Directors' Report

Your directors present their report for the half-year ended 30 June 2019.

Directors

The names of the company's directors in office during the half-year are as follows:

Greg Wilkinson
Clive Rabie
Phil Hayman
Sam Allert

Review of Operations

Overview of financial performance for the half-year:

Strong execution of plans put in place over the past few years has driven solid results for the group. The Business Group has seen a substantial ramp up in the adoption of cloud products, while the Legal Group has experienced a very strong half year, with EBITDA more than doubling. The Accountants Group has been stabilised following the aborted sale in 2018 and Reckon APS retains its position as the leading product among major accounting practices.

Group highlights

EBITDA growth for the half year was 4.3% despite a re-investment in sales and marketing targeting opportunities in the respective divisions.

Strong cashflow has assisted in the reduction of net debt by $7m in the half year.

Bank facilities have been extended for a further 3-year period.

The board has declared a fully franked interim dividend of 3 cents which will be paid to shareholders on 18 September 2019.

Business Group

- Cloud users have increased by 21% to 62,000, with new adds for the first half of 2019 more than double compared to the second half of 2018.
- The division continues to transition desktop users to the cloud, and so is still adversely impacted by the mix effect of a lower ARPU on the cloud products.
- 46% of available revenue is now cloud.
- In addition to the above, a further 19,000 users have adopted our new payroll app, launched in May 2019, to ensure compliance with the government's Single Touch Payroll initiative.

Practice Management – Accountants Group

- This division has been stabilised following the aborted sale in 2018, and Reckon APS remains the product of choice for large accounting firms with 7 of the top 10 firms in Australia as clients.
- The focus for the second half of 2019 and beyond is on re-establishing historical revenue growth trends.
- Substantial progress has been made on the development of the new cloud suite.
- The Content business remains subdued as the market for company formations is down by 10% for the half year.

Practice Management – Legal Group

- The Legal Group has performed strongly in the half year, with revenue up by 11% and EBITDA by 105%. This is a good result especially bearing in mind that the business is pivoting from an upfront sales model to a subscription model.
- The scan product continues to show good potential and is driving new sales opportunities.
- The pipeline for the second half of the year is strong.

Rounding of amounts to the nearest thousand dollars
The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports), dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the directors' report and the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

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

Greg Wilkinson
Chairman
Sydney, 20 August 2019

Condensed Consolidated Statement of Profit or Loss
for the half-year ended 30 June 2019

		Half-year	
	Note	30 June 2019 $'000	30 June 2018 $'000
Continuing operations			
Revenue from sale of goods and rendering of services	3	39,178	39,904
Product and selling costs		(4,295)	(4,365)
Employee benefits expenses		(12,439)	(12,111)
Marketing expenses		(2,020)	(1,509)
Premises and establishment expenses		(376)	(1,111)
Telecommunications		(247)	(320)
Other expenses		(2,744)	(3,211)
Depreciation and amortisation		(9,424)	(8,962)
Finance costs		(876)	(793)
Transaction costs related to the aborted sale of the Practice Management - Accountants Group		-	(927)
Profit before income tax		6,757	6,595
Income tax expense		(1,481)	(1,429)
Profit for the half-year attributable to owners of the parent		5,276	5,166

	cents	cents
Earnings per share		
Basic earnings per share	4.7	4.6
Diluted earnings per share	4.6	4.5

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2019

	Half-year 30 June 2019 $'000	Half-year 30 June 2018 $'000
Profit for the half-year	**5,276**	**5,166**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value movement on interest rate swap	(47)	(29)
Exchange differences on translation of net asset values of foreign operations	38	(198)
	(9)	(227)
Total comprehensive income attributable to the owners of the parent	**5,267**	**4,939**

