



Notification to the ASX

22 December 2003

Reckon Limited (RKN)

RECKON ACQUIRES ADVANCED PROFESSIONAL SOLUTIONS

Reckon Limited is pleased to announce the acquisition of the Australian, New Zealand and UK operations of Advanced Professional Solutions ("APS") for A\$10m effective from 1 January 2004.

Established in 1991, APS designs, develops and licenses state-of-the-art practice management, tax and professional client accounting software products for professional accounting firms. APS supplies over 50% of Australia's top 100 accounting practices, 60% of New Zealand's top 30 firms and over 10% of the UK's top 100 firms.

The Advance® suite of products now has over 20,000 users in accounting practices and professional services firms internationally. These include large, high profile firms such as KPMG, Deloitte & Touche, Pannell Kerr Forster, BDO, Investor Group, William Buck, Mazars UK and Pitcher Partners.

The acquisition will be funded using existing Reckon cash reserves and the issue of approximately 8.5m ordinary shares payable as follows:

- A\$8 million on completion (expected by March 2004) subject to completion and adjustments; and
- A\$2 million held in escrow for 18 months subject to attainment of performance goals.

Following completion, Reckon's cash reserves are expected to be in excess of \$10m with approximately 137.6m shares on issue.

Reckon's CEO, Greg Wilkinson, said that "APS is a quality business with state of the art technology and a driven management team providing a strong

strategic and cultural fit with Reckon's existing operations. The APS team has made significant inroads into the top tier accounting firms in Australia and New Zealand."

With a forecast EBITDA of \$2.1m for the year ended 30 June 2004, the acquisition of APS is expected to be EPS positive immediately and expected to provide other significant benefits to Reckon including:

- A high quality practice management software product that will vertically integrate with Reckon's world leading Quicken product.
- A strong management team lead by Brian Armstrong, Managing Director.
- A high level of recurring revenues through maintenance arrangements.
- Enhanced operating scale and product range.
- An opportunity to achieve greater leverage from Reckon's existing market strategy.
- A client base reflecting a high proportion of the top tier accounting firms in Australia and New Zealand with significant growth prospects in Australia and the UK.

Following the acquisition, APS will be operated as a separate division of Reckon with all of the key management personnel agreeing to remain with the business. "We are delighted to have secured the services of the APS team who have been instrumental in both the development of the technology and the establishment of the business around a commitment to customer service," Mr Wilkinson said.

The attached presentation sets out further details of the financial and commercial impact of the transaction for Reckon in 2004.

For further information, please contact:

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The Acquisition



- Acquisition Summary
- Business Model
- Market Size
- Competition
- The Opportunity
- Case Study

Reckon Limited

Year End December 2003

The Quicken logo is located in the top right corner. It features the word "Quicken" in a white, italicized serif font, set against a dark, textured rectangular background.

- The Acquisition
- Anticipated Results 2003
- Outlook 2004

Acquisition Summary



Developer and providers of practice management software solutions:

Advance Practice Management
Advance Professional Accounting
Advance PIQ
Advance Tax

Initial Cost \$8 million

50% Cash

50% Scrip

Further \$2 million escrowed:

50% Cash

50% Scrip

Held in escrow for 18 months subject to
attainment of performance goals

The Participants

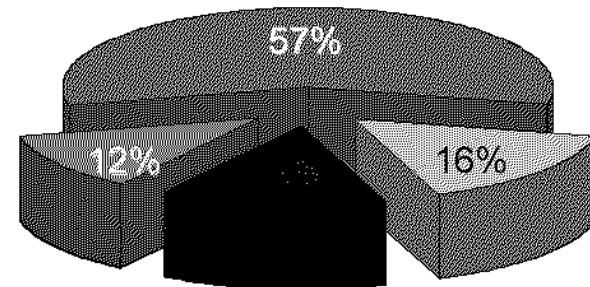
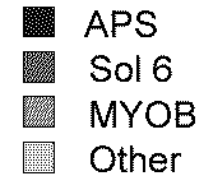


	SOLUTION 6	APS ® Advanced Professional Solutions	MYOB
Products	Viztopia SOL6 Tax MAS Reporter Assets Investments Super Fund	Advance PM Advance PA Advance PIQ Advance Tax	MYOB Accountants Office MYOB Tax
Seats in the Top 100 Accounting Firms	5,700*	6,190	267*
Total Seats	35,000*	9,548	7,500*

*Current estimates based on information available

How big is the market ?

