Constellation Healthcare Technologies, Inc. and Subsidiaries

Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

Contents

Company Information

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John Johnston
(Independent Non-executive Chairman)
Paul Parmar
(Group Chief Executive Officer)
Sotirios Zaharis (known as Sam Zaharis)
(Group Chief Financial Officer)
Sir Rodney Aldridge
(Independent Non-executive Director)
David Clark
(Independent Non-executive Director)
Mark Feuer
(Independent Non-executive Director)

Company Secretary
Ravi Chivukula

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Company registration number
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Website
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Chairman's Review

This has been a momentous year for Constellation Healthcare. Following the IPO in December 2014 the Company successfully completed two placings raising a total of £43m and executed four acquisitions, Physicians Practice Plus Inc. ("PPP"), NorthStar First Health LLC ("NorthStar"), Phoenix Health LLC ("Phoenix") and MDRX Medical Billing LLC ("MDRX" – completed in February 2016). The acquisition of MDRX helped to bring 3,500 additional physicians to the Constellation platform, meaning that there are now 9,000 plus doctors that are using Constellation for their billing requirements.

Robust Platform

The Company has made significant strategic and operational progress, and its financial results are ahead of expectations in terms of revenue, EBITDA and cash generation. The management team has strengthened the Company's infrastructure and invested heavily in Pegasus, its industry leading medical billing software platform. Pegasus provides a major advantage when integrating acquisitions in to the Constellation group of billing companies, and helps us to retain clients and grow organically.

Our core strategy is to consolidate the highly fragmented Revenue Cycle Management ("RCM") market through highly targeted and value accretive acquisitions. The acquisition of PPP also brought further technology enhancements that we were able to integrate into our own Pegasus platform, helping us to streamline the process of transitioning clients to our software. Converting client business to our platform will continue to create cost efficiencies that will impact on our bottom line. The acquisition of PPP also helped CHT to quickly integrate two further accretive acquisitions, Northstar and Phoenix in Q3 2015.

M&A is one way CHT plans to grow. The Company also aims to grow organically, and we secured a number of new contracts throughout the year, providing significant revenue, and contributing meaningfully to the Group's EBITDA.

The Board has also been strengthened considerably. Sir Rodney Aldridge joined the Board as Non-Executive Director in July. His experience as founder of Capita PLC, which he grew both by acquisition and organically, has been a real asset in this exciting growth phase for Constellation. At the same time Sam Zaharis was appointed as Chief Financial Officer. Sam not only brings extensive experience in M&A and integration but also day-to-day operational experience, corporate governance experience and investor and lender reporting.

Subsequent to the year-end we were delighted to announce the appointment of Dr. Shawn Zimberg to the Board. Dr. Zimberg brings significant technical knowledge regarding the billing and practice management verticals of our business and we will also benefit from his broader knowledge of the US healthcare sector.

I would like to thank the Executive Team and all the staff of Constellation for their dedication and hard work over the year. It has been fundamental in delivering the exceptional achievements of 2015. I would also like to express my gratitude to our shareholders for their continued support.

The Board is very excited for the future, and are determined to build on the significant progress we achieved this year. We look forward to 2016 and beyond, and will continue to deliver on our strategy of becoming one of the largest and most efficient medical billing platforms in the US.

John Johnston
Chairman

Chief Executive's Review

CHT continually evaluates possible new acquisitions and we spend significant time and resources micro analysing these potential deals to ensure the acquisitions we do make meet our very strict and immovable criteria. Ensuring this criteria is fulfilled ensures we be confident that the value accretion we require is achievable.

Given the strict criteria for making acquisitions it was very pleasing to complete three accretive transactions in the year. In March, we acquired Physicians Practice Plus ("PPP") for a maximum cash consideration of up to $20m. PPP is a New York-based collection of Revenue Cycle Management ("RCM") businesses for healthcare providers. In September, we also acquired NorthStar First Health LLC ("NorthStar") for a maximum consideration of $18m and Phoenix Health LLC ("Phoenix") for $14m.

NorthStar is a New Jersey based RCM business and will increase CHT's collections by $170m annually from physicians as a result of this acquisition. Phoenix is a New Jersey based group of RCM businesses and will broaden the overall offering available through the Group platform with an RCM billing company in the injury related claims space arising out of work place or automobile injuries.

In December of last year we also returned to the equity market to raise £30m (approximately $45.5m) to fund further acquisitions. This fundraising closed shortly after the New Year and enabled us to acquire MDRX Medical Billing LLC ("MDRX") in February 2016 for an initial consideration of $28.0m. MDRX is a US based healthcare service provider primarily operating in the billing practice management and healthcare consulting space. MDRX has a nationwide presence and added approximately 3,500 physicians to the CHT platform. The majority of these physicians are from large sized hospital based groups.

The acquisition of MDRX means that CHT is now working with physicians in new territories, including Alabama, Louisiana, New Mexico and Utah. As a result of this transaction CHT is also now collecting approximately $2bn annually for physicians across the US. The three acquisitions completed by CHT during the year together with the acquisition of MDRX after the year-end means that the Company now has 9,000+ physicians on its platform in the US.

Following the fundraise and the acquisition of MDRX, CHT has approximately $15.5m in the bank to fund additional acquisitions during 2016. In the meantime this money leaves the group net debt free (excluding deferred consideration) on a proforma basis.

CHT also grew organically and secured a number of new contracts in the year, including four new contracts in April. These four contracts were expected to see CHT collect approximately $136m in billings annually on behalf of nearly 400 new physicians, resulting in approximately $6-7m in annual revenue and approximately $2-3m in annual EBITA.

Successful M&A activity is important to CHT and has been a significant focus this year. In order to support this growth and diversification CHT has strengthened its management team. Sir Rodney Aldridge was appointed as a non-executive director in July 2015. We believe his extensive experience in building an outsource service business organically and through acquisition will be invaluable. Sir Rodney has held shares in CHT since the IPO. In addition, Sotirios "Sam" Zaharis joined as our President and Chief Financial Officer in July. Sam brings a wealth of operational experience to our business and will play an important role in developing the Company with a proven track record in M&A and crucially in the successful integration of those businesses.

Financial Performance

The financial results for 2015 demonstrate that our unique business model is working successfully. CHT's revenues increased by 40.5% to $76.7m compared with the same period last year and EBITA increased by 63.3% from $14.2m in 2014 to $23.9m in 2015. The core Orion business is going from strength to strength and the other acquired businesses (NEMS, PPP, NorthStar, Phoenix and MDRX) are performing well.

Conversion of operating profit into cash flow was robust, demonstrating the cash generative nature of our business model. Cash generated from operations increased by 91% from $8.1m in 2014 to $15.5m in 2015. Strong cash generation enabled us to invest significantly in capital expenditure. We continue to build efficiencies through improved technology including workflow automation, business analytics, business intelligence, automated data transfer tools and the management of operations using various KPI's. The enabling software products, i.e. workflow automation, business intelligence and data extraction tools have reached a significant maturity in terms of their functionalities. We expect very little development

Chief Executive's Review continued

and mostly maintenance expense going forward. The quality and cost of our operations, enabled by these proprietary technologies, continues to be superior to our competition and forms a fundamental part of our strategy.

Strategy

CHT is focused on acquiring healthcare service businesses across the US and improving revenue generation and profitability by utilizing CHT's proprietary technology. This is coupled with our efficient processing operation to give CHT a competitive edge. Organic growth is also a key driver going forward. CHT continues to increase the number of physicians using its platform and as of December 2015, it has over 10,000 independent practicing and hospital/contracting Physicians groups using its various service offerings. We expect that number will continue to grow this year and next.

Outlook

The US healthcare system remains complex while the number of people who continue to receive healthcare insurance and utilize the system continuously increases. This provides an excellent back drop for CHT to operate in and consolidate the sector in a major way.

Paul Parmar
Chief Executive Officer

Constellation Healthcare Technologies

Strategic Report

Introduction

Constellation Healthcare Technologies is a healthcare services organization providing outsourced revenue cycle management ("RCM"), practice management ("PM") and group purchasing services to the physician market in the United States.

The Group benefits from a large market opportunity in physician billing, which is estimated by the Directors to be approximately a $37bn market across current specialties. The Directors believe that there has been an increasing trend towards physicians outsourcing billing operations, although they also believe that approximately 55% of physicians still retain their RCM operations in-house. This represents a significant market opportunity for large-scale RCM service providers such as Constellation.

Constellation was founded in July 2013 by Paul Parmer, the current Chief Executive Officer ("CEO"), when he acquired six separate companies that were rolled into one as Orion Health Corporation Inc. ("Orion"). Subsequent to this Orion acquired the entire share capital of North East Medical Solutions LLC and NEMS West Virginia, LLC (together "NEMS") and successfully integrated them.

Constellation was admitted to trading on AIM on the London Stock Exchange on 8 December 2014 when approximately £9.6m was raised for the Group through a placing of 7,128,235 common shares at 135 pence per share. The total number of common shares in issue at Admission was 55,615,056, giving the Company an initial market capitalization of approximately £75m.

The net proceeds of the placing received by the Company were applied towards selective acquisitions in line with the Group's strategy, the integration of such acquisitions, and for general working capital purposes.

Market Opportunity

In the United States some $565bn is spent annually on hospital care and physician services. The RCM Industry Billing Rate represents circa 6.5% of this spend resulting in a $37bn market opportunity. This market is a highly fragmented one and is made up of about 2,000 small or in-house operators. Only 45% of the market is outsourced though this proportion is growing due to the continued increase in regulation and in the complexity of billing itself. In addition, cost pressures are increasing, especially for the smaller participants.

There are high barriers to entry in this market and clients are becoming ever more data hungry and seeking more "value added" services from their billing providers. As such, smaller players are finding it increasingly difficult to compete and this is further reinforcing the need for scaled business. This in turn encourages further consolidation, offshoring and an increased technology focus.

CHT believes there is a clear opportunity for a well-capitalized and experienced management team to consolidate the space and benefit from economies of scale and superior technology.

Strategy

An ongoing acquisition programme is integral to the Company's growth strategy. This strategy has three component parts, which are:

1) Acquire targets at attractive valuations by taking advantage of the fragmented nature of the industry.

2) Subsequently drive cost savings by outsourcing jobs to India.

3) Management of acquired billing companies incentivised to maintain and grow the client base due to the implementation of earn out payments.

The multiple differentials between Constellation's acquisition targets and CHT provides considerable scope for a further value uplift. The significant variations in valuations of medical billing companies based on size allows CHT to leverage its scale in order to grow shareholder value.

For a potential acquisition to be considered by the Board of CHT it must generally exhibit most if not all of the following criteria:

1. Multi State operations
2. Circa 130 employees of which around 80% are re-deployable
3. Annual sales of $5m+
4. EBITDA Margins in the 5%-25% range
5. Positive cash flows
6. Non-competitive process

Strategic Report continued

The acquisitions made to date by CHT have largely been relationship sourced and driven, principally by the CEO.

The Directors of CHT believe that technology can make the difference in driving our Company ahead and setting the Group apart from its competitors. As a result CHT is in the process of building a robust and scalable technology platform to enable it to:

1. Confidently execute the business plan of consolidation and acquisition.
2. Streamline the billing process.
3. Provide fast paced acquisition and transition support.
4. Facilitate a scalable and automated technology platform for core CHT operations.
5. Provide meaningful information to management, business leaders, stake-holders and partners.
6. Provide a transparent source of information.
7. Create a unified platform for data and information.

In addition, CHT has a number of advanced tools that can be leveraged to build a robust technology platform. Among them are:

1. **PARCS for Operations:** This is a scalable and automated technology platform for core CHT operations. Among other things, PARCS facilitates rapid acquisitions and transitioning times. It also allows the easier management of large numbers of offsite employees as well as efficiently managing large volumes of transactions.
2. **Pegasus for Business Intelligence:** Pegasus is a business intelligence solution and is designed to enhance the Revenue Cycle Management businesses of CHT and provide an analytics tool relating to payment and operational performance. Pegasus consists of web-based dashboards, interactive reports and data visualization tools for effective financial and operational decision-making and transforms that data into actionable information.

Pegasus Software-as-a-Service ("SaaS") based tools are vendor agnostic and are designed to provide organizations with easy-to-use interactive analytics for optimal business management.

