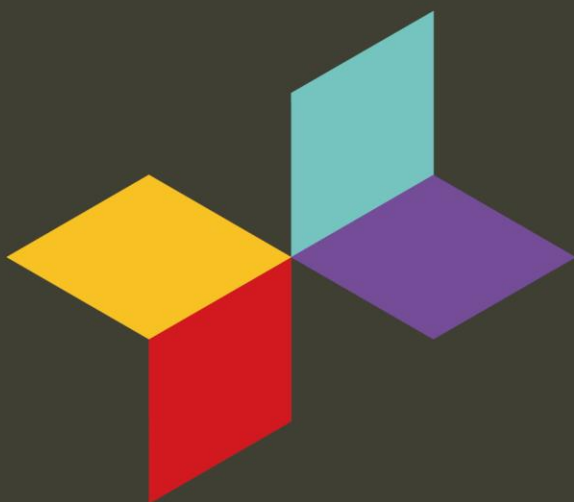


The logo graphic consists of four overlapping diamond shapes in yellow, cyan, purple, and red, arranged in a cluster above the word 'Fronde'.

Fronde

2017
Half Year
Report



Company Number

528567

Registered Office/Principal Place of Business

3 Queens Wharf
Wellington
Telephone +64 4 499 3000
Facsimile +64 4 460 5703
Website www.fronde.com

Directors

D Bartlett (Chairman)	Appointed 01 March 2017
C Drayton	Appointed 28 June 2017
DW Irving	Ceased 21 September 2017
SL Maier Jr	
C Burton	Resigned 31 July 2017

Auditor

Deloitte Limited
98 Customhouse Quay
Wellington

Solicitor

Quigg Partners
The Bayleys Building
28 Brandon St
Wellington

Banker

ANZ National Bank Limited
215 – 229 Lambton Quay
Wellington

Share Registry

Link Market Services
138 Tancred Street
Ashburton

Unlisted Market Stock Code

FSG
www.unlisted.co.nz



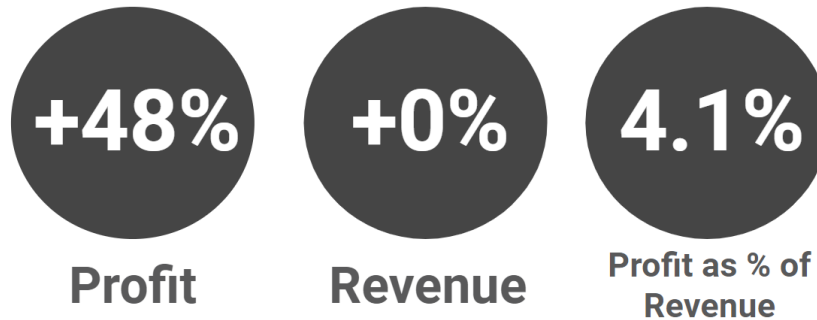
Contents

Chairman’s and Chief Executive’s Report.....	3
Statement of Comprehensive Income.....	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Cash Flow Statement	8
Notes to the Financial Statements	9

Chairman's and Chief Executive's Report

On behalf of Fronde Systems Group, we are pleased to present another substantially improved result. Our half year result for the period ended 30 September 2017 reflects the continued improvement in overall profitability of our business.

Results in Summary



- Profit before tax for the half year improved by 48% (\$1.09m compared with \$0.74m for the prior year).
- Overall, revenue was in line with last year. However, within this our mix continues to improve, as we focus on growing profitable areas and reducing areas that have decreased profitability.
- As a percentage of income, profit before tax increased from 2.8% in the prior year to 4.1% this year.
- Equity increased to \$5.99m, with retained earnings now positive for the first time in three years.
- As well as significantly improving profit, we have been able to increase investment in developing and managing intellectual property to build a differentiated market position, and to continue our growth in Australia.
- Cash remains strongly positive, with no use of our overdraft facilities.

As highlighted in the past few years, revenue and profitability from traditional areas of our business has been under pressure. Pleasingly we have seen the growth in recurring revenues from licenses and premium consulting services fully compensate for the reduction in revenues from building customised bespoke software.

As part of our ongoing focus on improving profitability and building our platform for future growth, we are accelerating our investment in the development of intellectual property and sales and marketing capability. We are also leveraging areas of excellence, creating efficiency and improving delivery effectiveness by managing our business as one unit, rather than our previous country specific approach.

