Appendix 4D

Interim financial report for half-year ended 31 December 2016

Name of entity	The Gruden Group Ltd
ABN	56 125 943 240
Half-year ended	31 December 2016
Previous corresponding reporting period	31 December 2015

Results for announcement to the market

Revenue from ordinary activities	up	N/A[1]	to	$7,536,875
Loss from ordinary activities after tax attributable to the owners of The Gruden Group Ltd	up	498%	to	($2,571,958)
Loss for the period attributable to the owners of The Gruden Group Ltd	up	498%	to	($2,571,958)

1. No revenue was generated in the prior period.

Dividends

No dividends were paid or proposed to members during the half-year ended 31 December 2016 or in the previous half-year.

Brief explanation of results

A net loss after tax of $2,571,958 is reported by the Group for the half-year (31 December 2015: loss of $429,968).

Refer to the directors' report, financial statements and supporting notes in the attached Interim Report for the half-year ended 31 December 2016 for additional detail.

Supplementary Appendix 4D information

Dividend reinvestment plans

There are no dividend reinvestment plans in operation.

Net tangible assets per security

NTA backing	31 December 2016	30 June 2016
Net tangible asset backing per ordinary security (undiluted)	0.28 cents	0.69 cents

Control gained or lost during the period

Control gained

There were no transactions entered into by the group during the half-year ended 31 December 2016 that resulted in control being gained over any entities.

Control lost

There were no transactions entered into by the group during the half-year ended 31 December 2016 that resulted in control being lost over any entities.

Subsidiaries

The consolidated results incorporate the assets, liabilities and results of the following subsidiaries.

Name of entity	Country of incorporation	Class of Shares	Equity Holding 31 Dec 2016	Equity Holding 30 June 2016
Controlled entity			**%**	**%**
Longreach Number 2 Pty Ltd	Australia	Ordinary	100%	100%
Gruden Pty Ltd	Australia	Ordinary	100%	100%
Mobile Den Pty Ltd	Australia	Ordinary	100%	100%
Blackglass Pty Ltd	Australia	Ordinary	100%	100%
First People Digital (Previously Ixion Interactive Pty Ltd) (a)	Australia	Ordinary	49%	100%

(a) 100% held by Blackglass Pty Ltd

The proportion of ownership interest is equal to the proportion of voting power held.

Associates and joint venture entities

There are no interests in associates of joint venture entities.

Report based on audited accounts

This report has been based on the attached accounts which have been reviewed by the Group's auditors.

THE
GRUDEN
GROUP

Interim Financial Report –

For the half-year ended 31 December 2016

Lodged with the ASX under Listing Rule 4.2A

The Gruden Group Ltd
ABN 56 125 943 240

Table of contents

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as Gruden or the Group) consisting of The Gruden Group Ltd (referred to as the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

Gary Castledine	Non-Executive Director
Stephen Harrison	Non-Executive Director
Warren Barry	Executive Director
Todd Trevillion	Executive Director

Principal activities and significant changes in principal activities

The principal activities of the Group are the provision of specialist technology and digital marketing services for clients wanting to interact and engage with their customers via mobile, web and various digital channels.

Financial Results

The loss after tax of the Group for the half-year ended 31 December 2016 was $2,571,958 (2015 loss: $429,968). Earnings loss per share were 0.41 cents (2015: loss per share 0.10 cents).

At 31 December 2016, cash and cash equivalents and other financial assets totalled $2,531,074 (30 June 2016: $5,307,362).

Contributed equity and reserves decreased by $2,506,958 mainly due to the loss of $2,571,958 incurred during the six month period.

Dividends

The directors recommend that no dividend be paid or declared at this point in time. No amounts have been paid or declared by way of dividend during the half-year.

Rounding of amounts presented in the Directors report

In accordance with ASIC Corporations (Rounding in Financial / Directors Reports) Instrument 2016/191, the amounts in the Directors Report and in the Financial Report have been rounded to the nearest dollar.

