GRUDEN

31 January 2017

December 2016 Quarterly Report

Market leading technology agency, The Gruden Group Ltd (ASX:GGL) (Gruden or the Company) is pleased to provide its quarterly report for the three-month period ended 31 December 2016.

- The business continues to support the digital transformation of enterprise and government customers.
- Major new business wins in the quarter included the delivery of an integrated solution to the NSW Office of Small Business Commissioner (OSBC), and the migration of the Public Records Office of Victoria (PROV) to a cloud-based environment that will digitise, and provide access to, all PROV records.
- Gruden's mobileDEN platform passed a major test with the launch of Red Rooster's home delivery platform, catapulting Red Rooster to #3 in home delivery.
- Partnerships with businesses such as Google, Amazon Web Services, Oracle and Sitecore continue to enable Gruden to provide world class delivery of digital solutions.

During the quarter, the Company announced it had been selected by the NSW Small Business Commissioner (OSBC) to deliver an integrated digital solution to enable the OSBC to interact more efficiently and effectively with its key stakeholders, small businesses. In 2015, there were approximately 700,000 small businesses operating in NSW (*Source: Australian Bureau of Statistics*).

The highly innovative system to be developed by Gruden will include functions and capabilities to enhance the user experience and make it quicker and simpler to access critical advice and services. The system will also have assured access and security and real time integration with Government and commercial sources.

The contract with the OSBC, for an initial three-year period for a total $2.93 million, provides a material revenue contribution to the remaining FY17 period and through to FY18 and FY19. Post the three-year period that includes the initial build and ongoing maintenance, the contract has the option of a further two 12 month extensions for ongoing maintenance and servicing of the system.

The agreement with the OSBC also provides the opportunity for Gruden to work closely with OSBC in scaling the solution to suit other government and commercial requirements.

The success of the launch of Red Rooster's home delivery platform is a significant step for Gruden as the mobileDEN platform delivers recurring revenue in the form of transaction and licence fees. This is in line with the strategic ambition to complement the traditional fee-for-service model with annuity revenues. Gruden continues to invest into the development of the mobileDEN platform and the success of the Red Rooster project gives the Board added confidence in this strategy.

ENDS

The Gruden Group

Level 10, 220 George St Sydney NSW 2000, Australia

P. +61 2 8256 5300 / E. info@thegrudengroup.com / W. www.thegrudengroup.com

GRUDEN

For further information, please contact:

Tim Parker
CEO The Gruden Group
+61 2 8256 5300
info@thegrudengroup.com

About Gruden

The Gruden Group Ltd is a market leading technology provider offering fully integrated platforms in the digital marketplace, with over 80 staff, across five office locations. The Company is made up of the award-winning Gruden Digital Services, Gruden Performance Marketing, award-winning Gruden mobileDEN and Gruden Government. Services offered across the group include digital marketing, web and mobile application development and mobile loyalty with point of sale integration.

For more information, visit www.thegrudengroup.com

+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

The Gruden Group Limited

ABN	Quarter ended ("current quarter")
56 125 943 240	31 December 2016

Consolidated statement of cash flows			**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**			
1.1	Receipts from customers		4,103	7,822
1.2	Payments for			
	(a)	research and development	-	-
	(b)	product manufacturing and operating costs	-	-
	(c)	advertising and marketing	(38)	(88)
	(d)	leased assets	-	-
	(e)	staff costs	(2,659)	(5,128)
	(f)	administration and corporate costs	(2,421)	(4,712)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		29	41
1.5	Interest and other costs of finance paid		-	-
1.6	Income taxes paid		-	-
1.7	Government grants and tax incentives		-	-
1.8	Other (provide details if material)		-	-
1.9	**Net cash from / (used in) operating activities**		**(986)**	**(2,065)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire:			
	(a)	property, plant and equipment	(302)	(413)
	(b)	businesses (see item 10)	-	-
	(c)	investments	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(302)**	**(413)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,482	5,673
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(986)	(2,065)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(302)	(413)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**3,194**	**3,194**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	1,201	655
5.2	Call deposits	1,993	3,827
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**3,194**	**4,482**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	186
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Research and development	
9.2	Product manufacturing and operating costs	
9.3	Advertising and marketing	50
9.4	Leased assets	
9.5	Staff costs	2,600
9.6	Administration and corporate costs	2,300
9.7	Other (provide details if material)	
9.8	**Total estimated cash outflows**	**4,950**

10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1	Name of entity	N/A	N/A
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: N J Bassett (Company secretary) Date: 31 January 2017

Print name: Neville John Bassett

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.