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

Condensed Consolidated Statement of Financial Position
as at 30 June 2019

	Note	June 2019 $'000	December 2018 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		1,180	2,579
Trade and other receivables	8	7,774	7,103
Inventories		2,020	1,959
Current tax receivables		94	-
Financial assets		2,321	2,470
Other assets		1,518	1,593
Total Current Assets		14,907	15,704
Non-Current Assets			
Trade and other receivables	8	236	288
Financial assets		269	317
Property, plant and equipment		2,597	4,091
Deferred tax assets		111	103
Intangible assets		61,386	61,358
Other assets		36	52
Right of use assets	1	8,492	-
Total Non-Current Assets		73,127	66,209
Total Assets		88,034	81,913
LIABILITIES			
Current Liabilities			
Trade and other payables		5,678	4,682
Borrowings	6	-	434
Provisions		2,788	2,657
Current tax payables		-	580
Contract liabilities		6,480	6,223
Lease liabilities	1	1,579	-
Total Current Liabilities		16,525	14,576
Non-Current Liabilities			
Trade and other payables		832	1,917
Borrowings	6	37,033	44,562
Deferred tax liabilities		4,315	4,286
Provisions		953	973
Lease liabilities	1	7,339	-
Total Non-Current Liabilities		50,472	51,738
Total Liabilities		66,997	66,314
NET ASSETS		21,037	15,599
EQUITY			
Issued capital	4	20,170	19,712
Reserves		(50,241)	(50,023)
Retained earnings		51,108	45,910
TOTAL EQUITY		21,037	15,599

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 2019

	Issued capital $'000	Share buy back reserve $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Acquisition of non-controlling interest reserve $'000	Swap hedging reserve $'000	Retained earnings $'000	Total $'000
Total equity at 1 January 2019 (as previously reported)	**19,712**	**(42,018)**	**(2,086)**	**169**	**(6,152)**	**64**	**45,910**	**15,599**
Adjustments (refer note 1)							(78)	(78)
Total equity at 1 January 2019	**19,712**	**(42,018)**	**(2,086)**	**169**	**(6,152)**	**64**	**45,832**	**15,521**
Profit for the half-year							5,276	5,276
Fair value movement on interest rate swap						(47)		(47)
Exchange differences on translation of net asset values of foreign operations			38					38
Total Comprehensive Income for the half year	-	-	38	-	-	(47)	5,276	5,267
Dividends paid							-	-
Treasury shares vested	458			(458)				-
Share based payments expense				249				249
Total equity at 30 June 2019	**20,170**	**(42,018)**	**(2,048)**	**(40)**	**(6,152)**	**17**	**51,108**	**21,037**
Total equity at 1 January 2018	**19,459**	**(42,018)**	**(1,628)**	**396**	**(6,152)**	**136**	**42,906**	**13,099**
Adjustments related to AASB15							(1,316)	(1,316)
Total equity at 1 January 2018	**19,459**	**(42,018)**	**(1,628)**	**396**	**(6,152)**	**136**	**41,590**	**11,783**
Profit for the half-year							5,166	5,166
Fair value movement on interest rate swap						(29)		(29)
Exchange differences on translation of net asset values of foreign operations			(198)					(198)
Total Comprehensive Income for the half year	-	-	(198)	-	-	(29)	5,166	4,939
Dividends paid							-	-
Treasury shares acquired	(1)							(1)
Share based payments expense				66				66
Total equity at 30 June 2018	**19,458**	**(42,018)**	**(1,826)**	**462**	**(6,152)**	**107**	**46,756**	**16,787**

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 2019

	Note	Half-year 30 June 2019 $'000	30 June 2018 $'000
Cash Flows From Operating Activities			
Receipts from customers		42,477	45,151
Payments to suppliers and employees		(24,443)	(27,456)
Payment for capitalised development costs		(7,871)	(7,501)
Proceeds from government grant (development costs)		-	273
Interest received/(paid)		(681)	(793)
Income tax paid		(2,100)	(1,518)
Net cash inflow from operating activities		7,382	8,156
Cash Flows From Investing Activities			
Payment for property, plant and equipment		(110)	(294)
Payment for investment in business		-	(29)
Net decrease/(increase) in loan book		149	(103)
Net cash inflow/(outflow) from investing activities		39	(426)
Cash Flows From Financing Activities			
Dividends paid		-	-
Payment for treasury shares		-	(1)
Payments for lease liabilities capitalised under AASB16		(863)	-
Proceeds from/(repayment of) borrowings		(7,529)	(6,990)
Net cash inflow/(outflow) from financing activities		(8,392)	(6,991)
Net Increase In Cash and Cash Equivalents		**(971)**	**739**
Cash and cash equivalents at the beginning of the half-year		2,145	1,958
Effects of exchange rate changes on cash and cash equivalents		6	18
Cash and Cash Equivalents at the end of the half-year		1,180	2,715