Events since the end of the financial half-year

There are no matters or circumstances that have arisen since the end of the half-year that have affected or may significantly affect the operations, results of those operations, or state of affairs of the Group in future financial years.

Future developments and expected results of operations

Based on the learnings of H1, Gruden has made significant changes to its operational base with cost cuts representing annualised savings of $1.8m. Combined with a healthy growth in revenue from, for example, recently announced government contracts totalling $4.73m, we are confident that the business is now properly calibrated and has an excellent reputation in our marketplace. Gruden is well positioned to benefit from the increasing demand for the digital transformations demanded by today's commercial environment.

Furthermore, the increasing traction of our proprietary mobileDEN platform demonstrates its potential to deliver increasing annuity (licencing and transaction) revenue to complement the fee-for-service model.

Directors' Report (continued)

Review of operations for the half year and outlook

Gruden offers fully integrated fintech and digital marketing solutions focused on customer acquisition and driving revenues for its major corporate, brand and government clients. The Company provides a wide range of products and supporting services that allow its clients to maximise engagement and transactions with their customers, via mobile and digital channels.

On 26 May 2016, The Gruden Group Ltd (previously known as Exoma Energy Limited) completed the acquisition of 100% of the shares of Blackglass Pty Ltd, Mobile Den Pty Ltd, Gruden Pty Ltd and Ixion Interactive Pty Ltd for a consideration of $5,691,552, settled by issue of shares in The Gruden Group Ltd.

This is the first half-year reporting of the results of the combined entity.

The acquired business contributed revenues of $7,536,875, an increase of 27% on H1 of 2016 (prior to acquisition) and net loss after tax of $2,571,958 to the Group for the half year 31 December 2016.This was attributable to cost of sales of $6,067,348 and $4,243,438 in expenses, that included $2,701,729 in employee costs that are a result of increasing resourcing ahead of securing a number of large projects which will commence in the second half of 2017. Actions have already been taken to reduce employee costs by $1.8m going forward.

Revenue has increased and the Company is now delivering over $1.3 million in monthly revenue. Revenue was driven by exceptional performance of its Government business unit, that accounted for 27.2% in revenue. This can be attributed to a number of contracts won during and prior to the period including with the Public Record Office of Victoria (PROV) to create a closed-based environment that will make all its records available online.
The Company expects further revenue growth by converting a strong sales pipeline, successfully leveraging cross sell opportunities between business divisions and growing its established presence with key platform builds for State and Federal Government. The establishment of a Canberra presence and an indigenous joint venture is expected to enhance capability to grow government contracts.

The Company is in the advanced planning stages of defining its growth strategy for its intelligent, next generation mobile engagement and transactional platform, mobileDEN, which offers integrated marketing capability. mobileDen is relevant to multiple vertical markets including food & beverage, hospitality, hotels and stadiums.

Gruden is a business with a revenue model that combines an attractive balance of high growth transaction fees and recurring licensing and consulting fees.

To service its Government clients, the Company has become one of only six Australian providers accredited by the AWS Government Partner Program. In addition, established a presence in Canberra and Gruden is also a Premier Google partner, Sitecore Gold Implementations partner and an Oracle Gold Partner.

To facilitate expansion of mobileDEN's customer base, Gruden will strengthen its operational capabilities through an enhanced Customer Support team, a new Integrations team for Loyalty, POS and eCommerce / payment gateways and a new dedicated product development team.

On behalf of the Board of Directors.

Gary Castledine
Chairman

28 February 2017

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Level 38
345 Queen Street
Brisbane
Queensland 4000

Postal Address:
GPO Box 1144
Brisbane
Queensland 4001

Tel: 07 3222 8444
Fax: 07 3221 7779

www.pitcher.com.au
info@pitcherpartners.com.au

Pitcher Partners is an association of independent firms
Brisbane | Melbourne | Sydney | Perth | Adelaide | Newcastle

Auditor’s Independence Declaration

To the Directors of The Gruden Group Limited.

