

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Reckon Limited ("the Company") will be held at the registered office of the Company at 35 Saunders Street, Pyrmont NSW 2009 on 24 May 2005 at 10.00 am.

### General Business

#### 1. Consideration of Reports and Statements

To receive and consider the Directors' Report for the financial year ended 31 December 2004, the Annual Financial Report for that year, the Directors' Declaration and the Independent Audit Report.

#### 2. Resolution 1 – Confirmation of Appointment of Ian Ferrier as a Director

To consider and, if thought fit, pass the following resolution as a special resolution:

"That the appointment of Ian Ferrier as a director be confirmed."

#### 3. Resolution 2 – Nomination and appointment of Clive Rabie as a Director

To consider and, if thought fit, pass the following resolution as a special resolution:

"That Clive Rabie be appointed as a director."

### Special Business

#### 4. Special Resolution 3 – Return of Capital

To consider and, if thought fit, pass the following resolution as a special resolution:

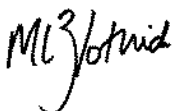
"That the following return to shareholders of the Company's share capital be approved, namely the return to the registered holders of fully paid ordinary shares in the Company as at the completion of registration of transfers in accordance with the SCH Business Rules on 31 May 2005 of paid up capital to the extent of \$0.035 (three and one half cents) for each fully paid ordinary share held."

#### 5. Special Resolution 4 – Accumulated Losses to Capital

To consider and, if thought fit, pass the following resolution as a special resolution:

"That the capital of the Company be reduced from \$53 million to \$28 million and that such reduction be effected by cancelling contributed equity of \$25 million, being the amount of accumulated losses in the Company."

By Order of the Board.



Myron Zlotnick  
Company Secretary  
16 March 2005

### Proxies

A member entitled to vote at the meeting has the right to appoint a proxy to attend and vote instead of the member. A proxy need not be a member. A member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a member appoints 2 proxies and does not specify the proportion or number which each proxy is to exercise, then, in accordance with Section 249X(3) of the Corporations Law, each proxy may exercise half of the votes for which the proxies are appointed.

A form for appointment of proxy is enclosed. To be effective, the document appointing the proxy (and the original, or a certified copy, of the power of attorney or other instrument under which the document appointing the proxy is signed or executed) must be received by the Company at least 48 hours before the meeting. The documents should be delivered to the Company at c/o Computershare Investor Services, GPO Box 4195, Sydney NSW 2001 or by fax to + 61 2 8235 8220.

No facility exists for receiving proxies by e-mail.

Please refer to other notes appearing on the enclosed Form of Proxy.

### Corporate Representative

A representative of a company attending the meeting must present at the meeting satisfactory evidence of his or her appointment to attend on the company's behalf, unless previously lodged with the Company.

### Entitlement to Vote

In accordance with the Corporations Law and the regulations made thereunder, the Board has determined that in relation to the Annual General Meeting of the Company convened by this Notice of Meeting, shares will be taken to be held by the persons who are the registered holders at 5.00 pm (Sydney time) on Friday 20 May 2005. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

### Explanatory Notes

#### Ordinary Business

##### 1. Annual Financial Reports

The Corporations Law requires the Reports of the Directors and of the Auditors and the Annual Financial Report, including the Financial Statements, to be laid before the Annual General Meeting.

Neither the Corporations Law nor the Company's Constitution requires a vote of shareholders at the Annual General Meeting on such Reports or Statements. However, shareholders will be given ample opportunity to raise questions on the reports and statements at the meeting.

##### 2. Resolution 1 – Confirmation of Appointment of Ian Ferrier as a Director

On 18 August 2004, Geoff Tomlinson, the then Chairman of the Company resigned effective 31 August 2004. On 18 August 2004, Mr Ian Ferrier was appointed by the board to fill the vacancy. Pursuant to ASX Listing Rule 14.4 Mr Ferrier is required to be elected by no later than the date of the Annual General Meeting.

##### 3. Resolution 2 – Appointment of Clive Rabie as a Director

Mr Phil Hayman announced his resignation as a director effective 24 May 2005. The board has nominated Mr Clive Rabie to be appointed to the board to replace Mr Hayman. Mr Rabie has been Chief Operating Officer of the Company since 2001 and in that time has played a pivotal role in the turn-around in the performance of the Company. His proven track record within the Company over the last three and a half years, as well as his credentials as an entrepreneur and operations manager, make him an ideal candidate for appointment as an Executive Director.

### Special Business

#### 4. Special Resolution 3 – Return of Capital

When the board met in February 2005 to review the results for 2004, it intended to recommend the payment of a dividend out of profits for 2004. However, based upon advice received, the Company established that the board's power to declare a dividend for the 2004 financial year could effectively only be exercised before 31 December 2004. The reason for this is that the Company carries accumulated losses and although the Company generated a profit in 2004, those earnings can only be used for purposes of declaring and paying a dividend before 31 December 2004. After that date any profit cannot be used as retained earnings and must be taken up and offset against the accumulated losses.

Accordingly the Company proposes to pay a return of capital to shareholders by way of paying each shareholder \$0.035 (three and one half cents) per share. As with previous payments of return of capital it is not the board's policy that a return of capital be implemented as a regular occurrence. However, in light of the advice received, and against the background of the Company's financial performance and its current financial position, the board resolved on 28 February 2005 to request shareholders to approve a return of capital to shareholders in 2005.

