

## Directors' Report

Your directors present their report for the half-year ended 30 June 2013.

### 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 2013		30 June 2012
	\$'000	% growth	\$'000
Operating revenue	\$ 49,479	3%	\$ 48,182
EBITDA	\$ 18,715	10%	\$ 17,080
Net profit after tax	\$ 10,224	10%	\$ 9,257
Earnings per share	7.9 cents	11%	7.1 cents

The group has focussed on the following key initiatives in the first half of 2013:

- Rebranding QuickBooks and Quicken whilst maintaining the revenue base for these products,
- Developing and launching our new cloud offering, Reckon One,
- Enhancing and launching the expanded APS Private Cloud solution, and
- Introducing Virtual Cabinet to clients in all Reckon businesses.

In the Business Division revenue growth has continued in the hosted, enterprise and content products notwithstanding the rebranding of key products in this range, but has been adversely impacted by continued weakness and destocking in the retail sector. The move towards a more sustainable subscription model and modest price increases have limited revenue growth in the half year. Marketing costs are higher due to the launch costs for Reckon One, with revenue benefits only expected from the second half of the year. As the development focus of the group has moved towards Reckon owned products, the majority of development costs have been capitalised, consistent with the prior year annual accounts.

In the Professional Division strong growth in subscription/maintenance revenue has continued at the expense of upfront revenue, as we also move this business to more of a recurring revenue model. The UK business was sold at the end of the prior year, and the revenue from this business has now been replaced by a royalty stream.

The nQueueBillback Division has also experienced growth in maintenance revenue, however weakness in the USA market has seen a fall in the quantum of new business won.

The Virtual Cabinet Division acquired in July 2012, has contributed \$0.6m EBITDA in the first half.

The investment in Connect2Field Holdings has been sold, contributing \$1.3m to EBITDA for the half year.

The board has declared an interim dividend of 4 cents (3.75 cents in 2012). The dividend will be 90% franked.

### 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, unless otherwise indicated.

**Reckon Limited**  
**ACN 003 348 730**

**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, made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'John Thame', written in a cursive style.

John Thame  
Chairman

Sydney, 13 August 2013

**Condensed Consolidated Statement of Profit or Loss  
for the half-year ended 30 June 2013**

	Note	30 June 2013 \$'000	Half-year 30 June 2012 \$'000
<b>Continuing operations</b>			
Revenue from sale of goods and rendering of services		49,479	48,182
Product and selling costs		(8,595)	(8,138)
Royalties		(3,105)	(3,034)
Employee benefits expenses		(14,757)	(14,405)
Marketing expenses		(1,436)	(1,212)
Premises and establishment expenses		(1,121)	(1,252)
Telecommunications		(404)	(427)
Depreciation and amortisation of other non-current assets		(5,163)	(4,579)
Finance costs		(365)	(24)
Other expenses		(2,463)	(2,634)
Profit on sale of investment in joint venture entity		1,340	-
Net costs associated with premises relocation		(222)	-
<b>Profit before income tax</b>		<b>13,188</b>	<b>12,477</b>
<b>Income tax expense</b>		<b>(2,964)</b>	<b>(3,220)</b>
<b>Profit for the half-year</b>		<b><u>10,224</u></b>	<b><u>9,257</u></b>
Profit attributable to:			
Owners of the parent		10,131	8,955
Non-controlling interest		93	302
		<u>10,224</u>	<u>9,257</u>
<b>Earnings per share</b>		cents	cents
Basic earnings per share		7.9	7.1
Diluted earnings per share		7.8	7.1

*The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.*

## Condensed Consolidated Statement of Comprehensive Income for the half-year ended 30 June 2013

	30 June 2013 \$'000	Half-year	30 June 2012 \$'000
<b>Profit for the half-year</b>	<b>10,224</b>		<b>9,257</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations	1,356		33
Fair value adjustment of equity instruments	-		247
<b>Total comprehensive income</b>	<b>11,580</b>		<b>9,537</b>
 Profit and comprehensive income is attributable to:			
Owners of the parent	11,487		9,235
Non-controlling interest	93		302
	<b>11,580</b>		<b>9,537</b>

*The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Condensed Consolidated Statement of Financial Position  
as at 30 June 2013**

	30 June 2013 \$'000	31 December 2012 \$'000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	2,598	1,926
Trade and other receivables	12,865	8,795
Inventories	1,550	1,244
Other assets	3,600	2,695
<b>Total Current Assets</b>	<u>20,613</u>	<u>14,660</u>
<b>Non-Current Assets</b>		
Receivables	1,079	1,391
Investment in joint venture	-	660
Other financial assets	56	56
Property, plant and equipment	3,446	3,415
Deferred tax assets	106	141
Intangible assets	71,245	68,032
<b>Total Non-Current Assets</b>	<u>75,932</u>	<u>73,695</u>
<b>Total Assets</b>	<u>96,545</u>	<u>88,355</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	6,005	4,922
Borrowings	11,775	10,994
Current tax payables	1,008	1,119
Provisions	3,285	3,341
Deferred revenue	9,872	8,674
<b>Total Current Liabilities</b>	<u>31,945</u>	<u>29,050</u>
<b>Non-Current Liabilities</b>		
Borrowings	86	136
Other financial liabilities	11,770	10,608
Deferred tax liabilities	3,347	2,949
Provisions	1,046	1,194
<b>Total Non-Current Liabilities</b>	<u>16,249</u>	<u>14,887</u>
<b>Total Liabilities</b>	<u>48,194</u>	<u>43,937</u>
<b>NET ASSETS</b>	<u>48,351</u>	<u>44,418</u>
<b>EQUITY</b>		
Issued capital	16,558	16,878
Reserves	(14,606)	(14,839)
Retained earnings	46,399	42,379
<b>TOTAL EQUITY</b>	<u>48,351</u>	<u>44,418</u>