CHT has a clear and achievable strategy for growth in its chosen markets. The Board believes they have the requisite skills within Constellation to execute this strategy in an efficient and timely manner. There are also a number of technological levers that can employ to enhance CHT's competitive advantage and further facilitate the acquisition process.

Developments since IPO

There have been a number of significant milestones achieved in the short time since the successful IPO of CHT on AIM in December 2014.

Constellation was pleased to announce in July 2015 that Sir Rodney Aldridge had agreed to join the Board as a Non-Executive Director. Sir Rodney is the Founder of the Capita Group and led the Company from a start-up in 1984 to his retirement in 2006. During this time the Group grew to become a FTSE 100 company and a market leader in the provision of support and professional services to the government and private sector in the UK. Sir Rodney has a proven track record of buying and building businesses and successfully integrating them. The Board was further strengthened in late July 2015 by the appointment of Sam Zaharis as Chief Financial Officer.

Since floatation CHT has successfully concluded four acquisitions, namely:

1. **Physicians Practice Plus, Inc. ("PPP")** (17 March 2015): A RCM business which expanded CHT's geographical reach in New Jersey, New York and Florida and brought significant technological expertise as well as its own Business Process Outsourcing operation in Delhi, India. (Maximum consideration of $20m).
2. **NorthStar First Health LLC ("NorthStar")** (16 September 2015): A RCM consulting business which provides significant leverage for organic growth, a new business stream and a significant technology platform. (Maximum consideration $18m).
3. **Phoenix Health LLC ("Phoenix")** (18 September 2015): CHT gains new experience in auto injury and workmen's claim clearing processing. CHT inherits a clearinghouse which is an essential tenet in claims collection. (Maximum consideration $14m).

Strategic Report continued

4. **MDRX Medical Billing LLC ("MDRX")** (10 February 2016): Provides outsourced healthcare practice management and consulting services including billing, collections, operations and financial management to both independent and system based physician groups. (Maximum consideration $30m).

Acquisitions remain core to the ongoing strategy of CHT and the Company has utilized several different forms of financing during the year, and expects to continue to do so. This is a topic that will be addressed in more detail in the next section.

Capital Structure

The Company's capital structure has expanded in a controlled and appropriate manner since its inception through a combination of Founders Equity ($21m) and $40m Senior Secured Debt which was drawn down to $23m at the time of the IPO.

There was a secondary placing of shares in May 2015 that raised approximately $20m in equity finance largely from UK based institutional investors.

In December 2015 the Company raised approximately $45m in equity finance by way of a further placing with UK based institutional investors alongside a subscription for shares by some of the Directors. These funds were largely used to finance the acquisition of MDRX and pay associated costs. In addition, some cash was retained by the company for future corporate activity.

The cumulative effect of these movements is that Constellation now has a market capitalization of approximately £125m represented by approximately 88.5 million shares in issue.

The Company has referred previously to its intention to optimize its capital structure as a necessary adjunct to its acquisitions strategy. The Group has made good progress in paying down a significant portion of its senior debt from internal cash generation; as of 31 December 2015 its senior debt exposure stood at $14.92m, down from $21.0m at 31 December 2014 and has continued to reduce since the end of December. The Company's process of evaluating options that will allow us to cut its interest expense further is ongoing and further updates will be provided in due course.

Key Strengths

The Directors believe that the Group's key strengths are:

1. **Value proposition** – the Directors believe that the Group's RCM solutions provide significant value to customers by helping them to improve revenue collection rates and timing for claims owed by various payers. The Group's services allow healthcare providers to avoid the administrative costs of training and maintaining personnel to manage the process of medical coding and billing, the regulation of which continues to increase in complexity. The Group's fee structure creates an incentive-based model ultimately driven by collections. The Directors believe that the Group provides a high degree of competitive differentiation and the stability of a well-diversified platform.

2. **Operates in a growing marketplace and market opportunity** – the Directors believe that the Group operates in a growing marketplace, with increasing demand for its services driven by regulation and demographics and an increasing desire of physicians to optimize cash flows through outsourcing their back office operations and reducing administrative costs.

3. **Recurring revenue base** – the Group's RCM division typically enters into customer contracts which have two to five year terms that auto-renew for additional one year periods thus providing some visibility of future revenues. The Group's RCM division generated revenues for the year ended 31 December 2015 of approximately $50.1m (representing approximately 65.4% of Group revenue). In addition, the Group's PM division provides business, administrative and practice management services to physicians under a 40-year management agreement. The PM division has provided a base of stable and growing revenues historically.

4. **Scale and operational efficiency** – the Directors believe that the Group has the scale to compete effectively with the largest RCM service providers in the industry whilst meeting the increasingly complex demands of regulators and clients alike. The Group is focused on providing high quality services to its clients through a commitment to achieving excellence in all parts of its business and driving operational efficiencies through initiatives such as the consolidation of corporate locations, investment in billing processes and IT systems and the outsourcing of labor to India. The Directors believe that this focus will give the Group the operational leverage to compete effectively on price with its major competitors in the future.

5. **Established Indian BPO providers** – the Group has almost completed the transition of all of its Indian BPO places to its wholly owned subsidiary acquired as a result of the PPP acquisition.

6. **Customer diversification** – the Group's largest customer by revenue in 2015 represented only 4.1% of the Group's consolidated revenue for the year ended 31 December 2015. The Group's ten largest RCM customers by revenue represented approximately 28% of the Group's RCM revenue and 18% of total Group revenue for the same period. Customers in the RCM division include physicians spanning a variety of medical specialties including pathology/laboratory, radiology, office-based and anesthesiology among others.

7. **Strong management team** – the Group's senior management team has a combined 300 years' experience in the healthcare industry. The Group is led by Chief Executive Officer, Paul Parmar, an experienced investor and operator in the U.S. Healthcare industry.

Director Biographies

John Johnston – Non-executive Chairman

John Johnston has spent his entire career in investment management, initially in fund management then in equity sales. Mr Johnston began his career as a trainee analyst in The Royal Bank of Scotland investment department. From here he progressed on to General Accident as manager of the UK Equity component of the Life Fund and international investment portfolios. He subsequently worked at Ivory & Sime, Murray Johnson and Legg Mason. In 2003 he established Revera Asset Management and was its Chief Executive Officer until 2007. In 2008, he joined Seymour Pierce as a managing director in Institutional Sales & Trading where he was involved in various IPOs and secondary fund raisings including the successful IPO of Supergroup plc. In 2011 he left Seymour Pierce to join Nomura Code in a similar role. After leaving Nomura Code he established Johnston Asset Management, which is his own consultancy. He is a non-executive director on the boards of Flowgroup plc, Midatech plc Maxcyte plc and Action Hotels plc.

Paul Parmar, Group CEO, Executive Director

Paul Parmar has provided consultancy services to a number of the world's largest companies including a major healthcare company, to improve their operational platforms by reducing costs and driving efficiencies.

Mr Parmar has previously invested in healthcare businesses and technologies. In 2008 a group represented by Mr Parmar bought a controlling interest in a medical billing company and subsequently sold the business to NextGen. In 2013 he founded Constellation Health to acquire Orion.

Mr Parmar built a private aviation business which was sold to Delta Airlines in 2010.

Sam Zaharis, Group CFO, Executive Director

Sam is a qualified Chartered Accountant with over 25 years corporate experience. He most recently served as Chief Financial Officer for Yarra Valley Farms, a wholesale supplier of fruit and vegetables servicing the commercial and hospitality industries in Australia. He has also held roles at Ernst & Young, Ferrier Hodgson and Kroll Inc., and previously worked with Constellation's CEO, Paul Parmar, to set up and establish Pegasus Elite Aviation

Sir Rodney Aldridge – Non-executive Director

As the founder of the Capita Group in 1984 until his retirement in 2006, Sir Rodney Aldridge led the company from start-up to becoming a FTSE 100 company, with Capita thus becoming the market leader in the provision of support and professional services to the government and private sector in the UK. Capita Group is now the 50th ranked company in the FTSE 100, with a market capitalisation of over £8 billion. Prior to Capita Sir Rodney worked in local government for ten years with East Sussex County Council, Brighton Borough Council, Crawley District Group and West Sussex Council, becoming a qualified accountant with CIPFA in 1970, joining CIPFA in 1974, and ultimately becoming its Technical Director. Sir Rodney was awarded an OBE in the 1994 New Years Honours List and was given the freedom of the City of London in 1996. In 2006 he was elected fellow of the Royal Society of Arts and in 2012 he received a knighthood. In addition, Sir Rodney is a Non-executive director of Equiniti Group plc; Chair of the Lowry arts and entertainment venue in Salford; patron and former trustee of The Prince's Trust; and a founding member of the Prince's Charities Council.

Mark Feuer – Non-executive Director

Mr Feuer is a founder and the Chief Executive Officer of the Beechwood entities. Prior to founding Beechwood Bermuda Mr Feuer was the Managing Partner of a small investment fund in the New York area, with significant investments in Property and Casualty reinsurance. Prior to forming his fund, Mr Feuer most recently was Chief Executive Officer of Marsh USA (the largest corporate insurance brokerage in the United States). In previous roles he was also the Chief Operating Officer of Merrill Lynch Americas. Mr Feuer sat on the Product Development committee for the Global Wealth Management organisation.

Mr. Feuer serves on several Boards of Directors, including many non-profit institutions in the New York area. He holds a Juris Doctor from New York Law School and an LLM in Taxation from New York University School of Law.

Director Biographies continued

David Clark – Non-executive Director

A fund manager for 25 years, David Clark began his career with six years at Scottish Mutual as an investment analyst before joining Ignis Asset Management (formerly Resolution) where he worked from 1993 until September 2014. At Ignis he was responsible for the UK Smaller Companies quoted investments across all sectors. His universe of potential investment candidates included not only those stocks quoted in FTSE UK Small Cap Index but also the Fledgling Index and companies quoted on AIM. His performance resulted in being ranked number two Fund Manager in the UK (2009) across all sectors by Citywire. David graduated from Glasgow University with a Bachelor of Accountancy Degree and also holds an MSc in Investment Analysis from Stirling University. David is also the founding director of Clark Management Solutions Ltd and is the Non-executive Chairman of Orchard Funding Group plc.

Dr. Shawn Zimberg– Non-executive Director

Dr. Zimberg is a Board Certified Radiation Oncologist and the Medical Director of Advanced Radiation Centers of New York, a division of Integrated Medical Professionals, PLLC for whom Dr. Zimberg has served on the board of directors since July 2006. Dr. Zimberg is a leading expert in his field and performed his Radiation Oncology residency at the renowned Memorial Sloan-Kettering Cancer Center in New York where he was chosen to receive the American Cancer Society's Clinical Fellowship award. Dr. Zimberg is widely published in the Oncology field. In addition, in 2014, he was one of the founding partners of Evolution Ventures LLC, a merchant and investment bank focused on life sciences, biotechnology and healthcare and wellness industries.

Financial Review

	FY 2014	FY 2015	% Increase
Revenue ($m)	54.6	76.7	40.5%
EBITDA ($m)	14.2	23.9	68.3%
EBITDA Margin	26.0%	31.2%	20.0%
Income From Operations ($m)	11.0	19.2	74.5%
Net Income ($m)	1.6	6.9	331.3%

The table above demonstrates the success of the company's strategy during the 2015 Financial Year. All key metrics have moved ahead appreciably. Revenue and EBITDA growth remains strong and margins continue to improve.

Cash Flow

The free cash flow of the company continues to improve and the debt facility remains on course to be paid down when and if it is deemed appropriate.

The principal driver of the improved cash position is the uplift in EBITDA. Not only has this improved as a result of the acquisitions made and subsequent offshoring of some jobs, but the CFO has also undertaken a rigorous examination of surplus property and has been rationalizing according to our needs.

	Year ended December 31,	
	2015	2014
Cash from operations ($m)	15.5	8.0

Principal Risks and Uncertainties

A substantial business such as CHT faces a number of risks and uncertainties not all of which are under the company's control. For an exhaustive list of those shareholders should refer to the Admission Document published in December 2014 (and available on the Company's website), but as a brief reminder investors should bear in mind the following, among others:

1 Business Risks

1.1 The Group's success substantially depends upon key personnel and its ability to attract and retain key employees. The Group places substantial reliance upon the efforts and abilities of Paul Parmar, Chief Executive Officer of the Group. Mr. Parmar's strategic guidance, experience and expertise will have a significant bearing on the success of the Group. Whilst Mr. Parmar's services are provided under the terms of a consultancy agreement with the Company, the retention of Mr. Parmar's services cannot be guaranteed.