- 9,860 accounting practices operating in Australia, employing 81,127 people, (source ABS)
- Average practice spends \$12,500 a year on software
- Annually the market is about \$123 million in revenue from software licensing and maintenance
- Business taxation accounts for the lion's share of all accounting work (38%), followed by personal accounting and taxation (18%) and auditing and assurance (17%)
- Two-thirds of accounting practices are sole proprietor/principal practices

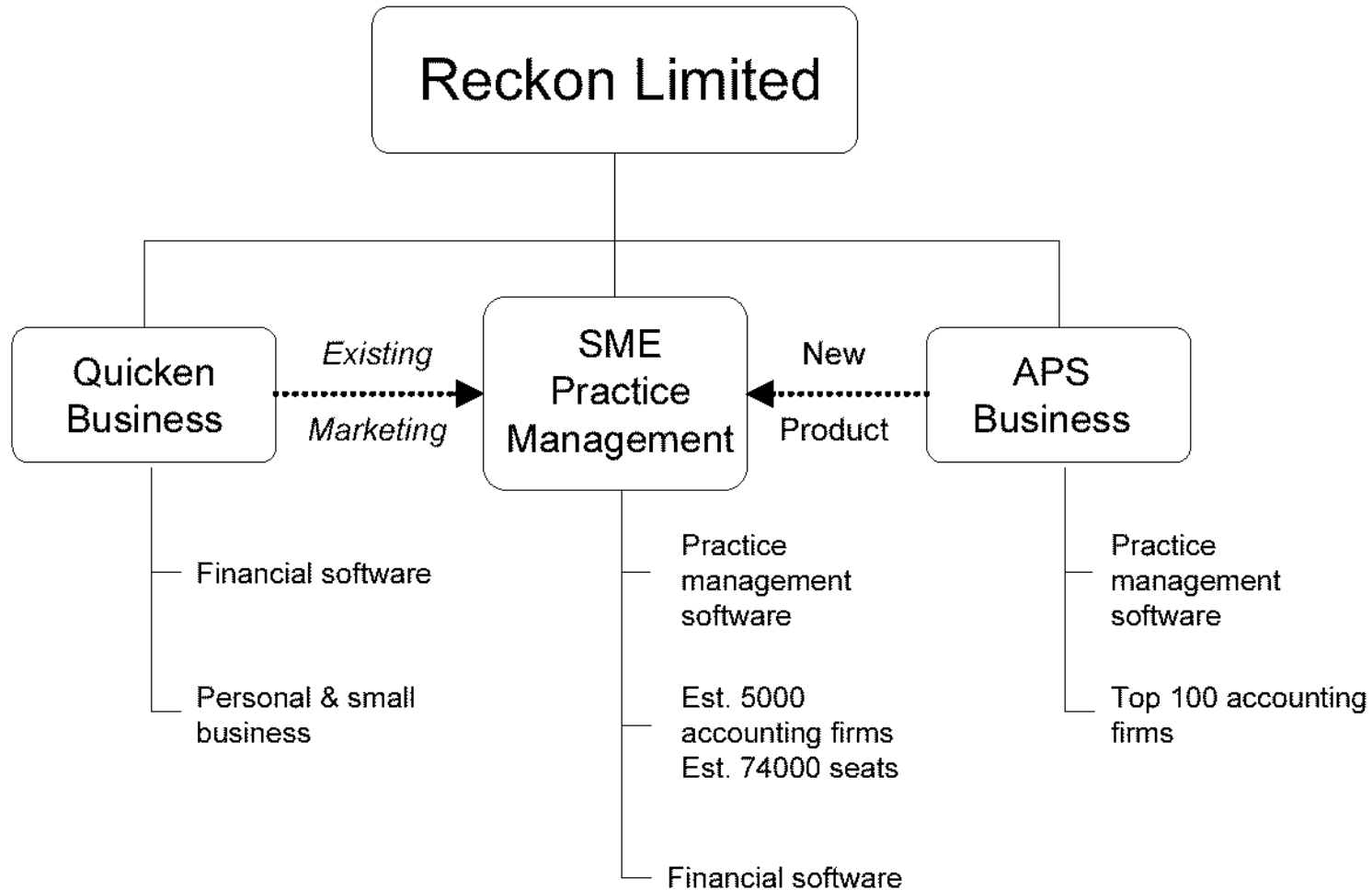


The Opportunity



