health Information Network and to create a multi-state Health Information Exchange with Orion Health's Amadeus platform.
- Coordinate implementation in St Francis, Scottsdale, Arizona.

Key Information

Market	Global
Offices	Auckland, Christchurch, Scottsdale, Boston, Santa Monica, Edmonton, Toronto, St John, London, Glasgow, Belfast, Paris, Burgundy, Madrid, Palma, Dubai, Melbourne, Sydney
Products	Amadeus Data Platform / Analytics Amadeus Coordinate / Engage Public Health Communicate
Goals	1. Continue the move to profit 2. Deliver improved US SaaS margins 3. Increase US Payer market penetration 4. Continue to grow global HIE footprint

Hospitals



Hospitals

Overview

- Orion Health's Hospitals provide hospital facilities with an integrated patient administration and clinical record solution that simplifies business processes, and facilitates greater organisational efficiencies with increased patient safety in the acute care setting.

FY18 Successes

- Deployments in both North and West of Scotland bringing Orion Health's solutions to 10 of Scotland's 14 Boards.
- Deployments in Nelson-Marlborough Health and Canterbury DHB of the South Island Patient Information Care System (SI PICS), a revolutionary patient administration system which will ultimately be rolled out across the entire South Island of NZ.
- NHS Doncaster CCG and Orion Health developed an integrated digital care record to support seamless health information sharing
- Asian Hospital, Philippines delivered further clinical functionality and an improved patient experience across 145 clinics and 1000 medical professionals.

Darren Jones
CEO

Key Information

Market	New Zealand, Australia, Asia and UK
Offices	Auckland, Christchurch, London, Glasgow, Belfast, Istanbul, Melbourne, Canberra and Sydney
Products	Enterprise Consult Medicines
Goals	1. Complete the rollout of Hospitals across the South Island of NZ 2. Continue the move of this business to profit 3. Continue the introduction of Hospitals to other socialised health countries.

Globally recognised

- Awarded Best Technology Solution for the Public Sector for the HealthOne solution at the New Zealand Hi-Tech Awards

- Precision Driven Health won a Research and Business Partnership Award at the Kiwi Innovation Network awards

- Won Tech Project of the Year at the UK Health Tech Newspaper Awards alongside the Camden Clinical Commission Group

- Received Digital Edge Award at Ireland's Tech Excellence Awards

- 2018 Turkish Enterprise Award for Best Healthcare IT Systems Provider

- NZHIT Innovation Award (runner up) at NZHIT Annual Innovation Awards

FY 2019

Goals

1. Complete the reorganisation into 3 independent businesses with separate executive and governance.
2. Continue to organise each business as a collection of agile start-ups. Essentially larger companies of innovative start-ups.
3. Continue the progress of the Population Health and Hospital business units to profit.
4. A strong focus on sales and customer service.
5. Complete the current Strategic Review process.

Guidance

Revenue Guidance:
"We expect FY 2019 revenue to be flat to slightly up year over year. We will continue our focus of driving the business to a recurring revenue business model, which allows better visibility into both future revenue and cash."

Profitability Guidance:
"We continue to drive towards profitability. Based on the improved performance in H2 2018 and the stated cost reductions in the business, we would expect a slight loss to break even for the year as a whole."

Q&A

Annual Financial Results

2018

Contents

Directors' Responsibility Statement

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

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

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

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

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

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

For and on behalf of the Board

Andrew Ferrier	Ian McCrae
CHAIRMAN	DIRECTOR and CHIEF EXECUTIVE OFFICER

29 May 2018

Independent auditor's report

To the shareholders of Orion Health Group Limited

The financial statements comprise:

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

Our opinion

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

Basis for opinion

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

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

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

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

Material uncertainty related to going concern

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

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

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

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

Our audit approach

Overview

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

Overall group materiality: $1.7 million, which represents approximately 1% of Group revenue. We chose revenue as the benchmark because, in our view, it is the most appropriate measure of the performance of the Group.

We have determined that there are two key audit matters:

- Revenue recognition
- Research and development

Materiality

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

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

Audit scope

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

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

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

Key audit matters

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

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

o determining if the revenue was recorded in the correct period.	We gained an understanding of loss making contracts and assessed the adequacy of provisioning based on our audit work on estimated time to complete. We considered: • the historical outturn of management's estimates of time to complete by reviewing their estimates at the end of April 2017 (in relation to opening balances) and updated estimates or actuals by March 2018 (in relation to closing balances) for high value contracts; and • we understood any material revisions to the provisions made for loss making contracts. We report: • there will always be judgement in relation to revenue recognition given the customised and complex nature of the contracts; and • our audit procedures identified audit adjustments. Management have adjusted the identified material adjustments. We also extended our audit scope as a result of these adjustments.