1.2 The Group's assets are subject to pledge agreements which, if enforced, may result in the Group losing control of some or all of its operations.

1.3 The Group's businesses operate in a highly competitive and fragmented market, and an inability to successfully compete for business could adversely affect the Group's operations.

1.4 In relation to the group purchasing division of the Group, the Group's revenue may be lower than forecast.

1.5 The Group's businesses are highly dependent on the Group's information systems and the Group's operations could be impaired by a failure of those systems. The performance of the Group's information systems and technology is critical to the Group's business operations. The Group's information systems are essential to a number of critical areas of the Group's operations, including accounting and financial reporting, billing and collecting accounts for the Group's medical groups as well as the Group's RCM outsourcing clients, coding and compliance and medical records of the Group's medical group patients.

1.6 The ability to protect its intellectual property and confidential information is important to the Group. The Group relies on a combination of intellectual property laws, as well as confidentiality procedures and contractual provisions, to protect its proprietary technology, databases and its brand.

1.7 The Group's RCM business is affected by some seasonality.

1.8 A reversal of or decline in the current trend of outsourcing business services may have a material adverse effect on the Group's RCM division, financial condition and results of operations. The Group's business and growth strategy depends, in large part, on the trend toward outsourcing business services, in particular medical billing and collection services by hospital based physician groups.

1.9 The Group may be more sensitive to revenue fluctuations than other companies, which could result in fluctuations in the market price of the Group's Common Shares and have a material adverse effect on financial condition and results of operations.

1.10 US employees do not have notice periods.

2 Risks of Governmental and Regulatory Activity

2.1 The healthcare industry is highly regulated, which may increase the Group's costs of operations or have a material adverse effect on the Group's businesses. The healthcare industry is highly regulated and subject to changing political, economic and regulatory forces.

3 Risk Factors Relating to the Company's Strategy

3.1 The Group may not be able to identify suitable acquisition targets or finance the acquisition of those targets, which may limit the Group's ability to pursue the Group's business strategy.

3.2 The Company cannot provide assurances that acquisitions, even if completed, will perform as expected, can be properly integrated or will contribute significant synergies, revenues or profits. In addition, the Company may also face increased competition for acquisition opportunities, which may inhibit the Group's ability to complete transactions on terms that are favorable or at all.

3.3 Although it is the Company's intention, where appropriate, to use Common Shares to satisfy a part of any consideration payable for acquisitions, vendors may not be prepared to accept these shares and therefore the Company may be forced to use its cash on hand, borrow or abandon the acquisition.

3.4 The Company's strategy carries inherent risks and there can be no guarantee that any appreciation in the value of an acquired business will occur or that the objectives of the Company will be achieved.

3.5 The Group may face challenges in executing its BPO strategy in India.

4 Risk Factors associated with a quote on AIM

4.1 The market price of the Common Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Common Shares or other securities related to the RCM industry or in response to various facts and events, including variations in the Group's interim or full year operating results and business developments of the Group and/or competitors. The market price of the Common Shares may not reflect the underlying value of the Group.

4.2 The Company cannot assure investors that the Company will always retain a listing on AIM.

4.3 Shares held by the Company's principal Shareholders will be eligible for future sale and may adversely affect the trading price of the Common Shares.

5 Risk Factors Associated with UK and US Law and the Company's Constitution

5.1 Application of UK and US legislation. The Company is incorporated under the laws of the State of Delaware, United States. Accordingly, a significant amount of the legislation in England and Wales regulating the operation of companies does not apply to the Company. In addition, the laws of the State of Delaware will apply in respect to the Company and these laws may provide for mechanisms and procedures that would not otherwise apply to companies incorporated in England and Wales.

5.2 The Company is incorporated in and subject to the laws of the State of Delaware, United States. Accordingly, the Company and transactions in its Common Shares are not subject to the provisions of the Takeover Code.

6 Other Risks

6.1 Dividends may not be paid. Whilst the Company continues to grow via acquisitions, it would prefer to use internally generated cash to help meet the costs of acquiring companies which will be instantly accretive to the Group rather than paying dividends. The payment of any future dividends will depend on the future earnings of the Group. The payment of future dividends is, therefore, uncertain.

6.2 The structure of the Group means that the Company's ability to pay dividends is dependent on distributions received from its subsidiaries.

Financial Review continued

Outlook

The Board believes that the macro-economic environment remains favorable to the Group's business. It also believes that the service the Group provides is vital in all economic environments and that the US healthcare policy environment, and any potential future iterations of it, is very conducive to the Group's business, even in a weaker economic environment. Increased regulation is making medical billing more complex, for both doctors and their patients. This combined with the pressures to manage costs in the healthcare sector means our business is relevant both now and in the future.

The Board is very pleased with the performance of the Company in 2015 and we look forward to 2016 with confidence. We will continue to deliver on our strategy as we strive to become one of the largest scaled platforms in the US healthcare technology sector.

Remuneration Report

The Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Group's policy on executive remuneration, setting the over-arching principles, parameters and governance framework of the Group's remuneration policy and determining the individual remuneration and benefits package of each of the Executive Directors and the Group Secretary.

The Remuneration Committee ensures compliance with the UK Corporate Governance Code in relation to remuneration wherever possible.

The Remuneration Committee is chaired by John Johnston and its members are Mark Feuer and David Clark. The Remuneration Committee meets at least three times a year.

Policy on Executive Directors' Remuneration

Executive remuneration packages are designed to attract and retain executives of the necessary skill and caliber to run the Group with reference to benchmarking comparable Groups. The Remuneration Committee recommends remuneration packages to the Board by reference to individual performance, using the knowledge and expertise of the Committee members and published surveys related to AIM companies.

The Remuneration Committee has responsibility for recommending any long-term incentive schemes. It is the Remuneration Committee's intention to seek to align the interests of the executive directors with those of shareholders.

Service Contracts

There are no contracts of service under which any executive director of the company is employed by the company or any of its subsidiaries other than contracts expiring or determinable by the employing company within one year and without payment of predetermined compensation which exceeds one year's salary, benefits in kind and pension.

Policy on Non-Executive Directors Remuneration

The Non-Executive Directors receive a fee for their services as a director, which is approved by the Board, giving due consideration to the time commitment and responsibilities of their roles and of current market rates for comparable organizations and appointments. Non-Executive Directors are reimbursed for traveling and other incidental expenses incurred on Group business in accordance with the Group expenses policy.

The Non-Executive Directors do not have contracts of service but the current term of appointment is for an initial period of twelve months and continues thereafter on three months' notice.

Remuneration Report continued

Directors Remuneration

	Salary and Fees £	Benefits £	2015 £
Non-Executive Directors			
John Johnston	109,589.00	—	109,589.00[(1)]
Sir Rodney Aldridge	35,000.00	—	35,000.00
David Clark	54,794.52	—	54,794.52[(2)]
Mark Feuer	—	—	—[(3)]

	$	$	$
Executive Directors			
Paul Parmer	—	—	—[(4)]
Sam Zaharis	84,667.00	—	84,667.00
Ravi Chivukula	150,000.00	—	150,000.00

(1) Includes an element of Director Fees that relate to 2014 that were paid in 2015.

(2) Includes an element of Director Fees that relate to 2014 that were paid in 2015.

(3) The payment of Director Fees for 2015 in the amount of $100,000 per annum was deferred and will be paid no later than 30 July 2016.

(4) The services of Paul Parmar as Group Chief Executive Officer are provided under the terms of a consulting agreement between (1) Constellation Healthcare Technologies, Inc., (2) First United Health LLC and (3) Paul Parmar which took effect on Admission. The consulting agreement is terminable upon 12 months' written notice being given by either party. The consulting agreement provides for an annual fee of $675,000 (plus sales tax, if applicable) payable in equal installments to First United Health, LLC and the reimbursement of all travelling, hotel and other expenses properly and reasonably incurred. An additional annual bonus of up to $175,000 is payable at the discretion of the Board to First United Health, LLC. The consulting agreement contains restrictive covenants relating to employment activity, suppliers, customers, employees and competition which last for a period of 12 months following termination of the consulting agreement. During 2015, no payments were made to First United Health LLC for Paul Parmar's services.

Post Balance Sheet Event

On 15 February 2016 Dr. Shawn Zimberg was appointed as a Non-Executive Director of Constellation Healthcare Technologies Inc.

During the year ended 31 December 2015 the company did not contribute any amounts towards pension in respect of the highest paid director.

Directors Interests

The interests of the Directors as at 31 December 2015 were as follows:

	Number of Ordinary Shares	Percentage of Issued Ordinary Share Capital
John Johnston	29,630	0.04%
Paul Parmar*	40,234,083	57.85%
Sam Zaharis	—	—
Sir Rodney Aldridge	740,741	1.07%
Mark Feuer	—	—
David Clark	14,815	0.02%
Ravi Chivukula	—	—

* Paul Parmar is the Manager of certain investment entities that hold ordinary shares in Constellation Healthcare Technologies, Inc The economic interests in the relevant investment entities are ultimately owned by trusts of which neither Paul Parmar (nor any spouse or children of Paul Parmar) is a potential beneficiary.

Remuneration Report continued

Directors Interest in Share Options

	31 December 2015 Options Held
Executive Directors	
Paul Parmer	None
Sam Zaharis	None
Ravi Chivukula	None
Non-Executive Directors	
John Johnston	None
Sir Rodney Aldridge	None
Mark Feuer	None
David Clark	None

All share options were granted with an exercise price at or above market value on the day of the grant. The majority of share options only vest when the company's share price achieves certain targets. Otherwise the main vesting condition of all share options is that the Director or employee remain employed with the group as at the date of exercise or continues to provide consultancy services as at the date of exercise. The share options of the Directors are set out below:

	Grant Date	Number Awarded	Exercise Price	Vesting Criteria	Expiry Date
Executive Directors					
Paul Parmer			Not Applicable		
Sam Zaharis			Not Applicable		
Ravi Chivukula			Not Applicable		
Non-Executive Directors					
John Johnston			Not Applicable		
Sir Rodney Aldridge			Not Applicable		
Mark Feuer			Not Applicable		
David Clark			Not Applicable		

John Johnston
Chairman of the Remuneration Committee

Date: ●

Corporate Governance

Board of Directors

As at 31 December 2015 the Board comprised seven Directors, three of whom are Executive Directors and four Non-Executive Directors, reflecting a blend of different experience and backgrounds. Post year-end Dr. Shawn Zimberg was appointed as a further Non-Executive Director. Of the current Non-Executive Directors, the Group regards John Johnston (Chairman), David Clark, Mark Feuer, Dr Shawn Zimberg and Sir Rodney Aldridge as Independent Non-Executive Directors within the meaning of the UK Corporate Governance Code. No remuneration has been paid to either the Chairman or Non-Executive Directors in the form of shares during 2015 with a view towards maintaining the independence of the Board

The Company's Corporate Governance follows the guidelines appropriate for an AIM listed company of its size as laid out by the QCA (Quoted Companies Alliance). Strict adherence to the full UK Corporate Governance Code is not compulsory, but the Directors apply certain additional aspects of the UK Corporate Governance Code to the extent appropriate to the Group's size, resources and stage of development.

The Board is responsible for *inter alia*, approving interim and annual financial statements, formulating and monitoring Group strategy, approving financial plans and reviewing performance, as well as complying with legal, regulatory and corporate governance matters. The Company's Constitution includes a schedule of matters reserved for the Board.

The Board meets regularly to consider strategy, performance and the framework of internal controls. All Directors receive appropriate and timely information to enable the Board to discharge its duties. Briefing papers are distributed to all Directors in advance of Board meetings.

The Company has established audit, nomination, and remuneration committees of the Board with formally delegated duties and responsibilities.

The Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing and monitoring the integrity of the Group's annual and interim financial statements, advising on the appointment of external auditors, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, overseeing the Group's relationship with its external auditors, reviewing the effectiveness of the external audit process and reviewing the effectiveness of the Group's internal control review function. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The Audit Committee is chaired by Mark Feuer and its other members are David Clark and John Johnston. As per the QCA guidelines the Audit Committee will meet not less than three times a year. In producing this set of Financial Statements the Audit Committee held two face to face meetings and two conference calls.