Each shareholder will be paid a sum of money in proportion to their shareholding in the total share capital of the Company.

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

As at the date of this notice, the number of ordinary fully paid shares issued in the Company is 138,878,975.

If the return on capital is approved, the share capital account will be reduced by the amount of the return on capital, about \$4.9 million.

In the opinion of the Directors the financial position of the Company will continue to be sound following the return of capital.

The Corporations Law permits a company to reduce its share capital, in this case in the form of a return of capital, if the reduction:

- is fair and reasonable to the shareholders as a whole;
- does not materially prejudice the Company's ability to pay its creditors;
- and is approved by the shareholders.

#### **As to Point 1:**

- The only class of shares issued by the Company are ordinary shares.
- The Company proposes to pay to each shareholder a return of capital of \$0.035 (three and one half cents) per share.
- The reduction of capital applies equally to each shareholder in proportion to the number of shares they hold.
- The terms of the reduction are the same for each holder of shares.

#### **As to Point 2:**

- In the date of this notice the cash in hand is about \$15.1 million.
- The cash flow relating to operating activities (net of expenditure on capital items for the 12 months ending 31 December 2004 but excluding acquisitions) for the last 12 months is \$6.1 million positive.
- The Company will not be borrowing any funds for the purpose of the return on capital. The return on capital will be funded from existing cash balances.
- In the circumstances the Board considers that there will be no material prejudice to the Company's ability to pay its creditors and that there are no reasons to expect the payment of the return of capital to otherwise impact on the cash position of the company.

#### **As to Point 3:**

- This resolution is put to the shareholders for approval by special resolution at the general meeting.
- The Corporations Law only requires that an equal capital reduction be approved by an ordinary resolution, however, clause 2.6 of the Company's Constitution requires that the resolution be passed as a special resolution.

#### **Further Information**

Consistent with 2004, growth is intended to be generated from product development and enhancements achieved through its relationship with Intuit Inc and organic growth in the market. There is also continued growth expected in the new revenue streams acquired as a consequence of the acquisition of the APS entities.

The further capital requirements of the Company are not significant.

The board does not view payment of a return of capital as a regular occurrence and any decision regarding their payment will be reviewed periodically.

#### **Taxation Considerations**

The taxation implications for each shareholder receiving a return of capital will vary depending on a number of factors, including how the shares are held, for example whether personally, through a company, trust or superannuation fund, the cost base that each member has in the shares and the shareholder's place of residence. It is recommended that each shareholder seek tax advice specific to their own circumstances as to the proposed capital return.

#### **Determination of Entitlements**

Entitlements to participate in the capital reduction will be based on the Company's share register as at completion of registration of transfers in accordance with the Securities Clearing House Business Rules on 31 May 2005 and any references to that date in the notice of meeting and these explanatory notes should be read accordingly.

#### **Directors' interests in the Capital Reduction**

<b>Directors</b>	<b>Shares beneficially held</b>
Greg Wilkinson	11,000,000
Phil Hayman	9,000,000
Geoff Tomlinson	400,000
John Thame	20,000
Fred Tinker	-
Ian Ferrier	-

#### **Other interests**

<b>Chief Operating Officer</b>	<b>Shares beneficially held</b>
Clive Rabie	11,000,000

#### **Timetable of events**

<b>Event</b>	<b>Date</b>
Date of AGM	24 May 2005
Date of vote on special resolution	24 May 2005
Lodge outcome of AGM with ASX	24 May 2005
Assuming shareholder approval is given, trading on an "ex-return of capital" basis starts	25 May 2005
Record date (The date on which the Company fixes the balance of shareholders to whom the return of capital will be paid.)	31 May 2005
Return of capital paid	Not before 1 July 2005

#### **Summary**

The Directors consider the return of capital is a distribution of capital surplus to the needs of the Company at this time. It will apply equally to all of the ordinary shareholders of the Company. The Directors believe it will not materially prejudice the Company's ability to pay its creditors. The Directors consider that the return of capital is fair and reasonable to the Company's shareholders as a whole.

#### **5. Special Resolution 4 – Accumulated losses to Capital**

As discussed above under Special Resolution 3, when the board met in February 2005 to review the results for 2004, it intended to recommend the payment of a dividend out of profits for 2004. As already stated, based upon advice received the Company established that the board's power to declare a dividend for the 2004 financial year can effectively only be exercised before 31 December 2004. The reason for this is that the Company carries accumulated losses and although the company generated a profit in 2004, those earnings must be used for purposes of declaring and paying a dividend before 31 December 2004. After that date any profit cannot be used as retained earnings and must be taken up and offset against the accumulated losses.

To overcome this problem and to permit the board the freedom to declare a dividend in the year following the year being reported on, when it has had an opportunity to review the final results of the company, shareholders are requested to approve by way of special resolution that the capital of the Company be reduced from \$53 million to \$28 million by reallocating contributed equity of \$25 million, being the amount of accumulated losses in the Company.

This reduction of capital does not impact on the net financial position or the tax position of the company. It does however permit the company to recognise any profit in one financial year as retained earnings in the following year. This in turn empowers the board to declare and pay a dividend at a time when it has had an opportunity to properly review the final results of the Company. The reduction of capital also does not affect the number of shares held by any shareholders.