Key audit matter	How our audit addressed the key audit matter
Research and development As disclosed in note 5.5 and note 3.2 the Group has expensed all research and development expenditure FY18: $61 million (FY17: $64 million), in the Consolidated Statement of Comprehensive Income. The Group research and development personnel are involved in the development of new software offerings, enhancements to existing software and maintenance. Our audit focused on this area due to the value of the research and development costs incurred, and the fact there is judgment involved in assessing whether the requirements detailed in the accounting standards for expensing or capitalising these costs have been met. The most significant of these judgements include determining if the research and development spend has met the: • technical feasibility criteria; and • economic feasibility criteria. Management's conclusion is that no material element of the spending this year on research and development meets the criteria for capitalisation because of a lack of technical and/or economic feasibility.	In responding to the significant judgments involved in determining whether research and development spend has been recognised in accordance with the relevant accounting standard, our audit procedures included: • updating our understanding of management's process for assessing whether any research and development spend has met all of the NZ IAS 38 recognition criteria; • reviewing the detailed analysis of the Group's research and development spend for the year allocated by expense category (maintenance, research, development) and product group and tested the reconciliation of amounts reported to accounting records. • we had a meeting with management, including research and development personnel, to discuss the nature of work being completed for each product group and their assessment of the areas of judgement for each, in particular the stage of technical development and economic feasibility. Our own understanding of the financial position supported management's decision not to capitalise these costs • considering other information obtained during the audit, including products and solutions being developed in relation to key customer contracts, the stage of related sales prospects and, where appropriate, the level of sales and returns obtained from previous generations of products and solutions, to determine whether the status and performance of those contracts corroborated management's assertions over the technical feasibility and the ability to generate 'probable' future economic benefits. We did not identify any inconsistencies with management's conclusion that no material element of the spending this year on research and development meets the criteria for capitalisation.

Information other than the financial statements and auditor's report

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants Auckland
29 May 2018

Consolidated Statement of Comprehensive Income

for the year ended 31 March

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

The accompanying notes form an integral part of these financial statements

Consolidated Balance Sheet
as at 31 March

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

Consolidated Balance Sheet (continued)
as at 31 March

	Note	2018 NZ$'000	2017 NZ$'000
EQUITY			
Share capital	6.1	190,735	159,057
Treasury shares	6.3	(2,120)	(2,120)
Share-based payment reserve	6.3	2,296	2,070
Accumulated losses		(172,050)	(131,412)
Foreign currency translation reserve	2.4	(2,038)	(1,529)
Asset revaluation reserve	5.3	2,376	2,376
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**19,199**	**28,442**