The Nomination Committee

The Nomination Committee assist the Board in discharging its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It is responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or committee members as the need may arise. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and committees of the Board, retirements and appointments of additional and replacement Directors and committee members and will make appropriate recommendations to the Board on such matters.

The Nomination Committee is chaired by John Johnston and its other members are all the other members of the Board. The Nomination Committee is scheduled to meet not less than once a year. Since incorporation the Nomination Committee has convened three times to consider the appointments to the Board of Sam Zaharis, Sir Rodney Aldridge and Dr. Shawn Zimberg.

The Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Group's policy on executive remuneration, setting the over-arching principles, parameters and governance framework of the Group's remuneration policy and determining the individual remuneration and benefits package of each of the Executive Directors and the Group Secretary.

Corporate Governance continued

The Remuneration Committee ensures compliance with the UK Corporate Governance Code in relation to remuneration wherever possible.

The Remuneration Committee is chaired by John Johnston and its members are Mark Feuer and David Clark. The Remuneration Committee meet at least 3 times a year.

Internal control

The Board is responsible for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure of the achievement of business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Audit Committee continues to monitor and review the effectiveness of the system of internal control and report to the Board when appropriate with recommendations.

The annual review of internal control and financial reporting procedures did not highlight any issues warranting the introduction of an internal audit function. It did however suggest that the rapid growth of the Company had left the Finance function under resourced and recommended the hire of one or two senior staff. Management have responded to this and hired four new staff for the Finance Department, two senior and two junior.

The main features of the internal control system are outlined below:

- The Board has a schedule of matters expressly reserved for its consideration and this schedule includes acquisitions and disposals, major capital projects, treasury and risk management policies and approval of budgets.
- The Group utilises a detailed budgeting and forecasting process. Detailed budgets are prepared annually by the Executive Directors before submission to the Board for approval. Forecasts are updated at least quarterly to reflect changes in the business and are monitored by the Board including future cash flow projections.

Financial risks are identified and evaluated for each major transaction for consideration by the Board and senior management.

- Standard financial control procedures are operated throughout the Group to ensure that the assets of the Group are safeguarded and that proper accounting records are maintained.
- A risk review process is in development whereby the Chief Executive Officer and Finance Director will present a report to the Board each year on the key business risks.

Going concern

As disclosed in the Directors' Report on page ● the Group financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Relationship with shareholders

The Annual Report is made available to shareholders at least 21 days before the Annual General Meeting ("AGM") along with notice of the AGM. Directors are required to attend the AGM, unless unable to do so for personal reasons or due to pressing commercial commitments, and shareholders are given the opportunity to vote on each separate resolution proposed at the AGM. The Company counts all proxy votes and will indicate the level of proxies lodged for each resolution after it has first been dealt with by a show of hands.

Company Secretary

The Directors seek to build a mutual understanding of objectives between the Company and its shareholders. The Company reports formally to shareholders in its Annual Report and Interim Statements setting out details of the Group's activities. In addition, the Company keeps shareholders informed of events and progress through the issue of regulatory news in accordance with the AIM Rules for Companies ("AIM Rules") of the London Stock Exchange. The Chief Executive and Finance Director meet with institutional shareholders following interim and final results.

Directors' Report

The Directors present their report and the consolidated financial statements of the Group for the year ended 31 December 2015.

Directors

The Directors during the period were:

Paul Parmar (Appointed 10 December 2014)
John Johnston (Appointed 10 December 2014)
David Clark (Appointed 10 December 2014)
Mark Feuer (Appointed 10 December 2014)
Ravi Chivukula (Appointed 10 December 2014)
Sir Rodney Aldridge (Appointed 20 July 2015)
Sam Zaharis (Appointed 28 July 2015)

Matters covered in the Strategic Report

Details of the Group's financial risk management objectives and policies are given in the Strategic Report.

Dividend

The Directors are not recommending the payment of a dividend at this time due to the level of maturity of the Group. The Directors intend implementing a dividend policy of progressive payments when the Group reaches the right level.

Directors' and officers' liability insurance

The Company has maintained insurance cover on behalf of the Directors and Company Secretary indemnifying them against certain liabilities that may be incurred by them in relation to the Company.

Employees

Constellation Healthcare Technologies recognises the essential importance of employees to the success of the business and ensures that they are fully informed of events that directly affect them and their working conditions. Information on matters of concern to employees is given in briefings that seek to provide a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. It is the policy of the Group that training and promotion opportunities should be available to all employees.

Directors' responsibilities

The Directors are responsible for preparing the Director's Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with United States Generally Accepted Accounting Principles. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with US GAAP and explain any material departures disclosed in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, as a result of CHT being domiciled in the United States of America and the majority of its operations being located within that country, the directors have ensured that the auditors have ascertained the accounts are compiled to the satisfaction of US GAAP rules and practices. CHT does

Directors' Report continued

maintain staff and undertake certain back office and non-client facing processes in India to leverage the lower cost of labour and maximise profitability.

Directors' statement as to the disclosure of information to auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with United States Generally Accepted Accounting Principles, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board

●

Independent Auditor's Report

To the Board of Directors and Stockholders of Constellation Healthcare Technologies, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Constellation Healthcare Technologies, Inc. & Subsidiaries (the "Company) which comprise the consolidated balance sheets as of December 31, 2015 and 2014 and the related consolidated statements of income and comprehensive loss, stockholder's equity, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Constellation Healthcare Technologies, Inc. as of December 31, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rosenberg Rich Baker Berman & Company
Somerset, New Jersey

March 21, 2016

Consolidated Balance Sheets

	December 31, 2015 $	December 31, 2014 $
Current assets		
Cash and cash equivalents	2,516,379	18,136,336
Accounts receivable, net	15,060,632	8,601,001
Inventory	249,433	382,745
Prepaid expenses and other current assets	605,744	663,644
Deferred finance costs	409,455	329,894
Deferred tax asset	252,000	252,000
Total current assets	19,093,643	28,365,620
Property and equipment, net	9,546,085	4,170,363
Other long-term assets		
Intangible assets, excluding goodwill	35,263,534	15,419,629
Goodwill	37,982,340	13,722,379
Deferred tax asset	5,596,995	4,018,178
Deferred finance costs	307,088	577,309
Deferred offering costs	60,202	—
Other assets, net	278,156	223,796
Total other long-term assets	79,488,315	33,961,291
Total assets	108,128,043	66,497,274
Current liabilities		
Accounts payable	4,088,883	3,024,679
Accrued expenses	4,423,110	1,823,586
Income taxes payable	2,832,298	1,271,858
Current portion of capital lease obligation	2,172	29,107
Current portion of long-term debt	4,848,632	4,631,771
Current portion of contingent consideration	—	638,700
Payable to Sellers	1,967,141	—
Total current liabilities	18,162,236	11,419,701
Long-term liabilities		
Long-term debt, net of current portion	10,481,594	16,327,108
Contingent consideration	10,453,631	—
Deferred rent liability	605,149	532,349
Deferred tax liability	7,510,042	4,156,491
Total long-term liabilities	29,050,416	21,015,948
Commitments and Contingencies		
Stockholders' equity		
Common stock, par value $0.0001; 150,000,000 shares authorized at December 31, 2015 and 111,226,912 shares authorized at December 31, 2014; 64,990,623 shares issued and outstanding at December 31, 2015 and 55,615,056 shares issued and outstanding at December 31, 2014.	6,500	5,562
Additional paid-in capital	49,163,637	29,488,953
Retained earnings	11,575,405	4,567,110
Accumulated other comprehensive loss	(79,519)	—
Total stockholders' equity	60,666,023	34,061,625
Non-controlling interest in consolidated entity	249,368	—
Total liabilities and stockholders' equity	108,128,043	66,497,274

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Income and Comprehensive Loss

	Year ended December 31, 2015 $	Year ended December 31, 2014 $
Revenues	76,735,069	54,605,827
Operating expenses:		
Salaries and benefits	21,465,227	17,334,464
Facility rent and related costs	3,318,017	2,538,546
Depreciation	1,327,392	1,363,293
Amortization	3,378,174	1,887,247
Professional and consulting fees	15,629,191	10,139,620
Insurance	444,081	651,211
Provision for doubtful accounts	733,764	427,643
Vaccines and medical supplies	4,417,260	4,371,464
Office and computer supplies	232,443	288,622
Postage and courier	1,807,249	1,891,431
Other	4,783,213	2,728,127
Total operating expenses	57,536,011	43,621,668
Income from operations	19,199,058	10,984,159
Other income (expenses):		
Interest expense	(2,579,398)	(3,035,955)
Change in fair value of contingent consideration	(1,075,899)	—
Fees paid to debt providers	—	(2,164,089)
Debt related expenses	(271,075)	(3,213,194)
Other expense, net	(3,921,262)	(44,997)
Total other income (expenses), net	(7,847,634)	(8,458,235)
Income before provision for income taxes	11,351,424	2,525,924
Provision for income taxes	4,392,347	888,071
Net income	6,959,077	1,637,853
Loss from consolidated entity attributable to non-controlling interest	(49,217)	—
Net Income attributable to the company	**7,008,294**	**1,637,853**
Other Comprehensive Loss, net of tax		
Foreign currency translation adjustments	(79,519)	—
Other Comprehensive Loss	(79,519)	
Comprehensive Income	**6,928,775**	**1,637,853**
Income per common shares		
Basic		
Common Stock	0.11	0.45
Diluted		
Common Stock	0.11	0.45
Weighted average number of shares for basic		
Common Stock	61,061,591	3,657,815
Weighted average number of shares for Diluted		
Common Stock	61,061,591	3,657,815

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

	Year ended December 31, 2015 $	Year ended December 31, 2014 $
Cash Flow from operating activities:		
Net Income	6,959,077	1,637,853
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	733,764	427,643
Depreciation	1,327,392	1,363,293
Amortization	3,378,174	1,887,247
Deferred Tax	1,761,921	(208,282)
Change in fair value of contingent consideration	1,075,899	—
Gain on settlement of contingent consideration	(537,199)	—
Foreign currency exchange loss	39,498	—
Conversion of PIK interest to principal	—	54,708
Amortization of deferred finance fees	363,044	1,759,984
Debt related expenses paid by parent	—	2,905,000
Changes in operating assets and liabilities:		
Accounts receivable	(4,885,482)	(3,346,577)
Inventory	133,314	(42,755)
Prepaid expenses and other assets	57,900	632,530
Deferred offering cost	(60,202)	—
Other assets	(54,360)	624
Accounts payable, accrued expenses	5,487,313	(12,456)
Income tax payable	(263,146)	1,096,353
Other liabilities	—	(97,000)
Net cash provided by operating activities	15,516,907	8,058,164
Cash flows from investing activities		
Cash outlay for property and equipment	(6,703,114)	(68,662)
Cash acquired from acquisition	—	11,900
Development of software tool	(3,078,701)	(4,960,714)
Net deposits to restricted cash	—	97,000
Capital Paid for Acquisition	(34,650,000)	—
Net cash used in investing activities	(44,431,815)	(4,920,476)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows continued

	Year ended December 31, 2015 $	Year ended December 31, 2014 $
Cash flows from financing activities		
Payments of capital lease obligations	(26,935)	(21,174)
Payments on line of credit	—	(500,000)
Payments on long term loan	(6,036,531)	(24,072,889)
Payments on acquisition note payable	(144,821)	
Net proceeds from long term debt	—	23,000,000
Cash outlay for deferred finance costs	(172,384)	(414,541)
Distribution to parent	—	(4,389,756)
Dividends paid	(176,390)	—
Contribution from parent	1,000,000	3,910,350
Proceeds from sale of stock, net of related fees	18,852,012	13,466,231
Net cash provided by financing activities	13,294,951	10,978,222
Net (decrease) increase in cash and cash equivalents	(15,619,957)	14,115,910
Cash and cash equivalents, beginning of period	18,136,336	4,020,426
Cash and cash equivalents, end of period	2,516,379	18,136,336
Supplemental Cash Flow Information		
Cash Paid for interest	2,579,398	$2,931,240
Cash Paid for Income Taxes	1,333,073	—
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Notes payable issued for accrued interest	—	162,716

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Stockholder's Equity

	Common Stock						
	Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated other comprehensive loss	Non-controlling interest in consolidated entity	Total
Balances, January 1, 2014	1,000	1	16,214,070	2,929,257	—	—	19,143,328
Proceeds from sale of stock, net of related fees	55,614,056	5,561	13,460,670	—	—	—	13,466,231
Distributions to parent	—	—	(4,389,756)	—	—	—	(4,389,756)
Contribution from parent	—	—	3,910,350	—	—	—	3,910,350
Deal fees and deferred financing fees paid by parent	—	—	4,623,315	—	—	—	4,623,315
Effect of push down accounting	—	—	(4,329,696)	—	—	—	(4,329,696)
Net income for 2014	—	—	—	1,637,853	—	—	1,637,853
Balances, December 31, 2014	55,615,056	5,562	29,488,953	4,567,110	—	—	34,061,625
Proceeds from sale of stock, net of related fees	9,375,567	938	18,851,074	—	—	—	18,852,012
Contribution from parent	—	—	1,000,000	—	—	—	1,000,000
Dividends Paid	—	—	(176,390)	—	—	—	(176,390)
Other Comprehensive Loss	—	—	—	—	(79,519)	—	(79,519)
Non-controlling interest in consolidated entity	—	—	—	—	—	298,585	298,585
Net income for 2015	—	—	—	7,008,295	—	(49,217)	6,959,078
Balances, December 31, 2015	64,990,623	6,500	49,163,637	11,575,405	(79,519)	249,368	60,915,391

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Financial Statement

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Business

Constellation Healthcare Technologies, Inc., a Delaware Corporation (referred to as the "Company", "we", "us" or "our") is a healthcare services organization providing outsourced business services to physicians, serving the physician market through three operating segments – Revenue Cycle Management, Practice Management and Group Purchasing Organization. Our mission is to provide superior business and financial management services resulting in optimal profitability for our clients and maximized enterprise value for our stakeholders. We believe our core competency is our long-term experience and success in working with and creating value for physicians.

