



Notification to the ASX
11 August 2008
Reckon Limited (RKN)

Half year results for announcement to the market

Please see the attached Highlights Commentary, Appendix 4D, and half year financial report for the period ending 30 June 2008.

The information should be read in conjunction with the most recent annual financial report.

For further information, please contact:

Mr Clive Rabie
Group CEO
Reckon Limited
(02) 9577 5946

Mr Chris Hagglund
Group CFO
Reckon Limited
(02) 9577 5414

QuickBooks®

Quicken®

ReckonTools

ReckonElite

aps
Accounting Technology

SHELCO
J&H



Reckon Limited Highlights Commentary Half Year Ending 30 June 2008

Reckon is pleased to announce details of the company's results to 30 June 2008.

	6 months to June 2008	6 months to June 2007	% Growth
Revenue	\$31.5 million	\$28.4 million	Up 11%
EBITDA	\$9.4 million	\$8.2 million	Up 15%
NPAT	\$5.6 million	\$5.0 million	Up 12%
EPS	4.2c per share	3.8c per share	Up 12%
Dividend	2.5c per share	2.5c per share	-

Group CEO, Mr Clive Rabie said:

"The Group's ongoing growth is attributable to the successful performance of both the Professional division (APS products) and the Business division (QuickBooks and related products).

The Professional division operating revenue is up 13% to \$10.6 million; with a very significant uplift in EBITDA of 29%, to \$2.6 million.

The Professional Division showed growth in software sales, consulting and maintenance revenue. This reflects our growth in market share and continued rollout of products to existing customers, strengthening our position as a provider of choice for top accounting firms. Revenue growth in Australia was particularly strong. The division also benefited from the expansion of the consulting team last year.

In the Professional division we will focus on taking advantage of our strong order book and continued roll out of our wide range of products and services to existing customers.



In the Business Division, operating revenue is up by 10% to \$20.6 million; while EBITDA is also up 10% to \$6.8 million over the previous corresponding period. The Business division EBITDA was impacted upon by development and marketing costs in the QBi series launch as well as focus on market growth activity in New Zealand.

The QuickBooks QBi Series was launched providing a step change in technology for SME's. Our further expansion into the enterprise market was particularly strong with 24% revenue growth. The personal market showed continued market share growth. Elite products also enjoyed success with 193 practices switching to the Elite Accountants' Suite.

On that basis we look forward to leveraging the technology advantage of the QBi series; developing growth in the enterprise sales channel; bringing ReckonTools products to market; and completing the development of the ACR product and bringing it to market.

Overall our results sustain our faith in our strategy to build organic growth, to widen the product and service offering to our customers and to pursue complementary acquisitions.

As far as acquisitions are concerned, at this stage we can only advise that as far as our acquisition of Espreon Limited's Corporate Services and Cost Recovery businesses is concerned, discussions continue between all the parties with a view to reaching an agreed scheme proposal that can be put to Espreon Limited shareholders.

As always I wish to acknowledge the support of our staff, professional partners and customers for their contribution to another strong start to our year."

Appendix 4D

Half year report

1. Company details

Name of entity

RECKON LIMITED

ABN or equivalent company reference

14 003 348 730

Half year ended ('current period')

30 JUNE 2008

Half year ended ('previous period')

30 JUNE 2007

2. Results for announcement to the market

\$A'000's

2.1	Revenues from ordinary activities	up	10.8 %	to	31,498
2.2	Profit (loss) from ordinary activities after tax attributable to members	up	11.6 %	to	5,592
2.3	Net profit (loss) for the period attributable to members	up	11.6 %	to	5,592
2.4	Dividends		Amount per security		Franked amount per security
	Interim dividend declared		2.5¢		2.5¢
2.5	+Record date for determining entitlements to the dividend.		25 August 2008		
2.6	Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable the figures to be understood.				
	The improvement is as a result of strong organic revenue growth in both divisions, together with better margins in the Professional Division due a lower proportion of third party sales as well as effective cost management across the group. This was partially offset by higher marketing and development costs in the Business Division following the launch of the QBi product.				

3. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per +ordinary security	\$0.09	\$0.08

4.1 Control gained over entities

Name of entity (or group of entities)	N/A
Date control gained	
Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities during the period (where material).	
Profit(loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period.	

4.2 Loss of control over entities

Name of entity (or group of entities)	N/A
Date control lost	
Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities during the period (where material).	
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material).	

