



Reckon Limited

Annual General Meeting

24 May 2005

10:00am

**35 Saunders Street
Pyrmont NSW 2009**

Chairman's Speech

Before we proceed to the formalities I wish to briefly speak about our results for the year ending 31 December 2004. By now most of you will be reasonably familiar with the 2004 results of the company so I'll try not to dwell on them for too long.

I am very pleased to report to our shareholders that the results for 2004, now already some five months ago, were pleasing. In fact, the headline results were very good.

For the group, revenue grew by 48% and NPAT grew by 66% over 2003.

In the normal course this would be a spectacular result but account should be taken for the fact that the acquisition of the APS business contributed significantly to the profit line. And, after allowing for the application of a new accounting policy regarding amortisation of goodwill in the APS acquisition and allowing for future tax benefits, NPAT for 2004 grew by 44% over 2003, rather than the headline 66%.

Earnings per share for 2004 on this normalised basis increased by 33% over 2003. This is a clear indicator of the success of the APS acquisition.

It has already been documented that we were disappointed with the performance of the QuickBooks side of the business, with revenue growth over 2003 only increasing by 5½%.

Nonetheless, the results confirm the strategic and commercial value of the APS acquisition and against the background of the competitive landscape and economic conditions for the end of the latter half of 2004 the overall result is satisfactory.

Group performance for the first four months of this year has been satisfactory and is in line with our expectations for the half year.

From a cash flow perspective the 2004 result is also positive. Operating cash flow is up 53% on 2003 from \$5.7 million to \$8.7 million.

The cash positive position of the business put the board in a position to consider declaring a dividend in early 2005. As indicated in the notice of meeting, however, the only basis upon which a dividend could have been paid in 2005 based on profits generated in 2004 would have been if the dividend was actually declared before the end of 2004. While this is the third year of profits for the company, there are still accumulated losses on our balance sheet that date back to 2001. The effect of these accumulated losses is that they absorb profits as

soon as the following year begins. The board was not in a position in late 2004 to declare a dividend as there was still some way to go before the results for 2004 would be finalized. Although technically deprived of its power to declare a dividend, the board did not want to deprive shareholders of an opportunity to participate in the success of the company and decided to use the mechanism of a repayment of capital to reward shareholders.

So the board has recommended to shareholders to approve by way of special resolution the repayment of a return of capital of three and half cents per share with all shareholders treated equally. We will return to this later in the meeting when we consider the votes on this resolution.

Related to the return of capital I should also say a few words about our cash management generally. The acquisition of APS in January 2004, which was paid for half in cash and half in shares, has proved to be an excellent acquisition in terms of earnings and cash flow. The outcome of this transaction demonstrates to us that we should be on the lookout for other similar deals. And to that end the cash reserves we have may come in very useful. The other alternative for use of cash is a share buy back. As you will be aware we announced a share buy back on 8 February 2005. To date no shares have been purchased by the company.

The board has also asked shareholders to approve by way of special resolution that the capital of the company be reduced by the amount of the accumulated losses of \$25 million. The effect of this is that the capital of the company will be reduced from \$53 million to \$28 million. The result of this will be to effectively wipe out the effect of the accumulated losses on the power of the board to declare a dividend at any time appropriate. The board has been advised that this action will not impact on the net financial position of the company and nor will it change the tax position of the company.

There will be an opportunity later in the meeting to ask questions about this resolution.

I should add that no formal dividend policy is in place at present. This is under review and should the position change the market will be informed.

As I alluded to earlier, the results to date for financial year 2005 are bearing the fruit of strategies implemented to date. These include:

- recent price increases, the first since 2003;
- a realignment of the product range exposing more features for price;
- intensive roadshow marketing;

- maximizing our relationship with the recommender channels of accredited trainers and professional partners; and
- continuing to emphasize the technological and value advantage of APS solutions.

A very brief summary of the highlights of 2005 so far include:

1. The launch on 1 May 2005 of QuickBooks EasyStart. QuickBooks EasyStart has been designed specifically for first-time users of accounting software and/or anyone starting his/her first business.
2. Significant improvements of QuickBooks features.
3. The introduction of new Connected Services into QuickBooks 2005/06.
4. APS continue to enhance and expand the Advance range of products for Professional Accounting firms and Professional Service organizations.
5. QuickBooks Plus 2005/06 and QuickBooks Premier 2005/06 made a clean sweep of APC Magazine's annual review of accounting software - each winning the Editor's Choice Award and each being named the best in terms of Price-to-Performance ratio.

This summary does not do justice to the work put in by the company and if you require more detail we will be happy to take questions later on.

Before closing off, it is appropriate that on behalf of the board we recognize the contribution of a few people to the success of the business.

First of all we extend our thanks to Geoff Tomlinson who resigned as Chairman in August 2004. Geoff played an important role on the board in the development of the company since its listing in July 1999. He steered the company through some tough times and we are grateful to him for his contribution.

We are fortunate to have Ian Ferrier as a new independent non-executive director. As we announced in August, Ian is the founder of Ferrier Hodgson. He is a Fellow of the Institute of Chartered Accountants in Australia. He has had over 40 years experience in company corporate recovery and turnaround practice. He is also a Director of a number of private and public companies. Ian is currently Chairman of InvoCare Limited, Port Douglas Reef Resorts Limited and a Director of McGuigan Simeon Wines Limited, and Macquarie Goodman Management Limited. Ian has had significant experience in property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and aviation and service industries. It is a requirement of the Corporations Act

that Ian's appointment is confirmed by general resolution at today's meeting. That is the first resolution to be voted on later in this meeting.

You will also have seen in the notice of meeting that Phil Hayman, one of the founders of the company, has resigned effective today. Phil has devoted 18 years of energy to the business in various roles and he too deserves our thanks for his valuable contribution. With Phil's resignation, the board has also put to you today for approval the election and appointment of Mr Clive Rabie as a director of the company.

A brief summary of Clive's credentials as an entrepreneur and operations executive are set out in the explanatory note to the notice of meeting. It is my pleasure to recommend his election to the board. He has played a pivotal role in the turnaround of the fortunes of the business since 2001 and his appointment will continue to benefit the company in the years to come.

Should Clive be elected to the board it means the current position where there are effectively only two truly independent non-executive directors continues. The ASX corporate governance guidelines require that there should be a majority of non-executive directors on the board. In light of that requirement I should explain that this departure from the guidelines does not impact on the good governance of the company.

Open channels and frequent communication between management and the independent non-executive directors Board means that there is independent oversight of material decision making and compliance with principles of good corporate governance. Also, the independent non-executive directors ensure that all issues that come before the Board are considered in an impartial manner and from a variety of perspectives especially conscious of the importance of their role as independent directors.

As always thanks must also be extended to the executive directors, the management teams and the staff of the QuickBooks and APS side of the business for their hard work. I especially welcome Mr Brian Armstrong MD of APS Australia who has now completed almost 18 months at the helm of APS since the acquisition.

And finally thanks also to our network of retailers, accredited trainers and professional partners.

I turn now to the further formalities of the meeting.