

**Chairman's Speech**  
**for**  
**Annual General Meeting of**  
**Reckon Limited**  
**Held at 10am on 25 May 2004**

**35 Saunders Street**  
**Pymont NSW 2009**

## **Reckon Limited**

### **CHAIRMAN'S SPEECH**

#### **Chairman's Address to the Annual General Meeting held at 10am on 25 May 2004**

Before we proceed to the formalities I wish to briefly speak about our results for the year ending 31 December 2003.

It was, I am pleased to report, an outstanding result for the company. The result continues the upward trend that commenced with the maiden profit reported for the 2002 financial year.

For the year ended 31 December 2003, we produced a net profit of \$5.349 million.

This is 135% higher than the figure for the corresponding period in 2002 when the company declared a profit of \$2.274 million.

This result is the culmination of the plans that were laid down in 2003 for Reckon to add value to the relationships it has with its customers, its employees and its shareholders.

The performance of 2003 placed Reckon in a position to do two things.

The first is that it put the board in a position to review the cash position of the company and to put to you for your approval the payment of a return of capital of 3c per share. As the explanatory memorandum to the notice of meeting explained, if you approve a return of capital the actual payments to you will take place after 14 July 2004. I can also confirm, today, that the cash position of the company is in line with the amount set out in the explanatory memorandum. After the return of capital the cash reserves of the company will be in the order of \$9.6 million.

Secondly the company was also in a position to acquire the operations of the APS Group in Australia, New Zealand and the United Kingdom for \$10 million which was concluded in December.

APS is in the business of designing, developing and licensing state-of-the-art practice management, tax and professional client accounting software products for professional accounting firms.

APS has in its short existence become the supplier to 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.

Whilst the practice management market represented new ground for Reckon, the transaction made good strategic sense and expands our business model to provide continued growth in revenue, profit, and EPS as we move into 2004 and beyond.

We note that in early 2004 our main competitor, MYOB, announced its proposed acquisition of Solution 6. This transaction shows that MYOB is adopting a similar strategy to that employed by Reckon in its acquisition of the APS business.

All of the entities involved, that is: Reckon and MYOB; and APS and Solution 6 competed in the past and will continue to do so in the future. As you know both Reckon and APS independently competed extremely favorably and we are confident that as a combined force we will be even more formidable competitors for MYOB and Solution 6.

We believe that our acquisition creates a nimble, aggressive and profitable competitor that is the right size for the Australian market.

There are of course several other areas in our traditional markets that the company will be focusing on in the next 12 months.

Our traditional Quicken business which provides solutions for the general accounting needs of SME's has now been enhanced by the "Right For My Business Strategy" adopted by our USA licensor, Intuit Inc. Here we have seen the introduction of flavours which provide solutions for so-called vertical markets, for example the building industry, non-profit organizations, and construction companies. We have also introduced flankers which give added solutions to general needs such as a customer relations manager product and we continue to enhance our well entrenched point of sale product and stand alone payroll product.

Other highlights of 2003 which merit mention include:

- the successful launch of QuickBooks Enterprise, an accounting solution for medium-sized businesses of between 20 and 150 staff.
- the release of QuickBooks 2003 - which means Quicken customers now have the same version of QuickBooks that their counterparts have in the United States;

- the integration of QuickBooks Point of Sale - one of the leading front-to-back solutions for retailers in Australia - with QuickBooks Pro 2003 (for businesses with less than 20 employees) and QuickBooks Enterprise (for businesses with more than 20 and up to 150 employees as mentioned a moment ago);
- the successful release in November 2003 of the Quicken suite of products for 2004, namely: Quicken Personal, Cashbook Home & Business, Quicken ShareAnalyser, Quick.Broker and Market Monitor.

Collectively, our traditional business as well as the new business we pursue through the APS acquisition provides a solid platform for performance in the years ahead.

We announced to the market in late 2003 that by the end of 2004 we hope to show a 50 to 60% increase in revenue and 40 to 50% increase in NPAT. To date:

- we have enjoyed a good market share increase based on sell through figures in the retail channel;
- initial indications show a strong demand for the 2004 release of QuickBooks products and subject to our position at the end of May we may update you on our overall position later in June;
- APS has added another 5 accounting firms in the top 100 in Australia; APS UK also won two firms in the top 100 firms in the United Kingdom to strengthen its position there and APS NZ has shown signs of an uplift in its sales pipeline; and
- The recent launch of APS Foundation suite of products have gone to market and the product is already paying its way.

With these developments in mind we have recently reviewed our 2004 budget and now confirm our earlier advice to the market about the extent of our revenue and profit increases.

In the months ahead, the company will consider the adoption of a dividend policy appropriate to its performance going forward. Once a decision is taken we will immediately advise the market.

In conclusion I would like to thank all our sales channels and professional partners for their contribution and extend the board's congratulations to the management and staff at Reckon and to wish them well in their endeavours for the year ahead.