The accompanying notes form an integral part of these financial statements

For and on behalf of the Board, 29 May 2018

Andrew Ferrier
CHAIRMAN

Ian McCrae
DIRECTOR and CHIEF EXECUTIVE OFFICER

Consolidated Statement of Changes in Equity
for the year ended 31 March

	Note	Share capital	Treasury shares	Share-based payment reserve	Accumulated losses	Foreign currency translation reserve	Asset revaluation reserve	Total equity
		NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Balance at 1 April 2016		158,651	(2,787)	1,020	(97,197)	(205)	2,376	61,858
Loss for the year		-	-	-	(34,215)	-	-	(34,215)
Other comprehensive income for the year		-	-	-	-	(1,324)	-	(1,324)
Total comprehensive loss for the year ended 31 March 2017		**-**	**-**	**-**	**(34,215)**	**(1,324)**	**-**	**(35,539)**
Issue of share capital, net of transaction costs	6.1	244	-	-	-	-	-	244
Issue of share capital – employee share schemes	6.2	(667)	667	-	-	-	-	-
Issue of share capital – in lieu of directors' fees	6.2	69	-	-	-	-	-	69
Vesting of share-based employee benefits	6.3	760	-	(760)	-	-	-	-
Accrual of share-based employee benefits	6.3	-	-	1,810	-	-	-	1,810
Total transactions with owners		**406**	**667**	**1,050**	**-**	**-**	**-**	**2,123**
Balance at 31 March 2017		**159,057**	**(2,120)**	**2,070**	**(131,412)**	**(1,529)**	**2,376**	**28,442**
Balance at 1 April 2017		159,057	(2,120)	2,070	(131,412)	(1,529)	2,376	28,442
Loss for the year		-	-	-	(40,638)	-	-	(40,638)
Other comprehensive income for the year		-	-	-	-	(509)	-	(509)
Total comprehensive loss for the year ended 31 March 2018		**-**	**-**	**-**	**(40,638)**	**(509)**	**-**	**(41,147)**
Issue of share capital, net of transaction costs	6.1	31,246	-	-	-	-	-	31,246
Issue of share capital – employee share schemes	6.2	-	-	-	-	-	-	-
Issue of share capital – in lieu of directors' fees	6.2	145	-	-	-	-	-	145
Vesting of share-based employee benefits	6.3	325	-	(325)	-	-	-	-
Accrual of share-based employee benefits	6.3	-	-	889	-	-	-	889
Shares lapsed		-	-	(338)	-	-	-	(338)
Cancellation of shares		(38)	-	-	-	-	-	(38)
Total transactions with owners		**31,678**	**0**	**226**	**-**	**-**	**-**	**31,904**
Balance at 31 March 2018		**190,735**	**(2,120)**	**2,296**	**(172,050)**	**(2,038)**	**2,376**	**19,199**

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

for the year ended 31 March

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

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the year ended 31 March 2018

1 General information

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

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

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

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

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

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

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

Accounting policies

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

Accounting policies are identified by this symbol and section style.

Critical judgements and estimates in applying the accounting policies

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

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

Management judgement: Going Concern

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

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

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

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

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

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

2 Basis of preparation of financial statements

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

2.1 Key legislation

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

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

2.2 Accounting standards

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

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

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

2.3 Changes in accounting policies and estimates

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

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

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

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

- **NZ IAS 7 'Financial Instruments: Disclosures'.** The Group has included a net debt reconciliation in Note 4.3 below.

- **NZ IFRS 9 'Financial Instruments' (2014)** ('NZ IFRS 9') replaces the multiple classification and measurement models in NZ IAS 39 and introduces a revised model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting.

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

  The standard will be effective for the Group from the year ending 31 March 2019.

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

The Group has an IFRS Project working group assessing the effect of applying the new standard on the consolidated financial statements. The working group has achieved certain milestones during the period and the premlinary view is the impact of the new standard on perpetual licence revenue, managed service revenue and support service revenue is not expected to be material.

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

The Group has also identified the following areas for further assessment:

- Implications of financing component considerations for contracts with payment terms exceeding 1 year.
- Costs may meet the definition to be capitalised as contracts costs.

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

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

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

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

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

2.4 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

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

2.5 Basis of consolidation

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

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

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

McCrae Research Limited	Holding company	New Zealand	NZD	100	100
Orion Health Properties Limited	Property owner	New Zealand	NZD	100	100

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

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

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

Precision Driven Health – joint venture

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

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

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

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

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

3 Financial performance

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

Revenue

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

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

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

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

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

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

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

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

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

Other income

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

Management judgement: revenue recognition

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

3.1 Segment information

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

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

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

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

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

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

Regional segmentation by category of product/service:

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

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

Reconciliation from segment contribution to consolidated operating loss:

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

Revenue by geographical location:

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

3.2 Operating expenses

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

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

	2018 NZ$'000	2017 NZ$'000
EXPENSES: BY FUNCTION		
Research and development (refer also to §5.5)	60,969	64,043
Sales and marketing	33,530	36,334
Support services	4,320	4,250
Implementation services	42,496	47,468
Managed services	35,406	39,346
General and administration	43,000	48,369
	219,721	**239,810**

4 Cash and cash flows

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

4.1 Cash and cash equivalents and term deposits

Cash and cash equivalents

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

Restricted cash

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

Cash and cash equivalents within the Statement of Cash Flows

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 March 2018

4.3 Net debt reconciliation

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

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

Net debt movement	**Assets**	**Liabilities from financing activities**		
	Cash/bank overdraft NZ$'000	**Borrowings due within one year NZ$'000**	**Borrowings due after one year NZ$'000**	**Total NZ$'000**
Balance at 1 April 2017	5,893	(3,661)	(4,059)	(1,827)
Cash flow	(1,011)	(649)	-	(1,660)
Foreign exchange adjustments	653	(72)	(99)	483
Other non-cash movements	-	(4,158)	4,158	-
Net debt at 31 March 2018	**5,535**	**(8,540)**	**-**	**(3,005)**

