

**Chairman's Speech**  
**for**  
**Annual General Meeting of**  
**Reckon Limited**  
**Held at 10am on 8 May 2003**  
**Level 2**  
**35 Saunders Street**  
**Pymont NSW 2009**

## **Reckon Limited**

### **CHAIRMAN'S SPEECH**

#### **Chairman's Address to the Annual General Meeting held at 10am on 8 May 2003**

In my speech today, I will review the performance of the company for 2002, I will outline the activities of the first four months of 2003 and I will map out what lies ahead for the company in 2003.

#### **The company's performance in 2002**

When I spoke to you at last year's annual general meeting, I said that 2002 would hold many challenges for the company and that the company was planning to capitalize on the gains it had made in 2001.

I also highlighted the fact that management needed to work hard to recreate shareholder value and to be ever vigilant about opportunities to maximize revenue or to reduce expenses.

In this regard, 2002 has been a watershed year for Reckon Limited for the following reasons:

- ?? the net profit is \$2,274 million and if adjusted for change in accounting policy relating to recognition of revenue is \$1.272 million, which nonetheless reflects a significant turnaround when measured against 2001
- ?? revenue increased to \$23.54 million from \$18.89 million in 2001
- ?? cash held at the end of the 2002 financial year increased to \$12.07 million compared with \$9.80 million in 2001.

The company announced plans to pay a \$0.01 per share to each shareholder as a result of a reduction in capital.

This special resolution will be voted on at today's meeting.

A return of capital is an efficient way of returning value to shareholders when the capital of a company is in excess of its commercial needs and the shareholders can share in that surplus.

As the company does not have any material additional capital costs, the average monthly cash flow is positive for the last 12 months and cash on hand is in excess of \$12.250 million, it would therefore not prejudice the company's ability to pay creditors, the board is proposing this special resolution be approved by the shareholders.

The return of capital will not result in the cancellation of any shares.

In my view, performance of the company can be attributed not only to the commitment of Quicken Australia's management but also to the commitment of staff and members of our sales channels.

At last year's Annual General Meeting, I said that Reckon Limited's relationship with Intuit Inc had been taken to new levels.

In 2002, our relationship with Intuit Inc played a major part in the success of Reckon Limited in achieving its maiden profit and in growing its customer base.

This is because each year, Intuit invests more than 20% of its revenues in research and development of the Quicken range of products. In 2002 this represented a development spend of over 200 million US dollars

Our customers benefit directly from this spend as it gives us a compelling strategic advantage in the Australian market.

At the end of 2002, we had:

?? over 320,000 customers in the small-to-medium enterprise (SME) sector

?? 160,000 personal customers

?? 40,000 registered users of Quicken's online financial services

### **The major activities in the first four months of 2003**

Turning to the major activities of the first four months of 2003, the April launch of a new version of QuickBooks, our flagship product, was one of the highlights.

QuickBooks 2003 has undergone a major update that significantly adds to its features and functionality. It is also significant as this launch marks the first occasion when Reckon Limited has been able to concurrently release the same version of a major product as is sold by Intuit in the US and Canada.

At the first of our national road show events in March 2003, where we unveiled QuickBooks 2003 to some 3,000 representatives of small business and to some 1,500 accounting firms.

The first of our national road show events was concluded with the holding of the Accredited Trainers' Conference at the Gold Coast.

This year's event attracted a record number of attendees – some 240 accredited trainers. Given that in the whole of Australia, we have restricted the number of accredited trainers to no more than 500 people, this was a very impressive turnout.

At this event, attendees were also given a demonstration of QuickBooks 2003. At events such as these we obtain tremendous feedback from people who are both trainers in and users of QuickBooks – and we take on board this feedback in order to continually improve this product and our services.

Also, in March, Quicken Australia and Microsoft Australia announced the release of the latest version of the Microsoft Office XP Smart Tags for QuickBooks.

This technology is the result of a partnership agreement between Microsoft Australia and Quicken Australia – and will extend the functionality of this leading-edge solution for small businesses.

It was in June of 2002 year that the joint efforts of Quicken Australia and Microsoft resulted in the launch of Smart Tags specifically for QuickBooks 2002 – at the time a world first.

In April, we announced details of the relaunch of our Software Developer Program for QuickBooks and the release of new Software Developers Kit for the Australian, New Zealand and Singaporean markets.

In April, we released Quicken Payroll Services to meet the needs of an increasing number of small businesses that are looking for an alternative to processing payroll themselves.

The Quicken Payroll Services solution has been designed to meet these needs by providing such businesses with an outsourced payroll option that will save many small businesses time, money and the inevitable and destructive errors made when doing the payroll themselves.

It is simple, secure and compliant – because it ensures that the small business owner is kept up to date with complex and changing payroll tax laws.

I mention as an aside that the company successfully defended a Federal Court case brought by a previous employee. Judge Whitlam ruled that the proceeding against the company be dismissed with costs.

### **What lies ahead in 2003**

We plan to grow our share of the Australian market by:

- ?? releasing new versions of our existing products
- ?? offering new services to our customers
- ?? educating our target market about the superiority of our products
- ?? targeting small businesses as they embrace technology.
- ?? Increasing our product offering to medium size businesses.

According to Taxpayers Australia there are over 600,000 small and home-based businesses that are yet to introduce computerised systems to help handle their BAS and their invoicing as well as to manage their overall finances

We will target these businesses to understand the benefits of and to adopt technology as part of their business processes.

In the second half of 2003, we will release:

- ?? a new version of Payroll Premier, the most widely-used stand-alone payroll solution in Australia
- ?? Version 6 of QuickPOS, our Point Of Sale solution that has been developed and designed specifically for small to medium-sized retailers such as sport

stores, cafes/delis, bakeries, convenience stores, service stations, nurseries/florists, health outlets and automotive/tyre outlets

?? CashBooks 2004, the ideal accounting package for those people who need to manage their home and business finances together which has been designed in such a way that a customer requires only minimal accounting knowledge

We will also be introducing into Australia for the first time the QuickBooks Enterprise Solution. QuickBooks Enterprise is designed specifically for medium-sized enterprises of between 20 and 150 employees.

This product has been developed to cater for medium-sized businesses that need increased capacity, group reporting requirements and up to 10 simultaneous users.

QuickBooks Enterprise Solutions is based on the same ease-of-use principles that had made QuickBooks the world's best-selling accounting software.

In closing, 2003 is shaping up as a challenging but exciting year for the company.

You may have read the details of our Appendix 4C cash flow report for the first quarter of 2003. The Company's cash reserves at 31 March 2003 were \$12.6 million, an increase of \$529,000 from the balance reported as at 31 December 2002.

This represents a positive turnaround of \$953,000 from the same period last year at the end of which there was a negative cash flow of \$424,000

The release of new versions of existing products, the release of new products and services, educating the accountant market about the benefits of our products and services and targeting small businesses as they embrace technology for the first time will all have a key role to play if we are to achieve our goal for 2003 which is to consolidate on the turnaround in performance we achieved in 2002.

At Reckon Limited, we have great people, great products and great services.

These are the ingredients any business needs if it is to aim for great performance in 2003 and beyond.

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