



Notification to the ASX

21 August 2006

Reckon Limited (RKN)

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 2006.

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

Reckon Limited Highlights Commentary Half Year Ending 30 June 2006

Reckon is pleased to announce details of the company's results to 30 June 2006.

	6 months to June 2006	6 months to June 2005	% Growth
Operating Revenue	\$23.0 million	\$21.7 million	Up 6%
EBITDA	\$6.7 million	\$5.5 million	Up 20%
NPAT	\$4.3 million	\$3.4 million	Up 27%
EPS	3.3c per share	2.5c per share	Up 33%
Dividend	2c per share	-	-

Group CEO, Mr Clive Rabie said:

"Reckon's results for the period ending 30 June 2006 show very encouraging profit and earnings per share growth. The acquisitions of the Elite and Desktop Super businesses during the half-year together with ongoing growth in the underlying Quicken and APS businesses all contributed to the group result. We are also pleased to be in a position to pay an interim unfranked dividend of 2 cents per share."

Quicken sales continue to show growth

For the half-year period ending 30 June 2006 Quicken sales grew by 7% compared to the same period last year.

Recurring revenue in Quicken sales now represents 55% of total Quicken revenue which is up from 49% for the same period last year. Recurring and service revenue increased by 16% over the first half in 2005. The underlying business contributed half of this growth with Elite being responsible for the remainder.

Quicken sales through retail stores to 30 July 2006 have increased by 11% as against overall retail sales growth in the market sector of only 4%. Consequently Quicken's market share grew by 3.4% in the period to 30 July 2006 (Source: GfK Australia Weekly Report - 30 July 2006).

Sales to retailers to 30 June 2006 were, however, not matched by actual sales through to end customers which augurs well for sales to retailers in the second half of the year.

APS drives recurring revenue growth

Recurring revenue in the APS business increased by 25% over the period as a result of the continued acquisition of new clients as well as existing clients expanding the range of APS products used in their practice. The underlying growth in recurring revenue was 22% and Desktop Super contributed 3%. Recurring revenue in APS now represents 60% of total APS revenue which is up from 49% for the same period last year.

A full order book with the consulting division now fully resourced, means that APS new business sales will be stronger in the second half of 2006. In addition the business is well placed to continue to take advantage of the recurring revenue platform built to date.

Increased EBITDA

Group revenue growth has been achieved without an increase in expenses, resulting in an increased EBITDA margin of 29% compared to 25% for the same period last year. The EBITDA margin pre-royalties and development costs expensed, increased from 40% to 43%. The contribution from the APS business was particularly strong following the recurring revenue growth in the first half of the year.

Increased EPS

Earnings per share growth of 33% has been achieved for the half -year. This is higher than the net profit after tax growth of 27% due to the capital reduction approved by shareholders in 2005.

Path to the future

Quicken – continued technology superiority

The Quicken business has consistently offered significant new product features each year. The Quicken business will continue to enjoy the competitive advantage offered by Intuit Inc's US\$300 million annual research and development budget. This is reflected in the number of awards won by the business annually.

The Quicken business in the future will exploit the broader market reach, better customer retention and scalability benefits of reengineered software capable of using an SQL database. The SQL database will allow a significantly larger number of users than the current range, thereby allowing QuickBooks customers to grow their businesses without having to move to another software product.

The development of a refreshed user interface will allow improved end user productivity, enhancing further QuickBooks' reputation for ease of use. The product is also being developed to be ready for Microsoft's new "Vista" platform.

Development and product enhancement is also in place for electronic supply chain collaboration, improved on line back up services and overall seamless Internet integration.

Mr Gavin Dixon, CEO of Quicken, said: "The combined impact of product development and market share means that the Quicken business is well placed for growth."

APS – full service offering

The suite of products and services available to APS means it is well positioned to pursue growth in the professional accounting and professional services markets, beyond the supply of just software, in the form of a broader range of APS managed services.

Collectively the APS business can leverage off its existing software and services to deliver software and consulting services to its clients covering: IT strategy, applications platforms and infrastructure strategy, collaborative software analysis and implementation, training, software updates, business intelligence, document management and customer relations management.

APS and Elite enjoy a 57% market share of the available practice management seats in the top 100 accounting firms in Australia (i.e. excluding the top 4 firms). They have 29% share of accounting practices in the total Australian market.

All of the APS businesses added clients from their respective top ranking accounting practices and prospects for further clients are promising. New Zealand especially has shown impressive growth over previous years with 16 new firms coming on board in the first six months to June 2006, including two of our competitor's largest clients. Over the same period, Australia added another 33 new firms (including 4 new Top 100 firms) to an already impressive client list.