Revenue Cycle Management ("RCM") Segment

RCM segment offers expert medical billing and collections, practice management, and other related services to hospital-based and office-based physicians, giving them more time to focus on patient care in specialties such as pathology, anesthesiology, radiology, cardiology, family practice, internal medicine, orthopedics, neurology and emergency medicine. These services help clients to be financially successful by improving cash flows and reducing administrative costs and burdens.

We deliver billing and collections services to help physicians receive optimal earnings for the care they provide. We assist our clients by maximizing their reimbursement through:

- Tenacious pursuit of every collectible dollar,
- To-the-letter compliance with ever-changing regulations and coding complexities,
- Thorough tracking and methodical working of correspondence, and
- Superior management of short-term cash flow and long-term income.

We also offer consulting services to assist clients with navigating and interacting with managed care organizations, as well as a wide range of management consulting services to help create a more efficient medical practice.

Our RCM segment comprised 65.3% and 52.1% of our total revenues for the years ended December 31, 2015 and December 31, 2014, respectively.

Practice Management ("PM") Segment

Our PM segment, via IPS, is an experienced and innovative provider of business and practice management services exclusively dedicated to supporting the needs of primary care and subspecialty pediatric practices. Through this segment we provide accounting and bookkeeping, human resource management, group purchasing, accounts receivable management, quality assurance services, physician credentialing, fee schedule review, training and continuing education, and billing and reimbursement analysis. The physicians, who are all employed by separate corporations, provide all clinical and patient care related services.

There is a standard forty-year management service agreement ("MSA") between IPS and the various affiliated medical groups whereby a management fee is paid to IPS, which owns all of the assets used in the operation of the medical groups. IPS manages the day-to-day business operations of each medical group and provides the assets for the physicians to use in their practice for a fixed fee or percentage of the net operating income of the medical group. All revenues are collected by IPS and the fixed fee or percentage payment to IPS is taken from the net operating income of the medical group and the remainder of the net operating income of the medical group is paid to the physicians and treated as an expense on IPS's financial statements as "Professional and consulting Fees."

Our PM segment comprised 24.7% and 35.0% of our total revenues for the years ended December 31, 2015 and December 31, 2014, respectively.

Notes to Financial Statement continued

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES continued

Group Purchasing Organization ("GPO")

Our GPO segment provides for eligible physicians to participate in discounts for vaccines and flu shots offered by certain pharmaceutical companies. In exchange for this, we receive an administrative fee from the pharmaceutical companies.

B. Basis of Presentation and Principles of Consolidation

Orion, (Orion Healthcorp, Inc, together with its wholly owned subsidiaries) was acquired on June 14, 2013 by way of stock purchase by Constellation Health LLC.

The Company continued as the same legal entity after the acquisition. The accompanying consolidated statements of operations, changes in shareholders' equity, and cash flows are presented for the years ended December 31, 2015 and 2014, respectively. The accounting policies followed by the Company are consistent within the reporting periods. The results of the periods presented are not necessarily indicative of the results that may be achieved for future periods. Certain reclassifications have been made to the 2014 consolidated financial statements to conform to the 2015 presentation. We have also performed an evaluation of subsequent events through the date the financial statements were issued.

After the acquisition of Orion (effective, June 14, 2013), on June 17, 2013, Orion Healthcorp, Inc., ("Orion") a Delaware corporation amended and restated it's Certificate of Incorporation. Pursuant to the amendment, Class A and Class D shares of common stock were consolidated into authorized and issued 1,000 shares of common stock.

On September 3, 2014, Constellation Healthcare Technologies, Inc ("**Constellation**") was incorporated in the state of Delaware, USA. Constellation was incorporated to own Orion Healthcorp, Inc and its Subsidiaries.

Constellation Healthcare Technologies was admitted to the AIM market on December 8, 2014 after placing 7,128,235 shares to the market with gross proceeds of £9,623,117 (approx. $15.08 million). The total shares outstanding in Constellation, after the IPO placement, are 55,615,056.

Constellation Healthcare Technologies placed a secondary offering in 2015 and these shares were admitted to the AIM market on June 4, 2015 after placing 9,247,998 shares to the market with gross proceeds of £12,947,197 (approx. $18.77 million). Additional 127,569 shares were issued to the placing agents for their services, in lieu of cash payments. The total shares outstanding in Constellation, after the secondary placement, are 64,990,623.

As at December 31, 2015 Constellation Healthcare Technologies, Inc ("**Constellation**"), a Delaware company, owned all 1000 shares of Orion common stock.

The accompanying consolidated financial statements include the accounts of Constellation Healthcare Technologies Inc., its wholly- owned subsidiaries and entity which it controls. All significant inter-company accounts and transactions between these entities have been eliminated in these historical consolidated financial statements.

In 2015, with the acquisition of Physicians Practice Plus LLC, Constellation also acquired an option to acquire an entity in India, Porteck India Infoservices Pvt Limited (Porteck India).

A variable interest entity ("VIE") must be consolidated by a reporting entity if the reporting entity is the primary beneficiary because it has (i) the power to direct the VIE's activities that most significantly impact the VIE's economic performance, (ii) an implicit financial responsibility to ensure that a VIE operates as designed, and (iii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE.

Notes to Financial Statement continued

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES continued

Porteck India is considered to be a VIE, as defined by authoritative accounting guidance. All major decisions related to Porteck India, that most significantly impact its economic performance, including but not limited to engaging in financial transactions, including borrowing, financing, pledging, hedging and other derivative transactions are subject to the approval of Constellation. As such, we consolidate Porteck India. As of December 31, 2015 Porteck India has approximately $0.39 million of total assets that primarily consists of property & equipment, cash and cash equivalents and prepaid & other receivables. Additionally, as of December 31, 2015 Porteck India has liabilities of $0.36 million that primarily consists of liabilities associated with administration and operations. There were no Porteck India assets or liabilities in the 2014 as it became a VIE entity only in 2015. The following exchange rates were used to convert all elements of the financial statements of the Indian entity into US dollars, a) Assets and liabilities have been translated as per the exchange rate on the balance sheet date b) Average rate have been used for all revenue and expense elements. Differential amounts arising on accounting of translation is recorded as Exchange Translation (Loss)/Gain and shown separately in Accumulated other comprehensive loss under Stockholder's equity

All intercompany balances and transactions have been eliminated in consolidation.

C. Revenue Recognition

IPS, a Physician Practice Management Company (PPM), assumes all financial risk for the performance of the medical practices. The physicians are employees of the captive professional corporation bound by non-compete agreements and the authority of the IPS management structure in place.

IPS recognizes revenue at the time the services are provided by its affiliated medical groups. Net patient service revenue is impacted by billing rates, changes in current procedural terminology code reimbursement, and collection trends. IPS reviews billing rates at each of its affiliated medical groups, on at least an annual basis, and adjusts those rates based on each insurer's current reimbursement practices. Amounts collected by IPS for treatment by its affiliated medical groups of patients covered by Medicare, Medicaid, and other contractual reimbursement programs, which may be based on cost of services provided or predetermined rates, are generally less than the established billing rates of IPS' affiliated medical groups. IPS estimates the amount of these contractual allowances and records a reserve against accounts receivable based on historical collection percentages for each of the affiliated medical groups, which include various payer categories. When payments are received, the contractual adjustment is written off against the established reserve for contractual allowances. The historical collection percentages are adjusted quarterly based on actual payments received, with any differences charged against net revenue for the quarter. Additionally, IPS tracks cash collection percentages for each medical group on a monthly basis, setting quarterly and annual goals for cash collections, bad debt write-offs and aging of accounts receivable. IPS is not aware of any material claims, disputes or unsettled matters with third party payers and there have been no material settlements with third party payers for the years ended December 31, 2015 and December 31, 2014, respectively.

The Company also receives administration fees tiered by volume of Vaccines and Flu shots consumed by all participating physicians from pharmaceutical companies where it's participating doctors order the Vaccines and Flu Shots and administer vaccines. Revenue is recognized upon the administration of the vaccine by the doctor based on estimated usage during the year.

RCM's principal source of revenues is fees charged to clients based on a percentage of net collections of the client's accounts receivable. They recognize revenue and bill their clients when the clients receive payment on those accounts receivable. Our RCM business units typically receive payment from the client within 30 days of billing. The fees vary depending on specialty, size of practice, payer mix, and complexity of the billing. In addition to the collection fee revenue, this segment also earns fees from the various consulting services that they provide, including medical practice management services, managed care contracting, coding and reimbursement services and transcription services. Consulting services are recognized as revenue at the time services are performed.

Notes to Financial Statement continued

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES continued

D. Business Combinations

The Company accounts for all business combinations using the acquisition method of accounting. Under this method, assets and liabilities, including any remaining non-controlling interests, are recognized at fair value at the date of acquisition. The excess of the purchase price over the fair value of assets acquired, net of liabilities assumed, and non-controlling interests is recognized as goodwill. Certain adjustments to the assessed fair values of the assets, liabilities, or non-controlling interests made subsequent to the acquisition date, but within the measurement period, which is up to one year, are recorded as adjustments to goodwill. Any adjustments subsequent to the measurement period are recorded in income. Any cost or equity method interest that the Company holds in the acquired company prior to the acquisition is re-measured to fair value at acquisition with a resulting gain or loss recognized in income for the difference between fair value and the existing book value. Results of operations of the acquired entity are included in the Company's results from the date of the acquisition onward and include amortization expense arising from acquired tangible and intangible assets.

Identifiable Intangible assets are valued based on the discounted value of earning potential of contracts pertaining to those business segments.

As part of an acquisition consideration, the Company may include, a contingent consideration component to the sellers/ identified management team of the acquired company. Contingent consideration is typically payable based on achieving certain revenue and profit levels. At each level of base, high and low scenario cases, this contingent consideration is discounted to the present value at the time of acquisition and recorded as a liability. This liability is adjusted to fair value at each reporting date.

All expenses relating to the acquisitions are expensed as incurred.

E. Estimates

The preparation of consolidated financial statements in conformity with US generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. While we believe current estimates are reasonable and appropriate, actual results could differ from those estimates.

F. Concentrations of Credit Risk

Factors that could adversely impact our operations or consolidated financial results include, but are not limited to, the following: deterioration of the credit markets, loss of large clients, ability to protect our intellectual property and confidential information, interest rate increases, and changes in healthcare legislation.

We monitor our operations with a view to minimize the impact to our overall business that could arise as a result of the risks and uncertainties inherent in our business.