In relation to the independent auditor’s review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001;* and

ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of The Gruden Group Limited and the entities it controlled during the period.

PITCHER PARTNERS

J. Evans

JASON EVANS
Partner

Brisbane, Queensland
28 February 2017

Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

	Note	Half-year ended 31 Dec 2016 $	Half-year ended 31 Dec 2015 $
Revenue	6	7,536,875	-
Cost of sales		(6,067,348)	-
Gross profit		1,469,527	-
Other income	6	189,769	135,350
Operating expenses	7	(4,243,438)	(655,912)
Operating loss		(2,584,142)	(520,562)
Finance income	6	28,269	90,594
Finance costs		(16,085)	-
Loss before income tax expense		(2,571,958)	(429,968)
Income tax benefit		-	-
Loss after tax from continuing operations		(2,571,958)	(429,968)
Other comprehensive income / (loss)		-	-
Total comprehensive loss for the half-year		(2,571,958)	(429,968)
Profit / (loss) attributable to:			
Owners of the parent		(2,571,958)	(429,968)
Total comprehensive income / (loss) attributable to:			
Owners of the parent		(2,571,958)	(429,968)
		Cents	Cents
Earnings per share			
Basic profit / (loss) per share (weighted average)		(0.41)	(0.10)
Diluted profit / (loss) per share (weighted average)		(0.41)	(0.10)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position
As at 31 December 2016

	Note	31 Dec 2016	30 June 2016
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		2,531,074	5,307,362
Trade and other receivables	8	2,626,861	1,955,177
Other financial assets	9	358,651	6,500
Total current assets		5,516,586	7,269,039
Non-current assets			
Trade and other receivables	8	60,000	60,000
Other financial assets	9	303,166	358,651
Property, plant and equipment		264,470	113,351
Intangible assets	3	7,756,702	7,941,956
Deferred tax assets		612,000	612,000
Total non-current assets		8,996,338	9,085,958
Total assets		14,512,924	16,354,997
LIABILITIES			
Current liabilities			
Trade and other payables	10	2,574,918	2,409,704
Income tax payable		69,093	99,930
Provisions	11	750,054	493,683
Deferred revenue		756,864	489,841
Total current liabilities		4,150,929	3,493,158
Non-current liabilities			
Provisions	11	50,574	43,460
Total non-current liabilities		50,574	43,460
Total liabilities		4,201,503	3,536,618
Net assets		10,311,421	12,818,379
EQUITY			
Contributed equity		28,385,292	28,320,292
Reserves		2,296,089	2,296,089
Accumulated losses		(20,369,960)	(17,798,002)
Total equity		10,311,421	12,818,379

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows
For the half-year ended 31 December 2016

	Note	Half-year ended 31 December 2016	Half-year ended 31 December 2015
		$	$
Cash inflow / (outflow) from operating activities			
Receipts from customers		**7,821,438**	-
Payments to suppliers and employees		**(10,454,313)**	(846,976)
Interest received		**42,083**	77,986
Interest paid		**-**	-
Sub-lease rental received		**229,201**	201,156
Net cash outflow from operating activities		**(2,361,591)**	(567,834)
Cash inflow / (outflow) from investing activities			
Loan to company subsequently acquired		-	(350,000)
Payments for plant and equipment		**(414,697)**	-
Net cash inflow / (outflow) from investing activities		**(414,697)**	(350,000)
Cash inflow / (outflow) from financing activities		**-**	-
Net cash inflow / (outflow) from financing activities		**-**	-
Net decrease in cash and cash equivalents		**(2,776,288)**	(917,834)
Cash and cash equivalents at beginning of half-year		**5,307,362**	6,757,173
Cash and cash equivalents at end of half-year		**2,531,074**	5,839,339

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
For the half-year ended 31 December 2016