Global seat numbers from practice management now exceed 26,000.

Mr Brian Armstrong, MD of APS, said: "This market reach is an important platform for growth through the supply of APS managed services to help build customer retention and loyalty by servicing their growth aspirations."

Growth foundations

Recent acquisitions have been bedded down easily and performed beyond initial expectations confirming the importance of expanding product and service offerings to existing customers.

Reckon's consistent organic growth, strong balance sheet and substantial cash holdings now combine well with the fresh focus of a new chief executive for future growth in the Quicken business.

The company is expecting also to strengthen its focus in broadening the product/services offering in the personal wealth management market where Quicken's 290,000 registered users represent an 80% market share in retail.

Mr Rabie concluded by saying that: "We are very pleased to see the positive outcomes of our strategy for the period under review. The performance of the company in the first half of 2006 together with strategies in place for the remainder of the year provides a solid platform for the future. We will continue to pursue organic growth as well as growth from acquisitions and expanding our product and service offering."

Reckon Limited 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 2006

Half year ended ('previous period')

30 JUNE 2005

2. Results for announcement to the market

\$A'000's

2.1 Revenues from ordinary activities	up	4.9 %	to	23,249
2.2 Profit (loss) from ordinary activities after tax attributable to members	up	26.6 %	to	4,314
2.3 Net profit (loss) for the period attributable to members	up	26.6 %	to	4,314
2.4 Dividends		Amount per security		Franked amount per security
Interim dividend declared		2.0¢		NIL ¢

2.5 †Record date for determining entitlements to the dividend.

21 August 2006

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 organic growth in the underlying businesses, with minimal increase in expenses, together with contributions from the acquisitions made in March 2006.

3. NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ⁺ ordinary security NTA has reduced as a result of reduced cash balances following returns to shareholders and acquisitions.	\$0.07	\$0.12

4.1 Control gained over entities

Name of entity (or group of entities)	Desktop Super & Elite businesses
Date control gained	28 February 2006 and 1 March 2006 respectively
Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities during the period (where material).	\$398,000
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.	No material difference to the reported result

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	4/9/2006	2.0¢	- ¢	- ¢
	Previous year	N/A	¢	¢	¢

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.)
N/A

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

NIL

Sign here: 

Date: 21 August 2006

(Director)

Print name: Clive Rabie

Directors' Report

Your directors present their report for the half-year ended 30 June 2006.

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 2006 \$'000	30 June 2005 \$'000
Revenue	\$ 23,249	\$ 22,171
EBITDA	\$ 6,670	\$ 5,539
Net Profit before tax	\$ 5,763	\$ 5,239
Net Profit after tax	\$ 4,314	\$ 3,408

Revenue growth has been positively impacted by the acquisitions of Elite and Desktop Super during the half-year, as well as ongoing growth in the underlying Quicken and APS businesses, partially offset by lower interest revenue following capital returns to shareholders and acquisitions during the year.

Recurring revenue in the underlying Quicken business continues to grow and now represents 55% of total revenue, up from 49% to June 2005. Sales through retail stores to July 2006 have increased by 11% over the same period in 2005. The retail market as a whole has increased by 4% over this period. This increased retail volume had not been reflected in orders placed by retailers in the first half, hence this augurs well for a strong second half.

The APS business has also lifted its recurring revenue percentage to 60% in the first-half, up from 49% in the first-half of 2005. New product sales in the APS business were impacted by human resource constraints in the consulting division in the half, however a full order book without these constraints in the second half should enable some ground to be made up in the second half.

The increased revenue has been achieved without an increase in expenses resulting in an increased EBITDA percentage of 29% (2005: 25%).

Earnings per share growth of 33% has been achieved for the half year. This is higher than the net profit after tax growth of 27% due to the capital reduction approved by shareholders in 2005.

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, Horwath Sydney Partnership, which is attached to this report.

Signed in accordance with a resolution of the directors.



John Thame
Chairman

Sydney, 21 August 2006

Consolidated Income Statement
For the half-year ended 30 June 2006

	30 June 2006 \$'000	Half-year	30 June 2005 \$'000
Revenue from continuing operations	23,249		22,171
Product and selling costs	(1,437)		(1,538)
Royalties	(2,248)		(2,260)
Employee benefits expenses	(7,495)		(7,234)
Employee related expenses	(361)		(328)
Expense of share-based payments	(178)		(157)
Marketing expenses	(2,240)		(2,079)
Premises and establishment expenses	(755)		(842)
Depreciation and amortisation of other non-current assets	(1,170)		(735)
Telecommunications	(269)		(298)
Other expenses	<u>(1,333)</u>		<u>(1,461)</u>
Profit before income tax	5,763		5,239
Income tax expense	<u>(1,449)</u>		<u>(1,831)</u>
Profit for the half-year	4,314		3,408
Profit attributable to minority interest	<u>-</u>		<u>-</u>
Profit attributable to members of RECKON LIMITED	<u><u>4,314</u></u>		<u><u>3,408</u></u>
 Earnings per share			
	cents		cents
Basic earnings per share	3.3		2.5
Diluted earnings per share	3.2		2.4

