

# *Reckon*

**Chairman's Speech**

**for**

**Annual General Meeting of**

**Reckon Limited**

**To be held at 3pm on 29 May 2007**

**at**

**35 Saunders Street**

**Pymont NSW 2009**

## **RESULTS**

We can start by referring to our results for the financial year ending 31 December 2006. As you would have seen in the Annual Report the key performance indicators continue to provide testimony to a healthy business that is well managed, has excellent quality products, world class customer support, generates a good cash surplus, is debt free, and pursues growth.

- **Operating Revenue** of \$45 million is up 9% on 2005.
- **EBITDA** of \$13 million is up 29% on 2005.
- **Net profit before tax** of \$11 million is up 19% on 2005.
- **Earnings per share** of 6.2 cents per share is up 22% on 2005.

The board was thus in a position to declare a final **dividend** in February this year of 2.5 cents per share which together with the interim dividend of 2 cents per share paid in September last year means a 125% increase in the dividend paid compared to the maiden dividend paid in 2005.

We also implemented a reduction of capital in early 2006, paying shareholders 80 cents per share for 5% of their shareholding. This was approved and accounted for in the financial year ending 31 December 2005.

The company is also well armed with cash to pursue potential acquisition strategies. We do have a reputation for a conservative approach to acquisitions. The board's approach has always been to support management's quest for non-organic growth but we have insisted on a disciplined approach. I will speak more about our acquisitions later on.

## **APS**

For APS:

- **Operating Revenue** was up 8% on 2005; and
- **EBITDA** was up 35% on 2005.

APS acquired 80 new clients in all territories in 2006. Of these new clients, 15 were in the Top 100. Bearing in mind that the products are very sticky, this new client growth represents further evidence of the market's support for the quality of service and technology offered by APS.

APS Australia and New Zealand have consolidated their position as one of the suppliers of choice to the top tier of accounting firms.

APS's ongoing success is attributable to several factors, many of which we have mentioned before, but in essence it is based on a commitment to customer service and product excellence. The pedigree of service and technological superiority is now being combined into a more sophisticated approach to product delivery with a strategy that positions APS as an overall supplier of relevant IT services to their customers.

This strategy pursued by APS spans across:

- A product platform of practice management; business intelligence; document management; customer relations management; professional accounting software; tax software; Fusion solutions which integrate information from different applications; forecasting; and contract billing.
- A layer of implementation, training, support and updates.
- A second product/services layer providing managed services and practice coaching.
- A top layer of service comprising conferences, client service reviews, relationship audits, client advisory boards, CEO workshops, loyalty programmes and executive forums.

Against this background, for 2007, all three territories have a strong pipeline of new business without the resources constraints experienced last year. And the road ahead looks very promising for APS, especially in terms of maintenance income.

Turning now to our Quicken business.

## **QUICKEN**

For Quicken:

- **Operating Revenue** was up 9% on 2005
- **EBITDA** was up 27% on 2005.

The Quicken business continues to benefit from the operational advantage it enjoys from a close development relationship with Intuit as well as from the US\$300 annual million spend on research and development.

Recent developments for local products include

- Vista readiness;
- the launch of a re-engineering programme to enjoy the scalability of a SQL data base;
- developing improved products for the enterprise market as well as

- reporting solutions for franchisees;
- web based solutions for payroll and online back up;
- business performance measurement tools; and
- electronic data transfer between businesses.

The Quicken business continues to provide a healthy and steadily growing contribution to the overall performance of the company.

## **ACQUISITIONS**

We announced last year in March the completion of the acquisition of a suite of products under the **Elite** brand for a total purchase price of up to a maximum of \$2.3 million dollars. This represents a price of approximately 4.3 times net profit before tax for the year ended 30 June 2005. Included in the suite of products purchased is the flagship **Elite tax** preparation tool, as well as a **ledger, fixed asset** and **rental property** module. All of which are complementary to our existing small to medium business product range.

We also previously announced the acquisition of the **Desktop Super** product effective March 2006. This product assists accountants to administer superannuation accounts and is a complementary service to the products inside the APS suite.

Also in February 2006 the company announced that had acquired the exclusive rights to distribute the **Superlink** product in Australia and New Zealand. This is a complementary product to QuickBooks which allows users to electronically distribute superannuation contributions to different nominated funds.

We exercised our option to acquire the SuperLink product outright in April 2007 for \$100,000.

The acquisition of these products recognises the growth potential offered by the Australian tax lodgement and superannuation administration market in the years to come. We can report that these products are well bedded down in the suite and are attracting more and more customer interest in the smaller accounting practices.