5 Dividends

Individual dividends per security

		Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
	Interim dividend: Current year	10/9/2008	2.5¢	2.5¢	- ¢
	Previous year	10/9/2007	2.5¢	1.25¢	- ¢

6 Dividend Reinvestment Plans

The ⁺dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the ⁺dividend or distribution plans

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7 Details of associates and joint venture entities

Name of associate/joint venture	Reporting entity's percentage holding		Contribution to Net profit/(loss) (where material)	
	Current Period	Previous corresponding period	Current Period	Previous corresponding period
N/A				

Group's aggregate share of associates' and joint venture entities' profits/(losses) (where material):	Current period \$A'000	Previous corresponding period \$A'000
Profit/(loss) from ordinary activities before tax		
Income tax on ordinary activities		
Profit/(loss) from ordinary activities after tax		
Extraordinary items net of tax		
Net profit/(loss)		
Adjustments		
Share of net profit/(loss) of associates and joint venture entities		

8 Foreign entities

For foreign entities, details of origin of accounting standards used in compiling the report (e.g. International etc.)
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N/A

9. If the accounts are subject to audit dispute or qualification, details are described below

NIL



Clive Rabie
Director

11 August 2008

Reckon Limited
ACN 003 348 730
Directors' Report

Your directors present their report for the half-year ended 30 June 2008.

Directors

The names of the company's directors in office during the half-year and until the date of this report are as follows:

John Thame
Greg Wilkinson
Ian Ferrier
Clive Rabie

Review of Operations

Overview of financial performance for the half-year:

	30 June 2008	30 June 2007
	\$'000	\$'000
Revenue	\$ 31,498	\$ 28,438
EBITDA	\$ 9,393	\$ 8,181
Net Profit before tax	\$ 7,534	\$ 6,736
Net Profit after tax	\$ 5,592	\$ 5,012

The Group has finished the half year with revenue growth of 11% and EBITDA growth of 15% over the prior corresponding year. EBITDA margins grew to 30% for the half year.

The Professional Division showed growth across all revenue streams: software sales, consulting and maintenance revenue, reflecting further growth in market share and the continued rollout of products to existing customers. Revenue growth in Australia was particularly strong. The division also benefited from the expansion of the consulting team last year.

The Professional Division operating revenue is up 13% to \$10.6m; with a very significant uplift in EBITDA of 29%, to \$2.6m. This was assisted by a lower proportion of third party sales i.e. higher margins are generated on own products.

For the Business Division, operating revenue is up by 10% to \$20.6m; while EBITDA is also up 10% to \$6.8m over the previous corresponding year.

The Business Division enterprise sales were particularly strong at 24%. Elite products also enjoyed success with 193 practices switching to the Elite Accountants' Suite.

Higher marketing and development costs for the launch of Qbi in 2008, together with a continued focus on market share growth in New Zealand, negatively impacted the Business Division EBITDA in this half.

Group NPAT growth, and correspondingly EPS growth, is 12% over the previous corresponding period.

Group operating cashflow improved by 20% over the previous corresponding period.

Rounding of amounts to the nearest thousand dollars

The Company is a company of the kind referred to in ASIC Class Order 98/100, and in accordance with that Class Order, amounts in the directors' report and the financial statements have been rounded off to the nearest thousand dollars.

Auditor's independence declaration

We have obtained an independence declaration from our auditors, Deloitte Touche Tohmatsu, which is attached to these financial statements.

Signed in accordance with a resolution of the directors.



John Thame
Chairman

Sydney, 11 August 2008

**Consolidated Income Statement
For the half-year ended 30 June 2008**

	30 June 2008 \$'000	Half-year	30 June 2007 \$'000
Revenue from continuing operations	31,498		28,438
Product and selling costs	(2,594)		(2,569)
Royalties	(2,450)		(2,265)
Employee benefits expenses	(9,666)		(8,688)
Employee related expenses	(446)		(437)
Expense of share-based payments	(216)		(142)
Marketing expenses	(3,046)		(2,667)
Premises and establishment expenses	(967)		(897)
Depreciation and amortisation of other non-current assets	(2,186)		(1,773)
Telecommunications	(384)		(349)
Other expenses	<u>(2,009)</u>		<u>(1,915)</u>
Profit before income tax	7,534		6,736
Income tax expense	<u>(1,942)</u>		<u>(1,724)</u>
Profit for the half-year	<u>5,592</u>		<u>5,012</u>
Profit is attributable to:			
Equity holders of RECKON LIMITED	5,592		5,012
Minority interest	<u>-</u>		<u>-</u>
	<u>5,592</u>		<u>5,012</u>
Earnings per share			
	cents		cents
Basic earnings per share	4.2		3.8
Diluted earnings per share	4.2		3.7

The above consolidated income statement should be read in conjunction with the accompanying notes.