	Attributable to owners of The Gruden Group Ltd				
	Contributed equity $	Accumulated losses $	Profits reserve $	Performance share reserve $	Total $
Balance at 1 July 2016	28,320,292	(17,798,002)	201,597	2,094,492	12,818,379
Loss for half-year	-	(2,571,958)	-	-	(2,571,958)
Total comprehensive income for half-year	-	(2,571,958)	-	-	(2,571,958)
Transactions with owners in their capacity as owners:					
Issue of shares to employees	65,000	-	-	-	65,000
Balance 31 December 2016	**28,385,292**	**(20,369,960)**	**201,597**	**2,094,492**	**10,311,421**

	Contributed equity $	Accumulated losses $	Option reserve $	Total $
Balance at 1 July 2015	24,603,232	(21,789,840)	3,991,838	6,805,230
Loss for half-year	-	(429,968)	-	(429,968)
Total comprehensive loss for half-year	-	(429,968)	-	(429,968)
Transactions with owners in their capacity as owners:				
Issue of shares for consultancy services	120,000	-	-	120,000
Balance 31 December 2015	**24,723,232**	**(22,219,808)**	**3,991,838**	**6,495,262**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the interim consolidated financial statements

For the half-year ended 31 December 2016

Note 1. Basis of preparation

(a) Compliance with accounting standards

This condensed half-year financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and *Australian Accounting Standard AASB 134: Interim Financial Reporting*.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the most recent annual financial report of the Company, together with any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(b) Historical cost convention

The financial statements have been prepared on an accruals basis and are based on historical cost, except for the available-for-sale assets when held, which have been measured at fair value. The Company is domiciled in Australia and all amounts are presented in Australian dollars.

For the purpose of preparing this financial report, the half-year has been treated as a discrete reporting period.

(c) Going concern

The financial statements have been prepared on a going concern basis, which contemplates that the Company will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the half-year ended 31 December 2016 the group incurred a loss before tax of $2,571,958 (2015: $429,968 loss) and net cash outflows from operating activities of $2,361,591 (2015: $567,834 outflow). The trading losses have impacted the company's cash and net working capital position and resulted in a reduction in net current assets of $2,410,224 during the half-year.

As a result, the Directors have concluded that these events and conditions are subject to material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The loss incurred during the half-year was principally a result of the investment in the mobileDen platform as previously indicated to the market, amortisation of Intangibles recorded at Acquisition and resourcing ahead of securing a number of large projects which will commence in the second half of 2017.

At the date of this report the Directors have implemented plans to address the group's ongoing operations, implemented a reorganisation of the company including cost control which includes reduction of employee costs of $1.8m per annum, greater cost control through reorganisation of existing staff to fill future roles, improved utilisation of existing resources through the use of the new systems and greater charge out rates.

In addition it is estimated that there will be significant revenue increases as advised to the market eg OSBC and Aus tender totalling $4.73m, plus the on-going negotiations with various new clients which will be completed soon.

The company is currently applying for the R & D rebates which it expects to receive this financial year. In addition, the company is to shortly apply for other government grants, which if successful should be received in the first 6 months of the next financial year.

The Directors believe the company will be successful in carrying out its plans described above, therefore, the interim financial statements have been prepared on a going concern basis.

(d) Accounting estimates and judgements
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

(e) Accounting estimates and judgements
The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial report for the year ended 30 June 2016.

(f) Rounding of amounts presented in the half-year financial report
In accordance with ASIC Corporations (Rounding in Financial / Directors Reports) Instrument 2016/191, the amounts in the Directors Report and in the Financial Report have been rounded to the nearest dollar.

Notes to the interim consolidated financial statements
For the half-year ended 31 December 2016 continued

Note 2. Segment information

Management has determined the operating segments based on the reports reviewed by the Executives and Board, as the chief operating decision makers. These reports focus on Business Units and indicate two reportable operating segments:

Reportable Segment	Description of Activities
Information and Technology Services	Performance marketing, provision of digital services, web based business solutions to customers. Development of mobile applications including mobile loyalty with point of sale integration.
Investment	Identify investment opportunities in relevant technologies.

