

Chairman's Speech
for
Special General Meeting of
Reckon Limited
Held at 10am on 20 December 2005

35 Saunders Street
Pymont NSW 2009

There are two main areas of business that we have put to shareholders for approval today.

Number one is a proposed reduction of capital and **number two** relates to a long term remuneration incentive plan and tax exempt share plan that the company wishes to implement.

The detail regarding the proposed business has been set out in the notice of meeting and explanatory memorandum mailed to shareholders on 16 November 2005. I don't intend to burden you with a repetition of that detail and I will limit myself to a brief summary and then open the floor to questions.

As far as the first item of business is concerned...

Some of you might recall my address at the AGM on 24 May 2005 where mention was made of the company's positive operating cash flow. At the end of June 2005 the company had cash reserves of \$18.3 million, approximately \$5 million dollars up on the 2004 year end cash reserves. After paying a return of capital of about \$4.9 million to shareholders in August 2005, the company still has cash reserves of about \$18 million as at 30 November 2005.

We had announced a buy back of shares in February 2005 but did not execute on that for so long as the company was pursuing a few transactions, even if the deals were not announceable under the ASX Listing Rules. We had hoped to find a transaction to emulate the success of the acquisition of the APS but that proved difficult to do. That said we do continue to be on the look out for and pursue suitable deals. The company is thus in a position to exploit its cash rich position to provide alternative returns to members and at the same time manage its cash position. For the time being we will only reduce the capital by 5%. We will thus retain some cash to fund the other potential deals that we might pursue. This also allows the board to give some consideration to developing a dividend policy now that we have a reasonable profit history.

We are proposing to reduce our capital by 5% as follows:

- purchasing 5 fully paid ordinary shares out of every 100 fully paid ordinary shares held by each shareholder as at 29 December 2005;
- paying to each shareholder, registered as a shareholder as at that date, A\$0.80 for each fully paid ordinary share so purchased; and
- then cancelling the 5 fully paid ordinary shares out of every 100 fully paid ordinary shares so purchased.

This means that the company will be paying approximately \$5.568 million to shareholders. Our cash after the reduction of capital will be approximately \$12.4 million.

Some of you may be wondering what the benefit to shareholders is, especially those of you who might have purchased shares when the price was higher than what it is now in the proposed reduction of capital.

Well, key to this reduction of capital is that no shareholder, irrespective of when they purchased and what price they purchased, is any worse off after the reduction of capital. After reduction of capital, payment of the cash to the shareholder and cancellation of shares, the remaining shares theoretically retain their value and their proportion to the total shares in issue remains the same.

Also, there is a potential benefit from an EPS perspective because there will be less shares into which the same profit is divided.

We should also address the concern that some of you might have regarding the perception that the company has a so-called lazy balance sheet. We are conscious that some investors see merit in heavier gearing and that we should put some debt to efficient use. The board believes that in the context of the history of the company, it was only three years ago that we struck our maiden profit, that we want to retain some cash not simply for the sake of it, but as a buffer and now that the business is maturing as a means of funding potential transactions.

The board will continue to review its cash management position as circumstances unfold. This may result in further reductions of capital in the future.

As far as item of business number two is concerned...

this comprises approval of resolutions relating to the implementation of plans to provide long term incentives and tax exempt share schemes for employees.

Conscious of the need to ensure that any plans proposed to be implemented comply with market and legal expectations, the plans were designed by external independent advisers.

The motivation for seeking to implement these plans stems principally from the notable absence of any long term incentive plan for eligible employees and an imbalance in the spread between the short term and the long term components of remuneration.

We estimate that the total cost of the plans will not exceed \$433,000 up to the fourth years of the plans.

To date we have not finalized participation in the \$1000 tax exempt plan, but we have about 200 employees of whom approximately 75% will benefit from the plan.

It is perhaps better for me to present only an overview of the plans and then we will take questions if any detail requires clarification.

This table summarizes what we have proposed to shareholders today:

	Plan	Who	What	How	When	Remuneration Committee discretion	Shareholder approval compulsory	Shareholder approval sought
2	Long Term Incentive Plan Option Plan Performance Plan	CEO COO Executives	Options and/or shares	Conditional on achievement of KPI's TSR	Issued annually 3 years to vest Initial grant 4 years to vest	Yes	Yes for CEO COO No for Executives	Yes
6	Share Appreciation Plan	CEO COO	Cash payment equal to appreciation in share price between date of grant and date of entitlement	Conditional on achievement of KPI's TSR	Issued annually 3 years to vest Initial grant 4 years to vest	Yes	No	Yes
5	Tax Exempt Share Plan	Eligible full time employees	Up to \$1000 value of shares	Conditional on achievement of KPI's Revenue & profit targets	Once for each employee Vest after 3 years	Yes	No	Yes

As you can see there are effectively three plans for which we seek approval.