4.4 Credit risk on monetary assets

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

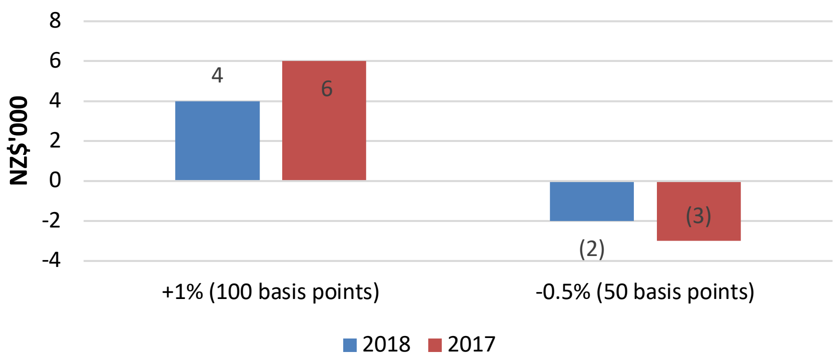
4.5 Interest rate risk

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

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

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

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



4.6 Bank facilities and liquidity risk

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

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

Borrowing costs
Borrowing costs are expensed as incurred.

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

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

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

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

On the working capital facility:

- for NZD denominated borrowings, overdraft interest is payable at either:

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

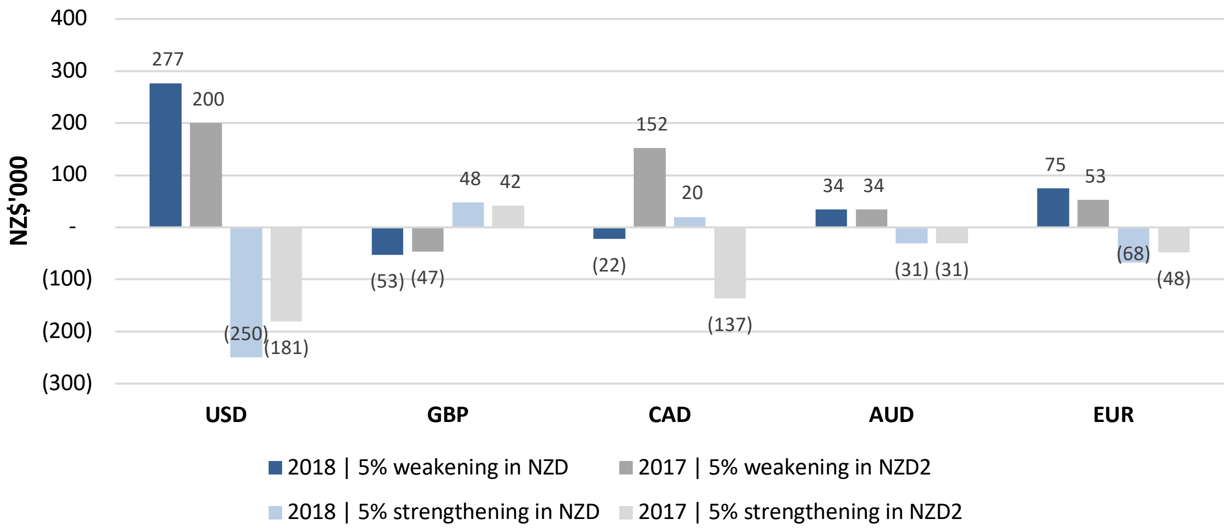
As further detailed in Note 8.5, on 28 May 2018 the Group varied its facility agreement with the ASB Bank. The facility now comprises a working capital facility of NZD 20,000,000 which expires on 31 May 2019.

4.7 Foreign currency risk

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

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

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



5 Assets and liabilities

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

5.1 Trade and other receivables

Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The carrying amount is a reasonable approximation of fair value. When a receivable is uncollectible, it is written off against the allowance. Trade and other receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets.

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

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

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

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

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

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

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

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

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

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

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

Credit risk

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

Performance of trade receivables

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

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

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

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

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

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

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

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

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

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

5.2 Assets held for sale

Assets held for sale

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

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

Land held for sale (refer also Note 8.5)

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

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

5.3 Property, plant and equipment

Property, plant and equipment

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

Any revaluation increasing the fair value of land is credited to the asset revaluation reserve in equity and any revaluation that offsets previous increases of the same asset are charged in other comprehensive income and debited to the asset revaluation reserve in equity; all other decreases are charged to the profit or loss in the Statement of Comprehensive

Income. Upon disposal or derecognition of an asset, any revaluation reserve relating to that particular asset is transferred directly to accumulated losses.