G. Cash and Equivalents

We consider all short-term investments with an original maturity of three months or less to be cash equivalents. As of December 31, 2015 and 2014, respectively, the Company had no cash equivalents.

Notes to Financial Statement continued

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES continued

H. Accounts Receivable and Allowance for Doubtful Accounts

RCM business evaluates the need for an allowance using historical loss experience and the assessment of other risks. The following table enumerates the allowances made on account of this business.

	December 31, 2015 $	December 31, 2014 $
Allowances for doubtful accounts	315,746	62,395

IPS' affiliated medical groups grant credit without collateral to its patients, most of which are insured under third-party payer arrangements. The allowance for doubtful accounts that relates to patient service revenues is based on an evaluation of potentially uncollectible accounts. The allowance for doubtful accounts includes a reserve for 100% of the accounts receivable older than 150 days. Establishing an allowance for bad debt is subjective in nature. IPS uses historical collection percentages to determine the estimated allowance for bad debts, and adjusts the percentage on a quarterly basis.

	December 31, 2015 $	December 31, 2014 $
Allowances for doubtful accounts	1,262,871	941,889

We typically do not charge late fees or interest on past due accounts.

I. Inventory

Inventory consists of vaccines, which are stated at the lower of cost or market. Cost is determined under the first-in, first-out method.

J. Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") and are adopted by us as of the specified effective date. The Company believes that the impact of recently adopted and recently issued accounting pronouncements did not have a material impact on its consolidated financial position, results of operations, and cash flows for 2015.

On May 8, 2015, FASB issued ASU 2015-08, "'Business Combinations (Topic 805): Pushdown Accounting – Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115" ("ASU 2015-08"). The amendments in ASU 2015-08 amend various SEC paragraphs included in the FASB's Accounting Standards Codification to reflect the issuance of Staff Accounting Bulletin No. 115 ("SAB 115"). SAB 115 rescinds portions of the interpretive guidance included in the SEC's Staff Accounting Bulletins series and brings existing guidance into conformity with ASU No. 2014-17, "Business Combinations (Topic 805): Pushdown Accounting," which provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The amendments in this adoption were effective upon issuance. The adoption of this ASU did not significantly impact the consolidated financial statements.

Notes to Financial Statement continued

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES continued

On August 12, 2015, FASB issued ASU 2015-14, Revenue *from Contracts with* Customers (Topic 606): In May 2014, the FASB and the International Accounting Standards Board (IASB) issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under previous guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligations. In July 2015, the FASB approved the proposal to defer the effective date of ASU 2014-09 by one year. Early adoption is permitted after December 15, 2016, and the standard is effective for public entities for annual reporting periods beginning after December 15, 2017 and interim periods therein. We are currently evaluating the impact of ASU 2014-09 on our consolidated financial statements and disclosures.

On August 18, 2015, FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs associated with Line-of-Credit Arrangements. ASU 2015-15 is being issued to clarify the SEC staff's position on presentation and measuring debt issuance costs incurred in connection with line-of-credit arrangements given the lack of guidance on this topic in ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The SEC staff has announced that it would 'not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement. For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015. We do not expect the adoption of ASU 2015-15 to have a material effect on our consolidated financial statements and disclosures.

On September 25, 2015, FASB issued ASU 2015-16, Business Combinations (Topic 805): Topic 805 requires that an acquirer retrospectively adjust provisional amounts recognized in a business combination, during the measurement period. To simplify the accounting for adjustments made to provisional amounts, the amendments in the Update require that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount is determined. The acquirer is required to also record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition an entity is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015. We do not expect the adoption of ASU 2015-16 to have a material effect on our consolidated financial statements and disclosures.

On November 20, 2015, FASB issued ASU 2015-17, Income Taxes (Topic 740): Topic 740, Income Taxes, requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. Deferred tax liabilities and assets are classified as current or noncurrent based on the classification of the related asset or liability for financial reporting. Deferred tax liabilities and assets that are not related to an asset or liability for financial reporting are classified according to the expected reversal date of the temporary difference. To simplify the presentation of deferred income taxes, the amendments in this Update require that deferred income tax liabilities and assets be classified as noncurrent in a classified statement of financial position. For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2016. We do not expect the adoption of ASU 2015-17 to have a material effect on our consolidated financial statements and disclosures.

Notes to Financial Statement continued

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES continued

On February 25, 2016, FASB issued ASU 2016-02, Leases (Topic 842): The amendments in this Update create Topic 842, Leases, and supersede the leases requirements in Topic 840, Leases. Topic 842 specifies the accounting for leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2018. We are currently evaluating the impact of ASU 2016-02 on our consolidated financial statements and disclosures.

K. Deferred Rent

Deferred rent consists of rent escalation and lease incentive terms related to the Company's operating leases for its facilities. Deferred rent represents the difference between actual operating lease payments due and straight-line rent expense, which is recorded by the Company over the term of the lease, including any construction period. The excess of the difference between actual operating lease payments due and straight-line rent expense is recorded as a deferred credit in the early periods of the lease when cash payments are generally lower than straight-line rent expense, and is reduced in the later periods of the lease when payments begin to exceed the straight-line expense. Deferred rent accrued is $605,149 at December 31, 2015 and $532,349 at December 31, 2014.

L. Goodwill and Intangible Assets

Goodwill represents the excess of cost over the fair value of net assets of companies acquired in business combinations accounted for using the purchase method.

Intangible assets include customer contracts and relationships and covenants not-to-compete acquired in connection with acquisitions. These intangible assets are amortized on a straight-line basis, which reflects the pattern in which economic benefits are expected to be realized. The Company concluded that use of the straight-line method was appropriate as the majority of the cash flows are expected to be recognized ratably over the estimated useful lives, without a significant degradation of the cash flows over time. The customer relationships and associated contracts represent the most significant portion of the value of the purchase price for every acquisition.

Goodwill and Intangibles are reviewed for possible impairment, annually or upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value.

Identified Intangible assets are amortized using straight-line method over their estimated useful lives as follows:

	Estimated useful life
Management service agreements	25 years
Client relationships	5 years
Group Purchase agreements	5 years
Trade name	5 years
Non-compete agreement	5 years

Amortization is computed at rates considered sufficient to amortize the cost of the assets, using the straight-line method over their estimated useful lives. Intangibles were amortized by $3,378,174 and $1,887,247 for the years ended December 31, 2015 and December 31, 2014, respectively.

Notes to Financial Statement continued

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES continued

M. Software Development Costs

We capitalize software development costs in accordance with ASC 985-20, Costs of Software to be Sold, Leased, or Marketed. Research costs and software development costs, prior to the establishment of technological feasibility, determined based upon the creation of a working model, are expensed as incurred. Our software capitalization policy currently defines technological feasibility as a functioning beta test prototype with a confirmed working model, within a reasonably predictable range of costs. Additionally, technological feasibility is established when the Company has completed all planning, designing, coding, and testing activities that are necessary to establish that the product can be produced to meet its design specifications including functions, features, and technical performance requirements. Our policy is to amortize the capitalized costs over the remaining estimated economic life of the product, which has been determined for the applicable product as three years. Software development costs capitalized in years ended December 31, 2015 and 2014 were $3,078,701 and $4,960,714, respectively.

N. Fair Value of financial instruments

The carrying amounts for cash, cash equivalents, accounts payable, and accrued expenses approximate fair value because of their short-term nature. At December 31, 2015, the carrying value of the Term Loan is $14.92 million. See note 11 for further discussion of notes payable.

O. Fair Value Measurements:

The authoritative guidance for fair value measurements defines fair value as the price that would be received if an asset were to be sold or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact. The guidance describes a fair value hierarchy based on the levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the value of the assets or liabilities.

Notes to Financial Statement continued

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES continued

Quantitative Information about Level 3 Fair Value Measurements

Nature	Fair value at December 31, 2015	Valuation Techniques	Unobservable input	Range
Measurement of contingent consideration – PPP	Nil	Option valuation using Monte Carlo simulation analysis	EBITDA growth rate	Year 1 – (8.7)%, Year 2 – 15.2 %
			Annual EBITDA volatility	35%
			Revenue growth rate	Year 1 – (1.5)%, Year 2 – 8.4%
			Annual Revenue volatility	18%
Measurement of contingent consideration – Northstar	$6,784,728	Option valuation using Monte Carlo simulation analysis	EBITDA growth rate	Year 1 – 40.0%, Year 2 – N/A, Year 3 – N/A
			Annual EBITDA volatility	35%
			Revenue growth rate	Year 1 – 20.3%, Year 2 – 12.9%, Year 3 – 6.2%
			Annual Revenue volatility	18%
			Annual share price volatility	68%
Measurement of contingent consideration – Phoenix	$3,568,903	Option valuation using Monte Carlo simulation analysis	EBITDA growth rate	Year 1 – 40.0%, Year 2 – N/A, Year 3 – N/A
			Annual EBITDA volatility	35%
			Revenue growth rate	Year 1 – 20.3%, Year 2 – 12.9%, Year 3 – 6.2%
			Annual Revenue volatility	18%
			Annual share price volatility	68%

Contingent consideration for Northeast Medical Solutions has been settled in 2015 and has a carryforward balance of $100,000. $50,000 is payable on March 31, 2016 and balance is payable on March 31, 2017

P. Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the current period's provision for income taxes. A valuation allowance is provided for deferred tax assets if it is more likely than not that the asset will not be realizable.

The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions taken (or expected to be taken) in a tax return before the uncertain tax positions are finally resolved with the taxing authority. If the Company considers that a tax position is "more-likely-than-not" to be sustained upon an audit by the taxing authority, based solely on the technical merits of the tax position, it recognizes the tax benefit. The Company measures the tax benefit by determining the largest amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. The Company recognizes estimated future interest and penalties related to unrecognized tax positions, if any, as income tax expense in the consolidated statements of operations.

None of the Company's federal or state income tax returns are currently under examination by the Internal Revenue Service or state authorities. The Company is generally no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2012.

Notes to Financial Statement continued

2. DIVIDENDS

At the Company's Annual General Meeting, held on June 3, 2015 a final dividend of 2.9 cents per share, in respect of the financial year ended December 31, 2014 had been declared and paid by June 30, 2015. Total dividend paid is $176,390.

3. SEGMENT REPORTING INFORMATION

	Year ended December 31, 2015 $	Year ended December 31, 2014 $
Revenue Cycle Management		
Revenues	50,131,907	28,425,915
Depreciation, Depletion and Amortization	3,769,051	2,249,960
Operating Income before Depreciation & Amortization	16,145,524	7,549,170
GP & Corporate		
Revenues	7,666,437	7,048,604
Depreciation, Depletion and Amortization	930,444	991,481
Operating Income before Depreciation & Amortization	6,338,577	5,179,558
Practice Management:		
Revenues	18,936,725	19,131,308
Depreciation, Depletion and Amortization	6,071	9,099
Operating Income before Depreciation & Amortization	1,420,523	1,505,971

Corporate expenses that are incurred for the company's general administration have not been apportioned to other business segments. These costs are grouped under General Purchasing and Corporate segment.

The operating segments are identified and reported on the basis of internal reports about components of the group that are regularly reviewed by the Management Board to assess the performance of the segments.

The group's internal management reporting is structured primarily on the basis of the market segments in which the 3 operating segments – Revenue Cycle Management, Practice Management and General Purchasing (GP) & Corporate – operate.

Management assesses the performance of segments based on the measures of revenue and earnings before depreciation, interest and taxes (EBDIT), whereby the EBDIT measure includes allocations of expenses from supporting functions within the group.

Company runs shared services for each of its three segments. All resources, who form part of general management & administration, HR, finance and accounting, IT, call center are part of shared services that are used by one or more segments and have been included in the reallocation.

Such allocations have been determined by the best management estimates based on number of resources served, volume of transactions processed and or relevant measures that reflect the level of benefits of these functions to each of the operating segments. As the 3 operating segments serve only external customers, there is no inter-segment revenue. Interest income and expenses and tax are not allocated to the segments. There is no measure of segment (non-current) assets and/or liabilities provided to the Management Board.