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 2019

Note 1. Basis of preparation of half-year report

This general purpose financial report for the interim half year ended 30 June 2019 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 2018 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, except for the revaluation of certain financial instruments. All amounts are presented in Australian dollars.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports), dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the directors' report and the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, apart from the adoption of AASB 16 Leases. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Amendments to Accounting Standards and new Interpretations that are mandatory effective from the current reporting period

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. During 2019, the Group has adopted AASB 16 Leases.

In the current year, the Group has applied AASB 16 Leases for the first time. AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. The impact of the adoption of AASB 16 on the Group’s consolidated financial statements is described below.

The date of initial application of AASB 16 for the Group is 1 January 2019. The Group has applied AASB 16 retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application.

Impact of the new definition of a lease
The change to the definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for the period of time in exchange for consideration.
Former operating leases AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

For short-term leases (lease term of 12 months or less) and leases of low value asset (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within other expenses in the consolidated statement of profit or loss.

Change to accounting policy
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group’s incremental borrowing rate. This rate has been determined by considering the nature of the leased assets, the Group’s credit rating and the borrowing rate of funds in similar economic environments.

Lease payments included in the measurement of the lease liability compromise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liabilities is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised leased payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs, less any lease incentive payments received. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, plant and equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line ‘Other expenses’ in the statement of profit or loss.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* . The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Financial impact of the initial application of AASB 16

The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 3.75%.

	$'000
Operating lease commitments disclosed at 31 December 2018, discounted by the incremental borrowing rate	10,988
Lease liabilities recognised in the statement of financial position at 1 January 2019	9,695
Variance - relates predominantly to outgoings for leased premises which are not recognised in the statement of financial position	1,293

The impact on opening retained earnings of applying AASB 16 in the current period is summarised as follows:

	$'000
Decrease in rent	(686)
Increase in interest expense	130
Increase in depreciation expense	596
Total impact booked to opening retained earnings	(78)

Note 2: Segment information

Primary segments

	Business Group $'000	Practice Management Accountants Group $'000	Practice Management Legal Group $'000	Consolidated Group $'000
Half-year 2019				
Segment revenue	**19,249**	**13,983**	**5,946**	**39,178**
Segment EBITDA	**9,773**	**7,440**	**1,563**	**18,776**
Depreciation and amortisation	(4,659)	(3,081)	(1,684)	(9,424)
Total segment profit before tax	**5,114**	**4,359**	**(121)**	**9,352**
Central administration costs				(1,719)
Finance costs				(876)
Profit before tax				**6,757**
Income tax expense				(1,481)
Profit for the half-year				**5,276**
Half-year 2018				
Segment revenue	**19,265**	**15,270**	**5,369**	**39,904**
Segment EBITDA	**10,027**	**8,281**	**762**	**19,070**
Depreciation and amortisation	(4,701)	(2,686)	(1,575)	(8,962)
Total segment profit before tax	**5,326**	**5,595**	**(813)**	**10,108**
Central administration costs				(1,793)
Transaction costs				(927)
Finance costs				(793)
Profit before tax				**6,595**
Income tax expense				(1,429)
Profit for the half-year				**5,166**

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 principal activities of these divisions are as follows:

Business Group - development, distribution and support of business accounting and personal financial software, as well as related products and services. Products sold in this division include Reckon Accounts and Reckon One.

Practice Management Accountants Group - development, distribution and support of practice management, tax, client accounting and related software and services under the APS brand as well as the ReckonDocs and Elite brands.

Practice Management Legal Group - development, distribution and support of cost recovery, cost management, scan solutions and related software under the nQueue brand predominantly to the legal market.