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

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

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

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

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

Land is not depreciated.

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

Management judgement: impairment of assets

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

Notes to the Financial Statements
For the year ended 31 March 2018

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

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

5.4 Intangible assets – software

Intangible assets – software

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

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

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

5.5 Intangible assets – research and development costs

Intangible assets – research and development costs

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

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

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

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

Management judgement – intangible assets – research and development costs

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

5.6 Trade and other payables

Trade and other payables

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

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

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

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

Liquidity risk – financial liabilities

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

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

5.7 Employee benefits

Employee benefits

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

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

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

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

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

5.8 Provisions for other liabilities

Provisions

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

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

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

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

6 Capital and structure

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

6.1 Share capital

Share capital

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

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

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For the year ended 31 March 2018

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

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

6.2 Share capital transactions

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

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

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

6.3 Share-based payments

Long-term incentive plans

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

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

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

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

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

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

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

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

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

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

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

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

Fair value of awards granted

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

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

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

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

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

Refer to Note 8.2 for the expense recognised in the Statement of Comprehensive Income for share awards granted. We remain subject to and have complied with the NZX Listing Rules with respect to the issue of securities to directors under an employee incentive scheme.

6.4 Capital risk management

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

7 Tax

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

Income tax

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

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

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

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

Sales taxes

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

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

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

Commitments and contingencies are disclosed net of Sales Tax.

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

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

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

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

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

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

7.1 Income tax expense

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

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

	2018 NZ$'000	2017 NZ$'000
Loss before income tax	**(40,336)**	**(32,705)**
Tax calculated at domestic tax rates applicable to (losses)/profits in the respective countries	(11,316)	(8,743)
Expenses not deductible	354	438
Non-taxable income	0	(7)
Other adjustments	(1,764)	(736)
Impact of change in tax rate	371	0
Prior period adjustments	(368)	356
Current year tax assets not recognised in the year	13,025	10,282
Prior year tax losses recognised	0	(80)
Income tax expense	**302**	**1,510**

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

7.2 Recognised deferred tax assets and liabilities

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

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

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

7.3 Unrecognised temporary differences

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

The Group has unrecognised tax losses available to carry forward:

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

7.4 Imputation credit accounts

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

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

Notes to the Financial Statements

For the year ended 31 March 2018

8 Other information

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

8.1 Related parties

Key management compensation

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

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

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

Transactions with related parties

McCrae Limited

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

New Zealand Trade and Enterprise

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

Southern Cross Medical Care Society

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

Pioneer Capital Partners

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

University of Auckland

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

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 normal trade terms.

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements
For the year ended 31 March 2018

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.

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

AUDITORS' REMUNERATION

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

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

8.3 Loss per share

Basic

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

Diluted

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

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

8.4 Contingent liabilities

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

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

8.5 Events after reporting date

Bank facility

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

Assets held for sale

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

Other

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

8.6 Commitments

Leased assets – operating leases

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

Operating lease commitments – Group as lessee

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

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

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

Sub-lease payments

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

Capital commitments

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

Other commitments

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

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

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

8.7 Financial risk management

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

Financial risk management objectives and policies

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

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

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

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

Notes to the Financial Statements
For the year ended 31 March 2018

Financial instruments by category:

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

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

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

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

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

Other financial risk management information is presented as follows:

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

Orion Health Group Limited
Results for announcement to the market

Reporting Period	12 months to 31 March 2018
Previous Reporting Period	12 months to 31 March 2017

	Amount (NZ$'000)	Percentage change (%)
Revenue from ordinary activities	170,122	-14.5%
Loss from ordinary activities after tax attributable to security holders	(40,638)	-18.8%
Net loss attributable to security holders	(41,147)	-15.8%

Interim/Final Dividend	Amount per security	Imputed amount per security

It is not proposed to pay dividends.

Record date	Not Applicable.
Dividend payment date	Not Applicable

Net tangible assets per share – 2018	NZ$0.09
Net tangible assets per share – 2017	NZ$0.16

Comments

Accompanying this announcement are Orion Health Group Limited's audited consolidated financial statements for the twelve months ended 31 March 2018. These financial statements provide additional information required in accordance with Listing Rule 10.3.2 and Appendix 1. For commentary on the operational results please refer to the accompanying Market announcement.