Outlook

As previously signalled, we expect the pressure of current market dynamics to continue, particularly in the traditional custom software development areas of our business. However, our investment in building a differentiated position in both New Zealand and Australia is gaining traction, particularly as we pivot towards more high value consultancy services. We now have an exciting and strong base to build on over the next few years.

Our focus for the coming year remains consistent, as we continue our focus on improving profitability, balancing this carefully with enabling further investment in our growth segments. Key areas include:

- Continuing to build and refine our differentiated market position through unique intellectual property, and leveraging this in both the Australian and New Zealand markets
- Investing in our sales and marketing capacity and capability
- Optimising our service capacity to match demand, and optimising our internal indirect costs

Governance

It is with great sadness that the board acknowledges the passing of Director and Founder David Irving on 21 September 2017. David will be greatly missed. The board currently has no plans to appoint a new Director.

A handwritten signature in black ink, appearing to read "David Bartlett".

David Bartlett
Chairman

A handwritten signature in black ink, appearing to read "Anthony Belsham".

Anthony Belsham
CEO

Statement of Comprehensive Income

For the period ended 30 September 2017

	Note	Group Unaudited half year ended 30-Sep-17 \$000	Group Unaudited half year ended 30-Sep-16 \$000	Group Audited year ended 31-Mar-17 \$000
Revenue	3	26,651	26,545	49,656
Cost of sales		(18,973)	(18,122)	(34,182)
Gross profit		7,678	8,423	15,474
Loss on disposal of property		-	-	(49)
Expenditure	4	(6,586)	(7,663)	(13,979)
Finance costs	3	(1)	(24)	(21)
Total expenses		(6,587)	(7,687)	(14,049)
Profit before income tax		1,091	736	1,425
Income tax expense		(58)	(162)	(232)
Profit for the period		1,033	574	1,193
Other Comprehensive Income				
Gains/(losses) from:				
Translation of foreign operations		2	38	128
Other comprehensive income for the period, net of tax		2	38	128
Total comprehensive income for the period, net of tax		1,035	612	1,321
Earnings per share:				
Basic and diluted		13.44	7.58	15.70

This Statement is to be read in conjunction with the Notes to the Financial Statements.

Statement of Financial Position

As at 30 September 2017

	Group Unaudited half year ended 30-Sep-17 \$000	Group Unaudited half year ended 30-Sep-16 \$000	Group Audited year ended 31-Mar-17 \$000
Assets			
Cash on hand	4,372	848	1,525
Other current assets	8,099	7,780	8,371
Non-current assets	2,332	2,644	2,435
Total assets	14,803	11,272	12,331
Liabilities			
Bank overdraft	-	487	-
Other current liabilities	8,777	6,091	7,034
Non-current liabilities	33	139	33
Total liabilities	8,810	6,717	7,067
Net assets	5,993	4,555	5,264
Equity			
Issued share capital	5,798	5,708	5,708
Retained earnings	306	(1,901)	(420)
Reserves	(111)	748	(24)
Total equity	5,993	4,555	5,264

This Statement is to be read in conjunction with the Notes to the Financial Statements.

Statement of Changes in Equity

For the period ended 30 September 2017

	Group Unaudited half year ended 30-Sep-17 \$000	Group Unaudited half year ended 30-Sep-16 \$000	Group Audited year ended 31-Mar-17 \$000
Equity at the beginning of the period	5,264	3,575	3,575
Profit on ordinary activities after taxation	1,033	574	1,193
Movement in foreign currency translation reserve	2	38	128
Total comprehensive income for the period, net of tax	<u>1,035</u>	<u>612</u>	<u>1,321</u>
Dividend paid	(307)	-	-
Ordinary shares issued	90	546	546
Provision for issue of ordinary shares	(89)	(178)	(178)
Equity at the end of the period	<u>5,993</u>	<u>4,555</u>	<u>5,264</u>

This Statement is to be read in conjunction with the Notes to the Financial Statements.