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

**Condensed Consolidated Statement of Changes in Equity  
for the half-year ended 30 June 2013**

	Issued capital \$'000	Share buy back reserve \$'000	Foreign currency translation reserve \$'000	Share- based payments reserve \$'000	AFS Asset Revaluation reserve \$'000	Acquisition of non- controlling interest reserve \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Total \$'000
<b>Total equity at 1 January 2013</b>	<b>16,878</b>	<b>(8,978)</b>	<b>(1,383)</b>	<b>503</b>	<b>-</b>	<b>(4,981)</b>	<b>42,379</b>	<b>-</b>	<b>44,418</b>
Profit for the half-year							10,131	93	10,224
Exchange differences on translation of foreign operations			1,356						1,356
Total Comprehensive Income	-	-	1,356	-	-	-	10,131	93	11,580
Dividends paid							(6,111)		(6,111)
Share based payments expense				105					105
Transfer to acquisition of non- controlling interest reserve						93		(93)	-
Remeasurement of Linden House option liability						(1,321)			(1,321)
Treasury shares acquired	(320)								(320)
<b>Total equity at 30 June 2013</b>	<b>16,558</b>	<b>(8,978)</b>	<b>(27)</b>	<b>608</b>	<b>-</b>	<b>(6,209)</b>	<b>46,399</b>	<b>-</b>	<b>48,351</b>
<b>Total equity at 1 January 2012</b>	<b>15,752</b>	<b>-</b>	<b>(1,569)</b>	<b>556</b>	<b>(1,067)</b>	<b>-</b>	<b>36,621</b>	<b>203</b>	<b>50,496</b>
Profit for the half-year							8,955	302	9,257
Exchange differences on translation of foreign operations			33						33
Fair value adjustment of financial assets					247				247
Total Comprehensive Income	-	-	33	-	247	-	8,955	302	9,537
Dividends paid							(5,945)	(144)	(6,089)
Share based payments expense				179					179
Share buyback		(7,612)							(7,612)
Transfer prior year share buyback to share buyback reserve	1,366	(1,366)							-
Transfer of revaluation reserve to retained earnings					820		(820)		-
Treasury shares acquired	(541)								(541)
<b>Total equity at 30 June 2012</b>	<b>16,577</b>	<b>(8,978)</b>	<b>(1,536)</b>	<b>735</b>	<b>-</b>	<b>-</b>	<b>38,811</b>	<b>361</b>	<b>45,970</b>

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

**Condensed Consolidated Statement of Cash Flows  
for the half-year ended 30 June 2013**

	30 June 2013 \$'000	Half-year 30 June 2012 \$'000
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	52,659	50,430
Payments to suppliers and employees	(36,301)	(35,859)
Interest received/(paid)	(365)	(24)
Income tax paid	<u>(2,642)</u>	<u>(3,521)</u>
Net cash inflow from operating activities	<u>13,351</u>	<u>11,026</u>
<b>Cash Flows From Investing Activities</b>		
Payment for property, plant and equipment	(752)	(293)
Payment for purchase of business	(160)	-
Payment for investment in joint venture	-	(660)
Proceeds from sale of investment	-	6,448
Payment for capitalised development costs	<u>(6,080)</u>	<u>(4,105)</u>
Net cash inflow/(outflow) from investing activities	<u>(6,992)</u>	<u>1,390</u>
<b>Cash Flows From Financing Activities</b>		
Dividends paid	(6,111)	(5,945)
Dividends paid to non-controlling interests	-	(144)
Payment for share buyback	-	(7,612)
Payment for treasury shares	(320)	(541)
Proceeds from/(repayment of) borrowings	<u>571</u>	<u>-</u>
Net cash (outflow) from financing activities	<u>(5,860)</u>	<u>(14,242)</u>
<b>Net Increase/(Decrease) In Cash and Cash Equivalents</b>	499	(1,826)
Cash and cash equivalents at the beginning of the half-year	1,432	4,703
Effects of exchange rate changes on cash and cash equivalents	<u>13</u>	<u>10</u>
<b>Cash and Cash Equivalents at the end of the half-year</b>	<u><u>1,944</u></u>	<u><u>2,887</u></u>

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

## Notes to the Condensed Consolidated Financial Statements for the half-year ended 30 June 2013

### Note 1. Basis of preparation of half-year report

This general purpose financial report for the interim half year ended 30 June 2013 has been prepared in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

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 2012 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 condensed consolidated financial statements have been prepared on the basis of historical cost. All amounts are presented in Australian dollars.