Resolutions 2, 6 and 5 cover these three plans...

- Firstly: a long term incentive plan comprising an option plan and a performance plan.
- Secondly: a share appreciation plan.
- Thirdly: a tax exempt share plan.

Resolutions 3 and 4 cover...

approval of CEO and COO participation in the long term incentive plan. The ASX listing rules require shareholder approval for directors to acquire securities under an employee incentive scheme.

As far as the long term incentives are concerned...

it is proposed that senior executives and executive directors will participate in the long term incentive plan (either by issue of options or performance shares) along the following broad lines:

- the entire process is controlled by the board through the independent non-executive directors;
- the performance targets will be set in line with market acceptable norms;
- vesting periods will be no less than three years; and
- continued long term employment will be required.

We have already had some enquiries regarding the peer group that will comprise the list of companies against whom our TSR will be measured. The list is now available and can be seen on the screen behind me.

ASX Code	Company	ASX Code	Company
NMB	Namberry	TWO	Talent2 Int
REA	realestate.com.au	TNE	Technology One
ESV	Eservglobal	MYO	MYOB
OCL	Objective Corporation	AMM	Amcom Telecommunications
CTL	Citect Corporation	DFT	Datafast Telecommunications
OKN	Oakton	IFM	Infomedia
ASZ	ASG Group	ALU	Altium
CGO	CPT Global	SNN	Sonnet Corporation
AFS	Affiance Group	CTI	Chariot
MLB	Melbourne IT	MUL	Multimedia
QUE	Queste Communications	HSN	Hansen Technologies
IRI	Integrated Research	TMO	Tomato Technologies
PWR	Powerlan	SIU	Sirius Telecommunications
ADA	Adacel Technologies		

This list was compiled by our independent advisers and apart from adding our main competitor to the list, we have not played a roll in its compilation. It is planned to review the suitability of the list on an annual basis to make sure that it remains a meaningful and challenging yardstick for company performance.

To return to the plans...

The share appreciation plan...

is proposed to be offered only to the CEO and COO as an alternative to their participation in the long term incentive plan in order to give them a more tax efficient method of participating in long term incentives.

The tax exempt plan...

It is proposed that participation in this plan will be offered to a wider group of eligible full time employees. The right to claim the entitlement will be conditional upon the company meeting defined revenue and profit targets. This scheme is not materially different from similar schemes commonly deployed by companies.

Finally...

as we are so close to the end of the year, I also want to use this opportunity to reflect briefly on the company's expected performance for the full financial year ending 31 December 2005. Bearing in mind that management accounts for December are obviously outstanding and that the business is not quite evenly spread over the two halves of the year, we see no reason why our growth will differ materially from when we announced our half year results on 22 August 2005.

I now return to the formal resolutions before you today.

-ends-

Summary of Plans

	Plan	Who	What	How	When	Remuneration Committee discretion	Shareholder approval compulsory	Shareholder approval sought
2	Long Term Incentive Plan	CEO COO Executives	Options and/or shares	Conditional on achievement of KPI's TSR	Issued annually 3 years to vest Initial grant 4 years to vest	Yes	Yes for CEO COO No for Executives	Yes
6	Share Appreciation Plan	CEO COO	Cash payment equal to appreciation in share price between date of grant and date of entitlement	Conditional on achievement of KPI's TSR	Issued annually 3 years to vest Initial grant 4 years to vest	Yes	No	Yes
5	Tax Exempt Share Plan	Eligible full time employees	Up to \$1000 value of shares	Conditional on achievement of KPI's Revenue & profit targets	Once for each employee Vest after 3 years	Yes	No	Yes

TSR Peer Group

ASX Code	Company	ASX Code	Company
NMB	Namberry	TWO	Talent2 Int
REA	realestate.com.au	TNE	Technology One
ESV	Eservglobal	MYO	MYOB
OCL	Objective Corporation	AMM	Amcom Telecommunications
CTL	Citect Corporation	DFT	Datafast Telecommunications
OKN	Oakton	IFM	Infomedia
ASZ	ASG Group	ALU	Altium
CGO	CPT Global	SNN	Sonnet Corporation
AFS	Affiance Group	CTI	Chariot
MLB	Melbourne IT	MUL	Multimedia
QUE	Queste Communications	HSN	Hansen Technologies
IRI	Integrated Research	TMO	Tomato Technologies
PWR	Powerlan	SIU	Sirius Telecommunications
ADA	Adacel Technologies		