- APS is well entrenched in the top 200
- Enjoyed good market share growth in the last few years
- Profitable
- Cash Positive
- Repetitive revenue model
- Product loyalty
- Industry Awards
- Growing presence in 3rd Tier -SME Accountant's market
- Synergistic with Reckon
 - Good presence in the SME market
 - Infrastructure
 - Smooth integration with QuickBooks

Business Model



Year End Financials

December Year End

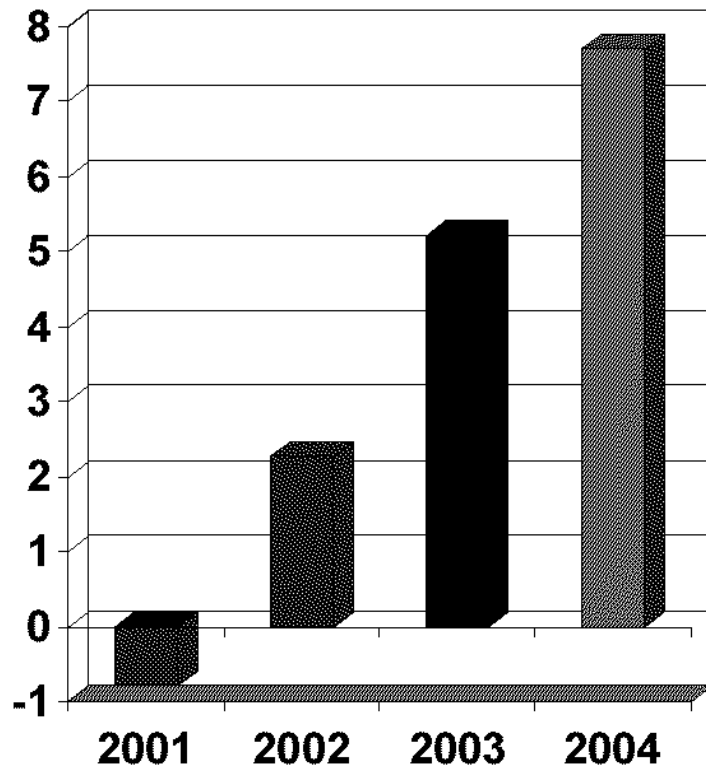


- NPAT Forecasts
- Revenue Forecasts
- Operating Cash Flow
- Summary 2004 Forecasts