Cash Flow Statement

For the period ended 30 September 2017

	Group Unaudited half year ended 30-Sep-17 \$000	Group Unaudited half year ended 30-Sep-16 \$000	Group Audited year ended 31-Mar-17 \$000
Cash flows from operating activities			
Operating cash inflows	26,494	26,974	49,992
Operating cash outflows	(23,291)	(26,787)	(48,347)
Net cash provided by operating activities	3,203	187	1,645
Cash flows from investing activities			
Sale of assets	-	1	1
Purchase of property plant & equipment	(47)	(156)	(459)
Net cash used in investing activities	(47)	(155)	(458)
Cash flows from financing activities			
Financing cash inflows	-	-	-
Financing cash outflows	(307)	-	-
Net cash outflows from financing activities	(307)	-	-
Net increase in cash and cash equivalents	2,849	32	1,187
Cash and cash equivalents at the beginning of the period	1,525	225	225
Foreign exchange effects	(2)	104	113
Cash and cash equivalents at the end of the period	4,372	361	1,525

This Statement is to be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

1. Basis of Preparation

Fronde Systems Group Limited (the 'Parent') is registered under the Companies Act 1993 and is an issuer for the purposes of the Financial Reporting Act 1993.

The Parent and its subsidiaries comprise the Fronde Group (the 'Group'). The Parent is not an 'exempt company' under the Companies Act 1993.

The Group is a profit-oriented entity and its consolidated financial statements have been prepared in accordance with NZ IAS 34 'Interim Financial Reporting' and other applicable reporting standards.

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with the accounting policies and methods of computation used in the preparation of the comparative figures.

These interim financial statements should be read in conjunction with the financial statements and related notes contained in the Group's audited Annual Report for the year ended 31 March 2017.

2. Reconciliation of profit for the period to net cash flows from operating activities

	Group Unaudited half year ended 30-Sep-17 \$000	Group Unaudited half year ended 30-Sep-16 \$000	Group Audited year ended 31-Mar-17 \$000
Profit/(loss) after tax for the period	1,033	574	1,193
Add/(less) non-cash items and non-operating items			
(Profit)/loss on disposal of non-current assets	-	(1)	49
Depreciation and amortisation of non-current assets	144	163	331
Share based payment expense	-	369	368
Write-off bad debts not recoverable	-	-	4
Net foreign exchange differences	31	-	18
Increase in current tax balances	50	162	-
Decrease in deferred tax balances	-	-	236
Changes in net assets and liabilities:			
Decrease/(increase) in current receivables	259	1,306	764
Decrease/(increase) in other current assets	(91)	(113)	5
(Decrease)/increase in current payables	1,762	(333)	(443)
(Decrease)/increase in other liabilities	15	(1,940)	(880)
Net cash inflow from operating activities	3,203	187	1,645

3. Interest

	Group Unaudited half year ended 30-Sep-17 \$000	Group Unaudited half year ended 30-Sep-16 \$000	Group Audited year ended 31-Mar-17 \$000
Included in revenue:			
Interest received	18	2	2
Included in finance costs:			
Interest paid	1	24	21

4. Unrealised foreign exchange gain / (loss)

	Group Unaudited half year ended 30-Sep-17 \$000	Group Unaudited half year ended 30-Sep-16 \$000	Group Audited year ended 31-Mar-17 \$000
Included in Expenditure:			
Unrealised Foreign Exchange (losses)/gains	(31)	(47)	(21)

5. Segment Reporting

Operating Segments

The Group has determined its operating segments based on the reports reviewed by the Group's Chief Operating decision maker to assess performance, allocate resources and make strategic decisions. The reportable segments are based on aggregating operating segments based on the similarity of the services provided.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1.

These segment reports have changed from previous years' reports to more accurately reflect how the business now reports its Operating Segments internally during the year as one universal business.

The Group's reportable segments are as follows:

Services

The Services segment represents revenue generated from the provision of consulting services, developing software solutions and providing managed service support contracts.

Licenses

The Licenses segment represents revenue and commission received from the sale of licenses, including third party licenses.

Other

The Other segment relates to rent received from sub leasing of office premises.

	Group Unaudited half year ended 30-Sep-17 \$000	Group Unaudited half year ended 30-Sep-16 \$000	Group Audited year ended 31-Mar-17 \$000
Operating revenue segments			
Services	17,652	19,516	34,814
Licenses	8,916	6,914	14,487
Other	65	113	353
Segment revenue	26,633	26,543	49,654
Interest revenue	18	2	2
Total revenue	26,651	26,545	49,656

6. Significant events after reporting date

There are no other events subsequent to balance date requiring disclosure in the financial statements.



www.fronde.com