Management monitors the operating results of its reportable segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on a measure of profit or loss before significant items and tax.

There are cash funding arrangements and inter-business unit charges at cost between the reportable segments.

Revenue from external sales is predominantly to customers in Australia and total segment assets are predominantly held in Australia. Revenue from one customer of the Information and Technology Services segment represented $1,390,304 (18.4%) of the Group's total revenue and revenue from the next two major customers of the same segment represented $901,396 (12.0%) and $744,874 (9.9%) of the Group's total revenue.

	Information and Technology Services	Investment	Corporate & Other	Total
Half-year ended 31 December 2016	**$**	**$**	**$**	**$**
Revenue from services	6,241,083	-	-	6,241,083
Revenue from media buying	1,295,792	-	-	1,295,792
Revenue from continuing operations	**7,536,875**	-	-	7,536,875
Cost of sales	(6,067,348)	-	-	(6,067,348)
Gross profit	**1,469,527**	-	-	1,469,527
Other income	20,856	143,712	25,201	189,769
Other operating expenses	(674,690)	(416,369)	(2,603,739)	(3,694,798)
Profit / (loss) before finance, tax, depreciation and amortisation	**815,693**	**(272,657)**	**(2,578,538)**	**(2,035,502)**
Depreciation and amortisation	(508,702)	-	(39,938)	(548,640)
Finance income	-	24,218	4,051	28,269
Finance costs	(3,978)	(9,208)	(2,899)	(16,085)
Profit / (loss) before tax	**303,013**	**(257,647)**	**(2,617,324)**	**(2,571,958)**

Notes to the interim consolidated financial statements
For the half-year ended 31 December 2016 continued

Note 3. Intangible assets

	Software $	Customer contracts and relationships $	Goodwill $	Total $
Year ended 30 June 2016				
At 1 July 2015	-	-	-	-
Acquisition of subsidiaries	**3,606,970**	**2,207,000**	**2,106,736**	**7,920,706**
Additions	**21,250**	**-**	**-**	**21,250**
Amortisation charge for the year	-	-	-	-
At 30 June 2016, net of accumulated amortisation	**3,628,220**	**2,207,000**	**2,106,736**	**7,941,956**
Additions	**324,232**	**-**	**-**	**324,232**
Amortisation charge for the half-year	**(371,549)**	**(137,937)**	**-**	**(509,486)**
At 31 December 2016, net of accumulated amortisation	**3,580,903**	**2,069,063**	**2,106,736**	**7,756,702**
At 31 December 2016				
Cost	**3,952,452**	**2,207,000**	**2,106,736**	**8,266,188**
Accumulated amortisation	**(371,549)**	**(137,937)**	**-**	**(509,486)**
Net book amount	**3,580,903**	**2,069,063**	**2,106,736**	**7,756,702**

The Group tests whether goodwill has suffered any impairment on an annual basis, or when there is an indicator of impairment. The recoverable amount of each CGU is based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a three to five year period, with the key assumptions being CGU earnings and projected capital expenditure from Mobile Den's product development activities.

A terminal growth rate of 1.5% was applied and a pre-tax discount of 20% was utilised. The terminal growth rate is determined based on the current long term growth rate of the business, as ascertained at the time of the acquisition. The major inputs and assumptions used in performing an impairment assessment that requires judgement include revenue forecasts, operating cost projections, customer numbers and churn, discount rates, growth rates and future technology paths.

Notes to the interim consolidated financial statements
For the half-year ended 31 December 2016 continued

Note 4. Discontinued operations

There were no operations that were discontinued during the half-year.

Note 5. Events occurring after the balance sheet date

There are no matters or circumstances that have arisen since 31 December 2016 that have affected or may significantly affect the operations, results, or state of affairs of the Company in future financial years.