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

**Consolidated Balance Sheet
As at 30 June 2006**

	30 June 2006 \$'000	31 December 2005 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	10,072	18,023
Receivables	4,932	2,920
Inventories	257	185
Tax assets	88	9
Other assets	815	499
Total Current Assets	<u>16,164</u>	<u>21,636</u>
Non-Current Assets		
Financial assets	315	315
Property, plant and equipment	1,623	652
Deferred tax assets	821	2,000
Intangible assets	20,022	16,292
Other assets	200	-
Total Non-Current Assets	<u>22,981</u>	<u>19,259</u>
Total Assets	<u>39,145</u>	<u>40,895</u>
LIABILITIES		
Current Liabilities		
Payables	6,045	9,668
Provisions	535	620
Other liabilities	1,943	1,582
Total Current Liabilities	<u>8,523</u>	<u>11,870</u>
Non-Current Liabilities		
Deferred tax liabilities	430	430
Provisions	342	235
Other liabilities	256	-
Total Non-Current Liabilities	<u>1,028</u>	<u>665</u>
Total Liabilities	<u>9,551</u>	<u>12,535</u>
NET ASSETS	<u>29,594</u>	<u>28,360</u>
EQUITY		
Contributed equity	17,798	17,747
Reserves	333	819
Retained earnings	11,465	9,796
Parent entity interest	29,596	28,362
Minority interest	<u>(2)</u>	<u>(2)</u>
TOTAL EQUITY	<u>29,594</u>	<u>28,360</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 2006**

	30 June 2006 \$'000	Half-year	30 June 2005 \$'000
Total equity at the beginning of the half-year	28,360		31,262
Employee share options	40		157
Exchange differences on translation of foreign operations	<u>(495)</u>		<u>26</u>
Net income recognised directly into equity	(455)		183
Profit for the half-year	<u>4,314</u>		<u>3,408</u>
Total recognised income and expense for the half-year	<u>3,859</u>		<u>3,591</u>
Transactions with equity holders in their capacity as equity holders:			
Purchase of less than marketable parcels	(37)		-
Dividends paid	(2,645)		-
Contributions of equity, net of transaction costs	<u>57</u>		<u>48</u>
Total equity at the end of the half-year	<u>29,594</u>		<u>34,901</u>
Total recognised income and expense for the half-year attributable to:			
Members of Reckon Limited	3,859		3,591
Minority interest	<u>-</u>		<u>-</u>
	<u>3,859</u>		<u>3,591</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 2006**

	30 June 2006 \$'000	Half-year 30 June 2005 \$'000
Cash Flows From Operating Activities		
Receipts from customers	23,085	22,398
Payments to suppliers and employees	(18,271)	(16,288)
Interest received	263	435
Income tax paid	<u>(328)</u>	<u>-</u>
Net cash inflow from operating activities	<u>4,749</u>	<u>6,545</u>
Cash Flows From Investing Activities		
Payment for property, plant and equipment	(785)	(192)
Payment for purchase of businesses	(2,097)	-
Payment for capitalised development costs	<u>(1,546)</u>	<u>(1,403)</u>
Net cash (outflow) from investing activities	<u>(4,428)</u>	<u>(1,595)</u>
Cash Flows From Financing Activities		
Dividends paid	(2,645)	-
Reduction of capital	(5,568)	-
Purchase of less than marketable parcels	(37)	-
Proceeds from issues of equity securities	<u>57</u>	<u>48</u>
Net cash inflow from financing activities	<u>(8,193)</u>	<u>48</u>
Net Increase/(Decrease) In Cash and Cash Equivalents	(7,872)	4,998
Cash and cash equivalents at the beginning of the half-year	18,023	13,302
Effects of exchange rate changes on cash and cash equivalents	<u>(79)</u>	<u>(9)</u>
Cash and Cash Equivalents at the end of the half-year	<u>10,072</u>	<u>18,291</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 2006**

Note 1. Basis of preparation of half-yearly report

This general purpose financial report for the interim half year ended 30 June 2006 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 2005 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

	Quicken	APS	Interest	Inter-segment Eliminations/ Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
Half-year 2006					
Total segment revenue	15,613	7,374	262	-	23,249
Segment result*	4,031	1,470	262	-	5,763
Half-year 2005					
Total segment revenue	14,560	7,176	435	-	22,171
Segment result*	3,727	1,077	435	-	5,239

* The Quicken result includes royalty income from APS, net of APS development costs and IP amortisation.