**Consolidated Balance Sheet
As at 30 June 2008**

	30 June 2008 \$'000	31 December 2007 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	15,225	14,141
Receivables	6,294	4,205
Inventories	673	349
Other assets	1,236	846
Total Current Assets	<u>23,428</u>	<u>19,541</u>
Non-Current Assets		
Financial assets	629	380
Property, plant and equipment	2,584	1,714
Deferred tax assets	97	387
Intangible assets	23,715	23,326
Other assets	228	324
Total Non-Current Assets	<u>27,253</u>	<u>26,131</u>
Total Assets	<u>50,681</u>	<u>45,672</u>
LIABILITIES		
Current Liabilities		
Payables	6,720	5,038
Tax liabilities	2,395	937
Provisions	872	727
Other liabilities	2,664	2,688
Total Current Liabilities	<u>12,651</u>	<u>9,390</u>
Non-Current Liabilities		
Deferred tax liabilities	564	732
Provisions	627	720
Other liabilities	957	178
Total Non-Current Liabilities	<u>2,148</u>	<u>1,630</u>
Total Liabilities	<u>14,799</u>	<u>11,020</u>
NET ASSETS	<u>35,882</u>	<u>34,652</u>
EQUITY		
Contributed equity	18,220	18,203
Reserves	117	513
Retained earnings	17,547	15,938
Parent entity interest	35,884	34,654
Minority interest	(2)	(2)
TOTAL EQUITY	<u>35,882</u>	<u>34,652</u>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity For the half-year ended 30 June 2008

	30 June 2008 \$'000	Half-year 30 June 2007 \$'000
Total equity at the beginning of the half-year	34,652	31,243
Employee share options	-	6
Exchange differences on translation of foreign operations	<u>(396)</u>	<u>59</u>
Net income recognised directly into equity	(396)	65
Profit for the half-year	<u>5,592</u>	<u>5,012</u>
Total recognised income and expense for the half-year	<u>5,196</u>	<u>5,077</u>
Transactions with equity holders in their capacity as equity holders:		
Dividends paid	(3,983)	(3,311)
Contributions of equity, net of transaction costs	<u>17</u>	<u>127</u>
Total equity at the end of the half-year	<u><u>35,882</u></u>	<u><u>33,136</u></u>
Total recognised income and expense for the half-year attributable to:		
Members of Reckon Limited	5,196	5,077
Minority interest	<u>-</u>	<u>-</u>
	<u>5,196</u>	<u>5,077</u>

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

Consolidated Cash Flow Statement For the half-year ended 30 June 2008

	30 June 2008 \$'000	Half-year 30 June 2007 \$'000
Cash Flows From Operating Activities		
Receipts from customers	32,101	28,396
Payments to suppliers and employees	(23,890)	(21,726)
Interest received	327	328
Income tax paid	<u>(359)</u>	<u>(157)</u>
Net cash inflow from operating activities	<u>8,179</u>	<u>6,841</u>
Cash Flows From Investing Activities		
Payment for property, plant and equipment	(314)	(300)
Payment for intellectual property	-	(100)
Payment for purchase of businesses	(73)	(2,245)
Payment for security deposits	(249)	-
Payment for capitalised development costs	<u>(2,259)</u>	<u>(1,779)</u>
Net cash (outflow) from investing activities	<u>(2,895)</u>	<u>(4,424)</u>
Cash Flows From Financing Activities		
Dividends paid	(3,983)	(3,311)
Proceeds from issues of equity securities	<u>17</u>	<u>127</u>
Net cash outflow from financing activities	<u>(3,966)</u>	<u>(3,184)</u>
Net Increase/(Decrease) In Cash and Cash Equivalents	1,318	(767)
Cash and cash equivalents at the beginning of the half-year	14,141	12,726
Effects of exchange rate changes on cash and cash equivalents	<u>(234)</u>	<u>(51)</u>
Cash and Cash Equivalents at the end of the half-year	<u><u>15,225</u></u>	<u><u>11,908</u></u>

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

Notes to the Financial Statements For the half-year ended 30 June 2008

Note 1. Basis of preparation of half-year report

This general purpose financial report for the interim half year ended 30 June 2008 has been prepared in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Act 2001.

This interim financial report does not include all of the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2007 and any public announcements made by Reckon Limited 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.