Note 3. Revenue

Reckon generates revenue from the following revenue streams:

Primary segments		Revenue recognition	Business Group $'000	Practice Management Accountant Group $'000	Practice Management Legal Group $'000	Consolidated Group $'000
Half-year 2019						
Segment operating revenue:						
Subscription revenue	Bundled license, support,					
	hosting and implementation	Over time	-	11,387	-	11,387
	Licence, support and hosting	Over time	3,651	-	4,411	8,062
	Licence	Point in time	11,714	-	-	11,714
Other recurring revenue	Support	Over time	84	-	-	84
	Licence	Point in time	1,653	-	-	1,653
Loan income	Interest	Over time	381	-	-	381
Other revenue	Membership support	Over time	421	-	-	421
	Membership fees	Point in time	1,169	-	-	1,169
	Corporate services	Point in time	-	2,343	-	2,343
	Licence and implementation	Point in time	-	253	1,535	1,788
	Other	Point in time	176	-	-	176
Total revenue			**19,249**	**13,983**	**5,946**	**39,178**
Half-year 2018						
Segment operating revenue:						
Subscription revenue	Bundled license, support					
	Hosting and implementation	Over time	-	11,920	-	11,920
	Licence, support and hosting	Over time	4,317	-	4,230	8,547
	Licence	Point in time	10,630	-	-	10,630
Other recurring revenue	Support	Over time	372	-	-	372
	Licence	Point in time	1,551	-	-	1,551
Loan income	Interest	Over time	518	-	-	518
Other revenue	Membership support	Over time	448	-	-	448
	Membership fees	Point in time	1,252	-	-	1,252
	Corporate services	Point in time	-	3,067	-	3,067
	Licence and implementation	Point in time	-	283	1,139	1,422
	Other	Point in time	177	-	-	177
Total revenue			**19,265**	**15,270**	**5,369**	**39,904**

	Half-year 30 June 2019 $'000	Half-year 30 June 2018 $'000

Note 4. Issued capital

113,294,832 shares were in issue at 30 June 2019 and at 31 December 2018.

Nil treasury shares (2018: 711) were purchased in the current period.

222,868 treasury shares (2018: 100,874) vested in the current period.

Note 5. Dividends

Ordinary shares

	30 June 2019 $'000	30 June 2018 $'000
Dividends paid during the half-year	-	-

Dividends not recognised at the end of the half-year

	30 June 2019 $'000	30 June 2018 $'000
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 3 cents per fully paid ordinary share (2018: 3 cents). The dividend will be fully franked. The aggregate amount of the proposed dividend expected expected to be paid on 18 September 2019 out of the retained profits at 30 June 2019, but not recognised as a liability at the end of the half-year, is	3,395	3,386

Note 6. Borrowings

The Group has renegotiated its bank facilities to August 2022. The facility comprises variable rate bank overdraft facilities, loan facilities and bank guarantee and transactional facilities and totals $60million.
The facility is secured over the Australian, New Zealand and UK assets. Reckon has partially hedged the bank borrowings.

Note 7. Fair value of financial instruments

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets, is determined with reference to quoted market prices. The fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable market transactions. The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models. The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised costs in the financial statements approximate their fair value.

Note 8. Trade and other receivables

	30 June 2019 $'000	December 2018 $'000
Current		
Trade receivables	7,693	7,096
Expected credit loss	(391)	(469)
Other receivables	472	476
	7,774	7,103
Non-Current		
Trade receivables	216	258
Other receivables	20	30
	236	288

Note 9. Working capital deficiency

The condensed consolidated statement of financial position indicates an excess of current liabilities over current assets of $1,618 thousand (December 2018: nil). This arose predominantly due to adoption of AASB 16, whereby right of use assets are treated as non-current assets, whereas a portion of lease liabilities are treated as current liabilities. Based on the underlying profitability and the positive operating cashflow of the Group, the directors are confident of the Group's ability to continue as a going concern.

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 2019 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

Greg Wilkinson
Chairman
Sydney, 20 August 2019

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Reckon Limited
Level 2, 100 Pacific Highway
North Sydney NSW 2060

20 August 2019

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 half year financial report of Reckon Limited for the half year ended 30 June 2019, 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

DELOITTE TOUCHE TOHMATSU

J Bresolin

John Bresolin
Partner
Chartered Accountants

Deloitte.

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

We have reviewed the accompanying half-year financial report of Reckon Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity 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 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 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 30 June 2019 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Reckon Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 2019 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

John Bresolin
Partner
Chartered Accountants
Sydney, 20 August 2019