Note 3. Equity securities issued

Issues of ordinary shares during the half-year:

	Half-year 2006		Half-year 2005	
	No.	\$'000	No.	\$'000
Exercise of employee share scheme options	112,686	57	100,289	51
Transfer from share-based payments reserve	-	31	-	-
	112,686	88	100,289	51

	30 June 2006 \$'000	Half-year 30 June 2005 \$'000
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Note 4. Dividends

Ordinary shares

Dividends paid during the half-year	<u>2,645</u>	<u>-</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 cents per fully paid ordinary share (2005 - nil). The dividend will be unfranked. The aggregate amount of the proposed dividend expected to be paid on 4 September 2006 out of retained profits at 30 June 2006, but not recognised as a liability at the end of the half-year, is

	<u>2,646</u>	<u>-</u>
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Note 5. Contingent liabilities

Further payments may be required to be made in respect of the Desktop Super acquisition. These payments are subject to performance, future development roadmap and quality conditions, and hence cannot be reliably estimated at this time.

Note 6. Business combinations

Reckon Limited acquired the Desktop Super business effective from 28 February 2006 for an initial payment of \$450,000. Further payments may be made subject to performance, future development roadmap and quality conditions. Desktop Super is a provider of superannuation administration software.

Effective 1 March 2006 Reckon Limited acquired the Elite business for \$2.3 million, \$1.6 million payable on completion and \$0.7 million payable on 28 February 2007. Elite develops and distributes tax return preparation tools used by tax agents and accountants.

The acquired businesses contributed revenues of \$833,000 and net profit after tax of \$398,000 to the Group for the half-year ended 30 June 2006.

If the acquisitions had occurred on 1 January 2006, the consolidated revenue and consolidated net profit after tax for the half-year ended 30 June 2006 would not have been materially different to the reported results.

	30 June 2006 \$'000	Half-year 30 June 2005 \$'000
Consideration:		
Cash	2,097	-
Consideration yet to be paid	700	-
	<u>2,797</u>	<u>-</u>
Fair value of net assets of entity acquired:		
Receivables	116	-
Deferred tax assets	27	-
Property, plant and equipment	53	-
Intellectual property	654	-
Employee benefit liabilities	(90)	-
Other current liabilities	(500)	-
	<u>260</u>	<u>-</u>
Goodwill	<u>2,537</u>	<u>-</u>
	<u>2,797</u>	<u>-</u>

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

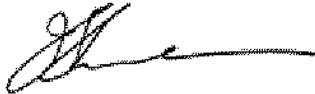
Directors' Declaration

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 2006 and the performance for the half-year on that date of the consolidated entity; and
 - (i) 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, 21 August 2006

HORWATH SYDNEY PARTNERSHIP

Chartered Accountants

A member of Horwath International

1 Market Street Sydney NSW 2000

GPO Box 1455 Sydney NSW 1041

Independent review report on the financial report to members of Reckon Limited

We have conducted an independent review of the accompanying financial report of Reckon Limited (the company) and Reckon Limited and Controlled Entities (the consolidated entity) for the half-year ended 30 June 2006. The financial report comprises the consolidated balance sheet at 30 June 2006, and the consolidated income statement, statement of changes in equity, cash flow statement, summary of significant accounting policies and other explanatory notes, and the directors' declaration for the half year then ended. The consolidated entity comprises both the company and the entities it controlled at the half-year end or during that half-year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Accounting Standards in Australia and the *Corporations Act 2001*. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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 perform an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia and the *Corporations Act 2001*, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. A review is limited primarily to inquiries of the company's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company and group, and have complied with the independence requirements of the *Corporations Act 2001*.

Statement

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 2006 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*.

Dated the 21st day of August 2006.

HORWATH SYDNEY PARTNERSHIP

Chartered Accountants



MICHAEL P STIBBARD
Partner



21 August 2006

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

Horwath Sydney Partnership
ABN 30 856 062 171
Chartered Accountants
1 Market Street Sydney NSW 2000
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AUDITOR'S INDEPENDENCE DECLARATION

This declaration is made in connection with my half year review of the financial report of Reckon Limited for the period ended 30 June 2006 and in accordance with the provisions of the Corporations Act 2001.

As lead auditor I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this review;
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this review.

Yours faithfully
HORWATH
SYDNEY PARTNERSHIP

A handwritten signature in black ink, appearing to read "Michael P Stibbard", written over a horizontal line.

MICHAEL P STIBBARD
Partner