Note 2: Segment information

Primary reporting - business segments

	Business Division	Professional Division	Interest	Inter-segment Eliminations/ Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
Half-year 2008					
Total segment revenue	20,566	10,605	327	-	31,498
Segment result*	4,713	2,494	327	-	7,534
Half-year 2007					
Total segment revenue	18,680	9,430	328	-	28,438
Segment result*	4,552	1,856	328	-	6,736

* The Business Division result includes royalty income from the Professional Division, net of development cost and IP amortisation of Professional Division assets. Royalties eliminate on consolidation.

The principal activities of these divisions are as follows:

Business Division - development, distribution and support of personal financial and accounting software, as well as related products and services to professional partners.

Professional Division - development, distribution and support of practice management, tax, client accounting and related software.

Note 3. Equity securities issued

Issues of ordinary shares during the half-year:

	Half-year 2008		Half-year 2007	
	No.	\$'000	No.	\$'000
Exercise of employee share scheme options	31,139	17	205,823	127
Transfer from share-based payments reserve	-	-	-	70
	31,139	17	205,823	197

	Half-year	
	30 June 2008 \$'000	30 June 2007 \$'000

Note 4. Dividends

Ordinary shares

Dividends paid during the half-year	<u>3,983</u>	<u>3,311</u>
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Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 2.5 cents per fully paid ordinary share (2007 - 2.5 cents). The dividend will be franked. The aggregate amount of the proposed dividend expected to be paid on 10 September 2008 out of retained profits at 30 June 2008, but not recognised as a liability at the end of the half-year, is

	<u>3,320</u>	<u>3,316</u>
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Note 5. Business combinations

No acquisitions have been made in the current year.

Reckon Limited acquired the Shelco business effective from 1 March 2007 for a total of \$1,145,000, of which the remaining payment of \$395,000 will be made in August 2008. Shelco is a provider of company registration, trust and superannuation fund establishment, ASIC and other search services predominantly to the accounting and legal professions.

Effective 1 March 2007 Reckon Limited also acquired its New Zealand Quicken distributor as well as the Intellectual Property for a complimentary range of products for \$420,000. The additional products acquired include an ASP payroll solution, an online backup solution and a tool which allows the more efficient downloading and processing of bank data.

	Half-year	
	30 June 2008 \$'000	30 June 2007 \$'000

Shelco and NZ distributor

Consideration:

Cash paid	-	1,170
Direct costs relating to the acquisitions	-	128
Consideration yet to be paid	<u>-</u>	<u>366</u>
Cash	<u>-</u>	<u>1,664</u>

Fair value of net assets of entity acquired:

Receivables	-	7
Inventories	-	88
Deferred tax assets	-	11
Property, plant and equipment	-	119
Intellectual property	-	804
Employee benefit liabilities	-	(42)
Other current liabilities	<u>-</u>	<u>(189)</u>
	-	798
Goodwill	<u>-</u>	<u>866</u>
	<u>-</u>	<u>1,664</u>

The goodwill is attributable to the established profitability of the Shelco business.

Note 6. Subsequent events

On 10 June 2008 the group announced that it had signed a cooperation agreement in respect to the potential acquisition of the Corporate Services and Cost Recovery businesses of Espreon Limited.

The Corporate Services business is a provider of documentation for company formations, secretarial services, trusts and self managed super fund trust deeds. This is a range of products and services that is similar to Reckon's Shelco business.

The Cost Recovery business is a provider of technologies for the capture, reporting and billing of client expenses (including: scanning, network printing and faxing, telephone and mobile phone calls, on-line searches, courier and taxi usage) for professional service suppliers, such as accountants and lawyers.

Discussions continue with the view to reaching a mutually acceptable proposal which can be put to Espreon shareholders, however should the acquisition proceed the approximate total acquisition cost is not expected to exceed \$26 million. This will be funded from existing cash reserves and debt funding.

Directors' Declaration

In accordance with a resolution of the directors of Reckon Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 30 June 2008 and the performance for the half-year on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that Reckon Limited will be able to pay its debts as and when they become due and payable.

On behalf of the Board



John Thame
Chairman

Sydney, 11 August 2008

The Board of Directors
Reckon Limited
35 Saunders Street
Pyrmont NSW 2009

11 August 2008

Dear Board Members

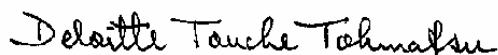
Reckon Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Reckon Limited.

As lead audit partner for the review of the financial statements of Reckon Limited for the half-year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants

Independent Auditor's Review Report to the Members of Reckon Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Reckon Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement, and statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year 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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 30 June 2008 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 Reckon 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.

Auditor's Independence Declaration

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 Reckon Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants
Sydney, 11 August 2008