Notes to Financial Statement continued

3. SEGMENT REPORTING INFORMATION CONTINUED

Reconciliation of reportable segment revenues and profit to the consolidated totals

	Year ended December 31, 2015 $	Year ended December 31, 2014 $
Total Revenues for reportable segments	76,735,069	54,605,827
Total Consolidated revenues	76,735,069	54,605,827
Operating profit before depreciation and amortization for reportable segments	23,904,624	14,234,699
Depreciation & amortization	(4,705,566)	(3,250,540)
Interest expense	(2,216,354)	(3,035,955)
Contingent consideration adjustment	(1,075,899)	—
Fees paid to debt providers	—	(2,164,089)
Amortization of deferred finance fees	(363,044)	(3,213,194)
Other income (expense), net	(4,192,337)	(44,997)
Provision for income taxes	(4,392,347)	(888,071)
Net income	6,959,077	1,637,853

4. PROPERTY AND EQUIPMENT

Property and equipment are presented at cost. Depreciation is computed at rates considered sufficient to depreciate the cost of the assets, using the straight-line method over their estimated useful lives, capital leases and leasehold improvements are amortized over the lease term.

	Estimated useful life
Computer equipment	2 – 5 years
Office equipment	5 – 7 years
Furniture and fixtures	5 – 7 years
Leasehold improvements	Lease term
Capital leases	Lease term
Medical and surgical equipment	5 years
Automobiles	5 years

Property and equipment, net consists of the following at December 31, 2015 and 2014:

	December 31, 2015 $	December 31, 2014 $
Computer equipment	15,398,252	8,818,317
Office equipment	675,425	313,184
Furniture and fixtures	880,959	726,663
Capital leases	910,866	910,866
Leasehold improvements	145,200	126,852
Medical and surgical equipment	19,529	19,529
Total	18,030,231	10,915,411
Less accumulated depreciation	(8,484,146)	(6,745,048)
Property and equipment, net	9,546,085	4,170,363

We recorded depreciation expense related to the above assets of $1,327,392 and $1,363,293 for the years ended December 31, 2015 and 2014, respectively.

Notes to Financial Statement continued

4. PROPERTY AND EQUIPMENT CONTINUED

The above asset categories include assets on capital lease:

	December 31, 2015 $	December 31, 2014 $
Computer equipment	598,023	598,023
Office equipment	235,137	235,137
Furniture and fixtures	77,706	77,706
Total	910,866	910,866
Less Accumulated Amortization	(910,866)	(910,866)
Net book value	—	—

5. ADVERTISING AND BUSINESS PROMOTION COSTS

Advertising and business promotion costs are charged to operations as incurred.

	Year ended December 31, 2015 $	Year ended December 31, 2014 $
Advertisement and business promotion costs	255,863	78,410

6. DEFERRED FINANCE COSTS

The Company incurred $1,185,000 towards debt syndication fees for new debt funding in 2013. This was categorized as deferred finance costs and was being amortized over the term of the debt. On March 31, 2014, this funding arrangement was replaced by a new funding and the unamortized balance of $938,125 was expensed on that date.

On March 31, 2014 as part of the new loan arrangement, $1,655,000 was incurred towards deferred finance costs on new financing arrangement.

On September 3 2014, the Company modified terms of the new financing arrangement resulting in a write down of the deferred finance fee. The deferred finance fees amortized for years ended December 31, 2015 and 2014 are $363,044 and $1,759,984, respectively.

7. ACQUISITIONS

1) On April 1, 2014, the Company's parent, Constellation Health LLC (Constellation), acquired North East Medical Solutions (NEMS), a Revenue Cycle Management company, based out of Pennsylvania, USA. NEMS was acquired for a total consideration of $2.79 million for a 100% ownership with 100% voting rights. Constellation transferred this acquisition to Orion Healthcare, immediately thereafter on the same day.

   Purchase Price Allocation:

   The allocation of purchase price is based on management's judgment after evaluating several factors, including, but not limited to, valuation assessments of tangible and intangible assets. The excess of the total purchase price over the fair value of assets acquired and the liabilities assumed of $1.4 million was recorded as goodwill. The goodwill arising from the Acquisition consists largely of the commercial potential of the Company and the value of the assembled workforce.

Notes to Financial Statement continued

7. ACQUISITIONS continued

The following sets forth the Company's purchase price allocation:

	$
Purchase Price	2,788,003
Cash and cash equivalents	11,900
Accounts receivable, net	393,494
Prepaid expenses and other current assets	5,950
Property and equipment, net	617,545
Intangible assets	715,000
Other assets, net	15,178
Accounts payable	(156,001)
Accrued Expenses	(173,688)
Current portion of capital lease obligations	(47,021)
Net assets acquired	**1,382,357**
Excess Purchase Price Allocated to Goodwill	**1,405,646**

The Company has acquired intangible assets, not including goodwill, totaling approximately $715 thousand in the acquisition.

	$
Identifiable Intangible Assets:	
Trade Name	220,000
Non-Compete Agreements	15,000
Customer Contracts	480,000
Total Identifiable Intangible Assets	**715,000**

A contingent consideration was set up for identified management team. This contingent consideration is based on minimum revenue generated for 2014 and 2015. A pool of $367 thousand and $474 thousand was allocated for 2015 and 2016 respectively. As a part of Purchase price allocation, on the date of acquisition of NEMS, this liability was discounted to the present value based on the base, best and low scenarios of achieving the targeted revenue for 2014 and 2015.

The earn-out liability was settled per agreement dated September 16, 2015. Terms of settlement include a total payment of $200,000 with $100,000 to be paid by November 15, 2015 and the balance in 2 equal payments by March 31, 2016 and September 16, 2016. $100,000 is shown as liability as of December 31, 2015.

2) In February 2015, the Company's parent, Constellation Health, LLC (Constellation), acquired certain net Revenue Cycle Management assets (PPP herein), based out of New York, USA. PPP was acquired for a total consideration of $13.05 million by way of an asset purchase agreement. Constellation transferred this acquisition to Orion Healthcorp, immediately thereafter on the same day.

Purchase Price Allocation:

The allocation of purchase price is based on management's judgment after evaluating several factors, including, but not limited to, valuation assessments of tangible and intangible assets. The excess of the total purchase price over the fair value of assets acquired and the liabilities assumed of $4.42 million is recorded as goodwill. The goodwill arising from the Acquisition consists largely of the commercial potential of the Company and the value of the assembled workforce.

7. ACQUISITIONS continued

The table below presents the purchase price along with a preliminary allocation of the purchase price to the assets acquired and liabilities assumed in the acquisition.

	$
Purchase Price	13,045,819
Intangible assets	9,167,139
Other assets, net	9,716
Permitted loan payable	(552,699)
Net assets acquired	**8,624,156**
Excess Purchase Price Allocated to Goodwill	**4,421,663**

The Company has acquired intangible assets, not including goodwill, totaling approximately $9.17 million in the acquisition.

	$
Identifiable Intangible Assets:	
Trade Name	1,175,553
Customer Relationships	1,587,458
Non-Compete Agreements	1,371,316
PARCS Software	5,032,812
Total Identifiable Intangible Assets	**9,167,139**

The purchase price includes contingent consideration measured at fair value based on the estimated earned obligation to the sellers. This contingent consideration is based on minimum revenue and EBITDA generated for 2015 and 2016. As a part of Purchase price allocation, on the date of acquisition of PPP, this liability was discounted to the present value based on the base, best and low scenarios of achieving the targeted revenue and EBITDA for 2015 and 2016, less permitted indebtedness of approximately $600 thousand assumed per the agreement. The discounted liability on this account was accrued at $245 thousand. As of December 31, 2015, this liability is nil.

The allocation of the purchase price reflected in the accompanying financial statements is preliminary and based upon estimates and assumptions that are subject to change with in the measurement period (up to one year from the closing of the acquisition). The measurement period remains open, pending completion of valuation procedures related to acquired assets and assumed liabilities.

PPP was acquired to foray into a different geographical area and increase the customer base. Along with organic growth plans, the company also constantly is looking for inorganic growth opportunities.

3) In September 2015, the Company's parent, Constellation Health LLC (Constellation), acquired equity ownership of Northstar First Health LLC (Northstar), a Revenue Cycle Management company, based out of New Jersey, USA. Northstar was acquired for a total consideration of $17.39 million by way of a unit purchase agreement. Constellation transferred this acquisition to Orion Healthcorp, immediately thereafter on the same day.

Purchase Price Allocation:

The allocation of purchase price is based on management's judgment after evaluating several factors, including, but not limited to, valuation assessments of tangible and intangible assets. The excess of the total purchase price over the fair value of assets acquired and the liabilities assumed of $10.81 million is recorded as goodwill. The goodwill arising from the Acquisition consists largely of the commercial potential of the Company and the value of the assembled workforce.

Notes to Financial Statement continued

7. ACQUISITIONS continued

The table below presents the purchase price along with a preliminary allocation of the purchase price to the assets acquired and liabilities assumed in the acquisition.

	$
Purchase Price	17,391,033
Intangible assets	6,414,146
Cash and cash equivalents	82,609
Accounts receivable, net	121,628
Property and equipment, net	403
Other assets, net	—
Accrued expenses	(34,136)
Long term liabilities	—
Net assets acquired	**6,584,650**
Excess Purchase Price Allocated to Goodwill	**10,806,383**

The Company has acquired intangible assets, not including goodwill, totaling approximately $6.41 million in the acquisition.

	$
Identifiable Intangible Assets:	
Trade Name	1,584,255
Customer Relationships	1,812,105
Non-Compete Agreements	3,017,786
Total Identifiable Intangible Assets	**6,414,146**

The purchase price includes contingent consideration measured at fair value based on the estimated earned obligation to the sellers. This contingent consideration is based on minimum revenue and EBITDA generated for 2016, 2017 and 2018. As a part of Purchase price allocation, on the date of acquisition of Northstar, this liability was discounted to the present value based on the base, best and low scenarios of achieving the targeted revenue and EBITDA for 2016, 2017 and 2018,. The discounted liability on this account was accrued at $5.87 million. Fair value for this discounted liability as of December 31, 2015, is $6.78 million. To the extent earned in the designated periods subsequent to closing, it is payable in three installments of parent shares. 2,991,808 shares allocated for this purpose.

The allocation of the purchase price reflected in the accompanying financial statements is preliminary and based upon estimates and assumptions that are subject to change with in the measurement period (up to one year from the closing of the acquisition). The measurement period remains open, pending completion of valuation procedures related to acquired assets and assumed liabilities.

4) In September 2015, the Company's parent, Constellation Health LLC (Constellation), acquired certain Revenue Cycle Management company assets hereinafter Phoenix, based out of New Jersey, USA. Phoenix was acquired for a total consideration of $13.66 million by way of an asset purchase agreement. Constellation transferred this acquisition to Orion Healthcorp, immediately thereafter on the same day.

Purchase Price Allocation:

The allocation of purchase price is based on management's judgment after evaluating several factors, including, but not limited to, valuation assessments of tangible and intangible assets. The excess of the total purchase price over the fair value of assets acquired and the liabilities assumed of $9.03 million is recorded as goodwill. The goodwill arising from the Acquisition consists largely of the commercial potential of the Company and the value of the assembled workforce.

Notes to Financial Statement continued

7. ACQUISITIONS continued

The table below presents the purchase price along with a preliminary allocation of the purchase price to the assets acquired and liabilities assumed in the acquisition.

	$
Purchase Price	13,660,987
Intangible assets	4,561,958
Property and equipment, net	65,264
Other assets, net	1,850
Net assets acquired	**4,629,072**
Excess Purchase Price Allocated to Goodwill	**9,031,915**

The Company has acquired intangible assets, not including goodwill, totaling approximately $4.56 million in the acquisition.

	$
Identifiable Intangible Assets:	
Trade Name	369,728
Software	1,915,711
Customer Relationships	82,574
Non-Compete Agreements	2,193,945
Total Identifiable Intangible Assets	**4,561,958**

The purchase price includes contingent consideration measured at fair value based on the estimated earned obligation to the sellers. This contingent consideration is based on minimum revenue and EBITDA generated for 2016, 2017 and 2018. As a part of Purchase price allocation, on the date of acquisition of Phoenix, this liability was discounted to the present value based on the base, best and low scenarios of achieving the targeted revenue and EBITDA for 2016, 2017 and 2018,. The discounted liability on this account was accrued at $3.16 million. Fair value this discounted liability as of December 31, 2015, is $3.57 million. To the extent earned in the designated periods subsequent to closing, it is payable in three installments of parent shares. 1,569,506 shares allocated for this purpose.