Note 6. Revenue and other income

	Consolidated for half-year ended 31 December 2016 $	Consolidated for half-year ended 31 December 2015 $
Revenue		
Revenue from services provided	6,241,083	-
Revenue from media buying	1,295,792	-
	7,536,875	**-**
Other income		
Finance income	189,769	135,350
Other income	28,269	90,594
	218,038	**225,944**

Notes to the interim consolidated financial statements
For the half-year ended 31 December 2016 continued

Note 7. Operating expenses

	Consolidated for half-year ended 31 December 2016 $	Consolidated for half-year ended 31 December 2015 $
Expenses and losses from continuing operations		
Depreciation and amortisation expenses	548,640	-
Employee expenses	2,701,729	-
General and administrative expenses	406,284	355,342
Consultants, legal and other professional fees	65,537	94,000
Occupancy costs	426,909	171,932
Other costs	94,339	34,638
Total	**4,243,438**	**655,912**

Note 8. Trade and other receivables

	Consolidated 31-Dec-16 $	Consolidated 30-Jun-16 $
Current:		
Trade receivables	**2,433,864**	**1,700,464**
Other receivables	**79,370**	**154,374**
Prepayments	**113,627**	**100,339**
Total	**2,626,861**	**1,955,177**
Non-current:		
Environmental security deposits – Queensland Government	**60,000**	**60,000**
Other receivables	**-**	**-**
Total	**60,000**	**60,000**

Notes to the interim consolidated financial statements
For the half-year ended 31 December 2016 continued

Note 9. Other financial assets

	Consolidated 31-Dec-16 $	Consolidated 30-Jun-16 $
Current:		
Restricted cash balances:		
Current portion of fixed deposits provided as guarantee	**358,651**	**6,500**
Total	**358,651**	**6,500**
Non-current:		
Restricted cash balances:		
Non-current portion of fixed deposits provided as guarantee	**303,166**	**358,651**
Total	**303,166**	**358,651**

Fair value:
The fair values of all monetary financial assets and liabilities approximate their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form. The aggregate fair values and carrying amounts of financial assets and liabilities are disclosed in the consolidated statement of financial position and in the notes to and forming part of the condensed half-year financial report.

Note 10. Trade and other payables

	Consolidated 31-Dec-16 $	Consolidated 30-Jun-16 $
Current		
Trade payables	**1,401,145**	**1,015,356**
Accruals and other payables	**1,173,773**	**1,394,348**
Total	**2,574,918**	**2,409,704**

Notes to the interim consolidated financial statements
For the half-year ended 31 December 2016 continued

Note 11. Provisions

	Consolidated 31-Dec-16 $	Consolidated 30-Jun-16 $
Current		
Employee benefits	**668,147**	**493,683**
Other provisions	**81,907**	-
Total	**750,054**	**493,683**
Non-current		
Employee benefits	**50,574**	**43,460**
Total	**50,574**	**43,460**

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes and additional disclosures included in the Directors' Report are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a Resolution of the Board of Directors.

Gary Castledine

Chairman

28 February 2017

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Level 38
345 Queen Street
Brisbane
Queensland 4000

Postal Address:
GPO Box 1144
Brisbane
Queensland 4001

Tel: 07 3222 8444
Fax: 07 3221 7779

www.pitcher.com.au
info@pitcherpartners.com.au

Pitcher Partners is an association of independent firms
Brisbane | Melbourne | Sydney | Perth | Adelaide | Newcastle

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of The Gruden Group Limited,

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of The Gruden Group Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half- year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of The Gruden Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of The Gruden Group Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(c) in the financial report which states that the consolidated entity's ability to execute its plans to address ongoing operations and achieve a return to profitability is dependent on the consolidated entity's ability to increase revenue and reduce costs. The matters set forth in Note 1(c) indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

PITCHER PARTNERS

J. Evans

JASON EVANS
Partner

Brisbane, Queensland
28 February 2017