NPAT Forecast



NPAT
\$millions



2003

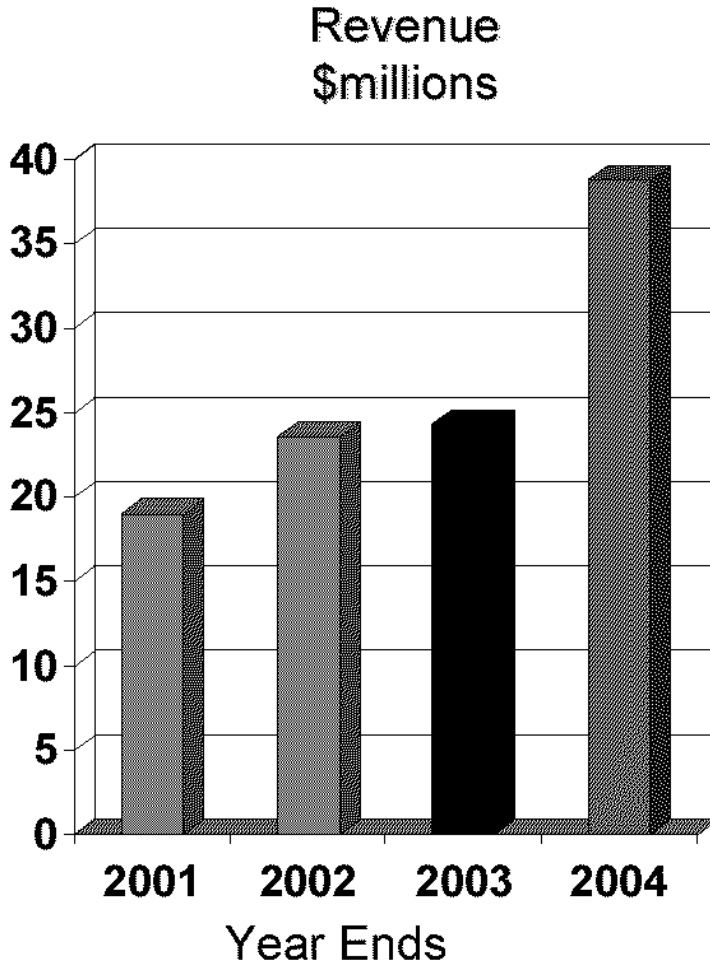
- After adjustments revenue forecast

NPAT growth : **128%**

2004

NPAT growth: **48%**

Revenue Forecast



2003 (Forecast)

- After adjustments

Revenue growth : **13%**

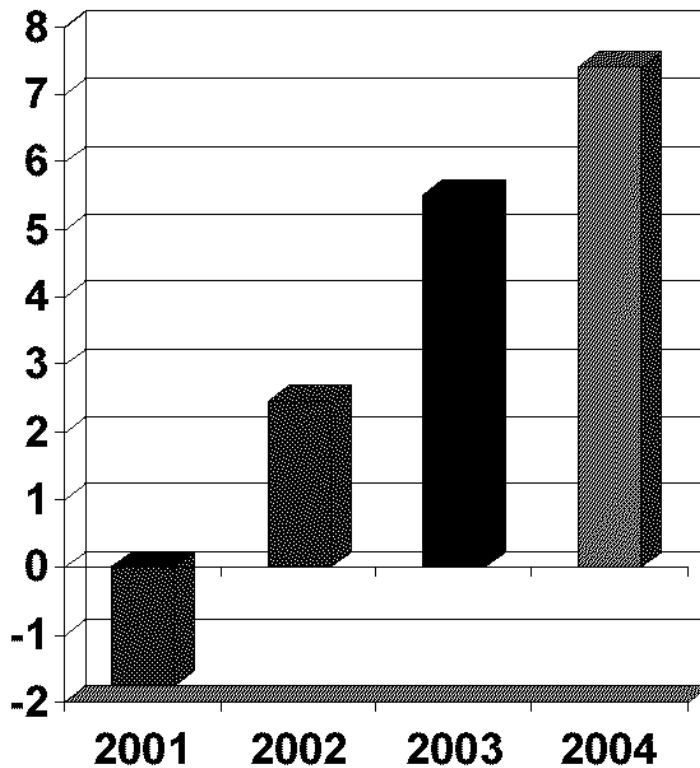
2004 (Forecast)

Revenue growth: **59%**

Operating Cash Flow



Operating Cash Flow
\$millions



2003 (Forecast)

Up 124%

2004 (Forecast)

Up 34%

Summary Forecasts 2004



• Revenue

- Recurring Revenue 52%
- Existing Customers 15%
- New Customers 31%
- Other Revenue 2%

• Customers

- Personal active customers 16,642
- Business Active Customers 56,257
- Membership 4,965
- Accountant seats 20,220

• NPAT 21 % (2003)

• NPAT 21 % (2004)

Expressed as a percentage of revenue

• Geographical

- Australia 83.9%
- New Zealand 9.6%
- United Kingdom 6.5%