The parent entity has applied the relief available to it under ASIC Class Order 98/100, and accordingly, amounts in the interim financial report have been rounded off to the nearest thousand dollars.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

**Note 2: Segment information**

Primary segments	Business Division \$'000	Professional Division \$'000	NQBB Division \$'000	Virtual Cabinet Division \$'000	Consolidated \$'000
<b>Half-year 2013</b>					
<b>Segment operating revenue</b>	<b>29,949</b>	<b>12,051</b>	<b>5,096</b>	<b>2,383</b>	<b>49,479</b>
Other revenue					-
Total revenue					<b>49,479</b>
<b>Segment EBITDA</b>	<b>10,753</b>	<b>5,905</b>	<b>1,914</b>	<b>604</b>	<b>19,176</b>
Depreciation and amortisation	(1,273)	(2,587)	(917)	(386)	(5,163)
<b>Total segment profit before tax</b>	<b>9,480</b>	<b>3,318</b>	<b>997</b>	<b>218</b>	<b>14,013</b>
Central administration costs					(1,800)
Profit on sale of investment in joint venture					1,340
Finance costs					(365)
<b>Profit before tax</b>					<b>13,188</b>
Income tax expense					(2,964)
<b>Profit for the half-year</b>					<b>10,224</b>
<b>Half-year 2012</b>					
<b>Segment operating revenue</b>	<b>30,412</b>	<b>12,268</b>	<b>5,402</b>	<b>-</b>	<b>48,082</b>
Other revenue					100
Total revenue					<b>48,182</b>
<b>Segment EBITDA</b>	<b>10,973</b>	<b>5,783</b>	<b>2,292</b>	<b>-</b>	<b>19,048</b>
Depreciation and amortisation	(1,156)	(2,517)	(906)	-	(4,579)
<b>Total segment profit before tax</b>	<b>9,817</b>	<b>3,266</b>	<b>1,386</b>	<b>-</b>	<b>14,469</b>
Central administration costs					(1,968)
Finance costs					(24)
<b>Profit before tax</b>					<b>12,477</b>
Income tax expense					(3,220)
<b>Profit for the half-year</b>					<b>9,257</b>

The revenue reported above represents revenue generated from external customers.

Segment profit represents the profit earned by each segment without allocation of central administration costs, finance costs and income tax expense, all of which are allocated to Corporate head office. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessing performance.

The Professional Division in the 2012 Interim Financial Report included nQueue Billback Australia. This business is now included in the nQueue Billback Division and the 2012 results have been restated to reflect this change.

There have been no material changes to segment assets.

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. Products sold in this division include Reckon Accounts (formerly QuickBooks and Quicken), ReckonDocs and ReckonElite.

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

nQueue Billback Division - distribution and support of cost recovery, cost management and related software predominantly to the legal market.

Virtual Cabinet Division - development, distribution and support of document management and document portal products.

### Note 3. Issued capital

Issued capital at 30 June 2013 amounted to \$18,842 thousand (129,488,015 shares)

134,279 treasury shares (2012: 235,127) were purchased in the current period.

	Half-year
30 June 2013 \$'000	30 June 2012 \$'000

### Note 4. Dividends

#### Ordinary shares

Dividends paid during the half-year

6,111

5,945

#### 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 4 cents per fully paid ordinary share (2012: 3.75 cents). The dividend will be 90% franked. The aggregate amount of the proposed dividend expected to be paid on 11 September 2013 out of retained profits at 30 June 2013, but not recognised as a liability at the end of the half-year, is

5,142

4,819

### Note 5. Borrowings

The Group has existing bank facilities totalling \$23.7 million. These facilities are available until 31 December 2013. The group expects to refinance the facility prior to year end.

### Note 6. Working capital deficiency

The condensed consolidated statement of financial position indicates an excess of current liabilities over current assets of \$11,332 thousand (December 2012: \$14,390 thousand). This arises due to the cash management structure adopted by management, whereby surplus funds are used to repay debt and make investments. Unused bank facilities at balance date total \$10.1 million. Furthermore, included in current liabilities is deferred revenue of \$9,872 thousand (December 2012: \$8,674 thousand), for which cash has been received in advance, and will be recognised as income as the services are rendered.

### Note 7. Disposal of investment in joint venture entity

The investment in Connect2Field Holdings Pty Limited has been sold for \$2million, resulting in a profit on sale of \$1.3million. \$0.3million of the proceeds will be held in escrow and released by October 2014.

### Note 8. Subsequent events

A share buy back of up to 10% of the company's share capital, was announced on 13 August 2013, as part of the company's strategy to manage its capital base.

## Directors' Declaration

The directors declare 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 2013 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) complying with accounting standards
  
- (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.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



John Thame  
Chairman

Sydney, 13 August 2013