The allocation of the purchase price reflected in the accompanying financial statements is preliminary and based upon estimates and assumptions that are subject to change with in the measurement period (up to one year from the closing of the acquisition). The measurement period remains open, pending completion of valuation procedures related to acquired assets and assumed liabilities.

8. OTHER ASSETS

Other assets consist of the following at December 31, 2015 and 2014:

	December 31, 2015 $	December 31, 2014 $
Deposits	278,156	223,796
Total	**278,156**	**223,796**

Notes to Financial Statement continued

9. PREPAID AND OTHER CURRENT ASSETS

	December 31, 2015 $	December 31, 2014 $
Prepaid insurance	149,698	393,024
Prepaid rent	184,215	—
Prepaid maintenance	—	270,620
Prepaid – Others	217,416	—
Advance taxes	54,415	—
Total	**605,744**	**663,644**

10. INTANGIBLE ASSETS, EXCLUDING GOODWILL, NET

Intangible assets, excluding goodwill, net consist of the following at December 31, 2015 and 2014:

	December 31, 2015 $	December 31, 2014 $
Software tool – work in progress	17,083,401	7,056,043
Client relationships	11,862,138	8,380,000
Management service agreements	2,000,000	2,000,000
Group Purchasing agreements	600,000	600,000
Trade Name	3,349,536	220,000
Non-Compete	6,598,047	15,000
	41,493,122	18,271,043
Less accumulated amortization	(6,229,588)	(2,851,414)
Net amount	**35,263,534**	**15,419,629**

Estimated future annual amortization of our identifiable intangible assets is as follows:

	Period ending December 31 $
Year ended December 31, 2016	10,256,411
Year ended December 31, 2017	10,256,411
Year ended December 31, 2018	9,242,392
Year ended December 31, 2019	2,754,694
Year ended December 31, 2020	1,356,958
Thereafter	1,396,668
Total	**35,263,534**

11. LINE OF CREDIT AND LONG-TERM DEBT

The Company entered into a financing arrangement on June 17, 2013 Line of Credit facility and Term Loan.

The credit facility provided for maximum borrowing of $2,000,000 and maturing on May 31, 2017. The bank interest rate was 9.50%. The line of credit was collateralized by substantially all the assets of the Company. Term Loan, Type A, for $9,000,000 at a fixed interest rate 11%, and Term Loan, Type B, for $6,500,000 at a fixed interest rate 12% plus an additional 3% PIK interest. The term loans maturing on May 31, 2017.

The Company entered into a new loan agreement dated March 31 2014 to replace the loan facility entered on June 17, 2013. The new loan facility was a $40,000,000 Senior debt facility, bearing fixed interest at 10.00%, interest payable monthly, plus an additional 2% payable in kind interest. Principal payments start from June 30 2015, maturing on March 31, 2018, collateralized by a blanket lien on all assets.

Notes to Financial Statement continued

11. LINE OF CREDIT AND LONG-TERM DEBT continued

This loan agreement was modified and amended in September 2014 reducing our facility to $23,000,000. Interest rate was fixed at higher of (a) 3 month LIBOR (Base rate) plus 9% and (b) 11%, without payment of kind interest. The maturity date was amended to September 30, 2017.

Long-term debt consisted of the following at December 31, 2015 and 2014:

	December 31, 2015 $	December 31, 2014 $
$23,000,000 senior note payable to a financial institution, bearing interest at higher of (a) 3 month LIBOR (**Base rate**) plus 9% and (b) 11%, interest payable monthly, principal payments monthly based on schedule, maturing on September 30, 2017, collateralized by a blanket lien on all assets.	14,922,349	20,958,879
$600,000 note payable for acquisition of P.C Advantage in November 2014 by Physicians Practice Plus, LLC	407,877	—
Total	15,330,226	20,958,879
Less current maturities	(4,848,632)	(4,631,771)
Long term debt	**10,481,594**	**16,327,108**

Future aggregate annual maturities of the debt are as follows:

Period ending:	
Year ended December 31, 2016	4,848,632
September 30, 2017	10,481,594
Total debt	**15,330,226**

Our credit agreement for our Term loan contains certain financial covenants that require us to maintain a maximum leverage ratio and other customary terms and conditions. The Company is in compliance with all covenants as of December 31, 2015.

12. ACCRUED EXPENSES

Accrued expenses consisted of the following at December 31, 2015 and 2014:

	December 31, 2015 $	December 31, 2014 $
Compensation and related taxes	1,031,243	709,819
Interest	171,064	209,496
Professional fees payable	669,848	295,211
Acquisition fees payable	1,860,000	—
Other	690,955	609,060
Total	**4,423,110**	**1,823,586**

Notes to Financial Statement continued

13. OPERATING LEASES

We lease our facilities and corporate office space under operating leases that expire in various years through 2022. The leases provide for annual operating expense increases. Annual rental payments related to our facility leases totaled $2,118,097 and $1,986,863 for the years ended December 31, 2015 and 2014, respectively.

Future annual base rental expenses under these lease agreements are as follows:

	$
Year ended December 31, 2016	1,803,982
Year ended December 31, 2017	1,365,943
Year ended December 31, 2018	1,213,813
Year ended December 31, 2019	1,117,400
Year ended December 31, 2020	654,618
Thereafter	494,616
Total	**6,650,373**

14. OTHER EXPENSE, NET

	December 31, 2015 $	December 31, 2014 $
Acquisition related expenses	3,250,000	–
Contingent consideration settlement	(538,700)	—
Settlements	980,499	—
Franchisee taxes	229,463	44,997
Total	**3,921,262**	**44,997**

15. INCOME TAXES

The provision for income taxes for the year ended December 31, 2015 and 2014 is summarized as follows:

	December 31, 2015 $	December 31, 2014 $
Current:		
Federal	1,670,336	934,945
State	960,090	161,408
Total	2,630,426	1,096,353
Deferred:		
Federal	1,841,415	(177,040)
State	(79,494)	(31,242)
Valuation allowance	—	—
Total	1,761,921	(208,282)
Provision (Benefit) for Income Taxes	4,392,347	888,071

For the years ended December 31, 2015 and 2014, respectively, the Company's effective income tax rate was 37%.

Notes to Financial Statement continued

15. INCOME TAXES continued

Our provision for federal and state taxes is comprised primarily of taxes from states that assess franchise and margin tax. Significant components of net deferred tax assets and liabilities are as follows:

	December 31, 2015 $	December 31, 2014 $
Deferred tax liabilities:		
Intangibles, amortization not available for tax deduction	(7,510,042)	(4,156,491)
Total deferred tax liabilities	(7,510,042)	(4,156,491)
Deferred tax assets:		
Net operating loss – Federal and State – Current	252,000	252,000
Net operating loss – Federal and State – Long term	5,596,995	4,018,178
Total deferred tax assets	5,848,995	4,270,178
Total net deferred tax assets	(1,661,047)	113,687
Valuation allowance	—	—
Net deferred tax asset (liability)	(1,661,047)	113,687

The Company has earned taxable income in the years ended December 31, 2015 and 2014, respectively, and is expected to earn taxable income in future years to claim the benefit of deferred tax asset; therefore the Company is not making any valuation allowance for the years ended December 31, 2015 and 2014, respectively.

On the acquisition date in 2013, we have identified a net operating loss carry forwards of approximately $28,000,000, which will begin to expire in 2033 year. As a result of the acquisitions and restructurings, we have undergone an ownership change and the utilization of the tax net operating losses are subject to potential limitations pursuant to Internal Revenue Code Section 382. These limitations could reduce the amount of the net operating loss carry forwards utilized in the future. Furthermore, the ultimate utilization of the carry forwards is dependent upon the timing and extent of our future profitability. The annual limitations combined with the expiration date of the carry forwards may prevent the utilization of the carry forwards.

Constellation Health LLC and the Company have entered into a tax indemnity agreement pursuant to which Constellation Health LLC has agreed to indemnify the Company against certain tax liabilities.

Prior to the Company's acquisition, the Company was a party to several promissory notes pursuant to which it borrowed funds from certain lenders. The lenders agreed to receive proceeds from the Company's acquisition in amounts less than the amounts owed by the Company under the notes, in full satisfaction of the Company's obligations under the notes (the "Cancellation of Debt").

Constellation Health LLC has agreed to indemnify the Company should the Cancellation of Debt cause the Company to be liable for any taxes in excess of the indemnification coverage provided in the Company's merger agreement but subject to a maximum of $12 million plus an amount equivalent to any applicable interest, fines, penalties, costs and charges thereon.

Notes to Financial Statement continued

16. STOCK BASED COMPENSATION, WARRANTS AND OPTIONS

At December 31, 2015 and 2014, respectively, the Company did not have any stock-based employee compensation.

For the years ended December 31, 2015 and 2014, respectively, the Company did not have any impact, of our stock-based employee compensation plan, on our consolidated statements of operations.

Transactions with Other than Employees

The Company has cancelled all outstanding options upon acquisition and does not have any outstanding warrants or options as of December 31, 2015 and 2014, respectively. The Company also did not issue any warrants in the years ended December 31, 2015 and 2014, respectively.

There are also no outstanding restricted stock units and options as at year ended December 31, 2015.

17. 401(K) PLAN

We have an employee retirement savings plan under Section 401(k) of the Internal Revenue Code for all eligible employees of Orion Healthcorp, Inc. Participants are permitted to defer compensation up to the dollar limitation as defined by the IRS for the taxable year. On a discretionary basis, we may match up to 50% of the first 6% of the non-highly compensated employee's deferrals. Orion's contributions vest beginning in the second year in equal installments over three years, and are 100% vested after four years. For the years ended December 31, 2015 and 2014, the Company did not contribute any sums to match the contributions.

18. COMMITMENTS AND CONTINGENCIES

We are involved in various legal proceedings and claims arising in the ordinary course of business. Our management believes that the disposition of these additional matters, individually or in the aggregate, is not expected to have a materially adverse effect on our consolidated financial condition. However, depending on the amount and timing of such disposition, an unfavorable resolution of some or all of these matters could materially affect our future results of operations or cash flows in a particular period.

19. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2015, there were no related party transactions relating to sales and purchases.

First United Health LLC, a Delaware limited liability company ("FUH") and Constellation Health, LLC, a Delaware limited liability company (the "Company") entered into a consulting agreement ("Agreement") dated June 10, 2013, whereby FUH agreed to provide consulting services to the Company and further agreed for no extra charge to make available the services of Paul Parmar. The term of the agreement is for five (5) years provided; however, that pursuant to Section 1.3 the Consultant after the third anniversary of the Agreement may terminate the Agreement by providing 60 days written notice to the Company prior to the third anniversary of the Agreement. The Agreement, pursuant to Section 4.2, contains a right of first refusal to the Company. Further, pursuant to the Loan and Security Agreement with RCC Commercial, Inc., Parmar entered into a Non-Competition Agreement with FUH and the Company, whereby Parmar agreed for a period of two years after his termination to not compete against CH nor solicit its clients or customers anywhere in the world.

Notes to Financial Statement continued

20. SUBSEQUENT EVENTS

In December 2015, the Company announced its intention to raise £30 million (approximately $45.5 million) by way of placing up to 16,471,195 new common shares with existing and new investors. The Placing and the Subscription are each conditional, inter alia, on the passing by Shareholders of the Resolutions at the General Meeting which will give the Directors the required authority to allot the New Shares and to disapply pre-emption rights in respect of the issue of the New Shares on a non-pre-emptive basis.

Pursuant to Company's General Meeting held on January 6, 2016, it was approved that 18,751,195 new shares will be admitted to the AIM market on January 6, 2016. Gross proceeds of £30 million. (Approx. $45 million). The Company received $42.22 million from net proceeds. Additional 63,767 shares were issued to the placing agents for their services, in lieu of cash payments.

As part of the acquisition agreement for Northstar and Phoenix, 2,991,808 and 1,569,506 shares respectively, were issued in escrow as part of their contingent consideration liability. Excluding these, the total shares outstanding in Constellation, after secondary placement in January 2016, are 83,805,585.

In February 2016, the Company acquired certain assets of MDRX Medical Billing, LLC ("MDRX"), a Revenue Cycle Management Company. MDRX was acquired for a total consideration of $30.00 million by way of an asset purchase agreement. Part of the $42.22 million proceeds raised from the placement of the 18,751,195 new shares admitted to the AIM market in January 2016 were used to fund the acquisition.

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