Earlier in 2007 we also completed a number of acquisitions consistent with our strategy of broadening the width of complementary products offered to our existing customers as well as pursuing cost efficiencies in the management of our overall business.

The first quarter of the year was a busy time for acquisitions. Thus in February 2007 we acquired the **Shelco services** and **data** businesses from the Shelco group of companies. The Shelco services business comprises technology for the

registration of companies and other business structures using either the so-called old fashioned full service method or an immediate online company registration service.

The business can also help customers set up unit trusts, family discretionary trusts or self managed super funds for customers as well as constitution updates and even domain name registration.

The data business uses a personalised client relationship to electronically provide a range of ASIC information to assist customers with the provision of financial, corporate and statutory information. It is also proposed to add state business names, REVs checks, credit reporting and land office searches to this business in the near future as well.

In February 2007 we also acquired the technology for a range of products including the **BankData**; **Payroll**; and **Backup** solutions.

The BankData Business is an online service enabling the importing and coding of transactions directly and seamlessly into QuickBooks from internet bank statements. BankData Professional is an online service which enables accountants to collect and process customers' financial transactions directly from banks. Payroll is a flexible and cost effective online payroll system. Backup is an online storage application that allows users to safely and securely store files on a server that are accessible at any time.

Also in February 2007 we acquired our **New Zealand distribution business** which means we can enjoy better efficiencies in cost management while having all the benefits of a business on the ground in New Zealand.

## **BRANDING**

Given the gradual diversification of the range and depth of the business, you will start noticing some gradual changes to the branding of the company and its products. In summary we are elevating the company name, Reckon, to be our collective corporate brand. Underneath the Reckon brand we will market the range of products we now offer under their respective product names: APS; Elite; Shelco; QuickBooks and Quicken.

## **2007 PERFORMANCE**

Before we conclude, the company is in a position to provide some indication of its performance to date and where we expect to be by the half year ending 30 June 2007. As we have indicated before, any guidance should be read taking account

of an extremely competitive market and occasionally fluctuating demand which make predictions difficult.

We are pleased to advise that we expect operating revenue for the period ending 30 June 2007 to show growth of approximately 20% over the previous corresponding period for 2005.

The APS business has performed particularly well with strong revenue growth in all countries and all categories resulting in expected organic growth in excess of 20%.

The Quicken business is expected to generate organic growth of approximately 12% which will be further boosted by sales revenue from acquisitions.

We expect our EBITDA margin (%) for the half year to be in line with the EBITDA margins achieved in 2006.

Finally, I would like to acknowledge and thank the executive team and all the employees of Reckon for their contribution to the success of the company. And of course, I would also like to thank the shareholders for their support as well as the support of our network of professional partners and our customers.

# *Reckon*

AGM

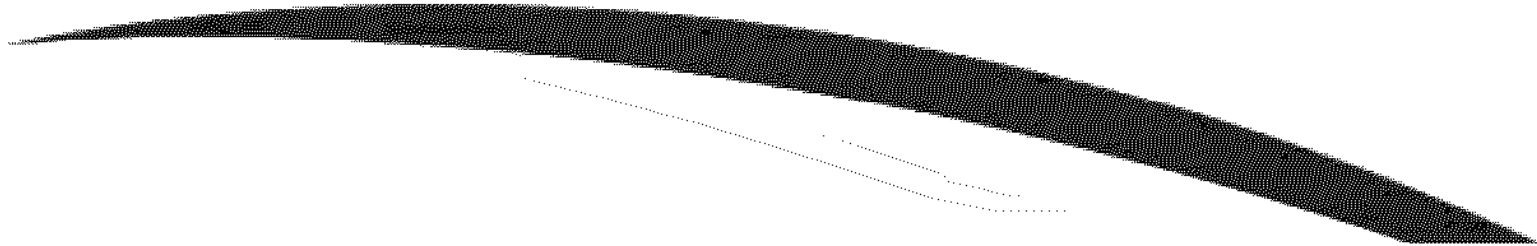
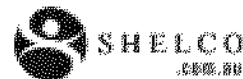
29 May 2007





## Financial Highlights 2006

	2006	2005
Sales Revenue	\$45m	\$41m
% Growth	Up 9%	
EBITDA	\$13m	\$10m
% Growth	Up 29%	
NPBT	\$11m	\$9m
% Growth	Up 19%	
EPS (after tax)	6.2c	5.1c
% Growth	Up 22%	
Dividend	4.5c	2c

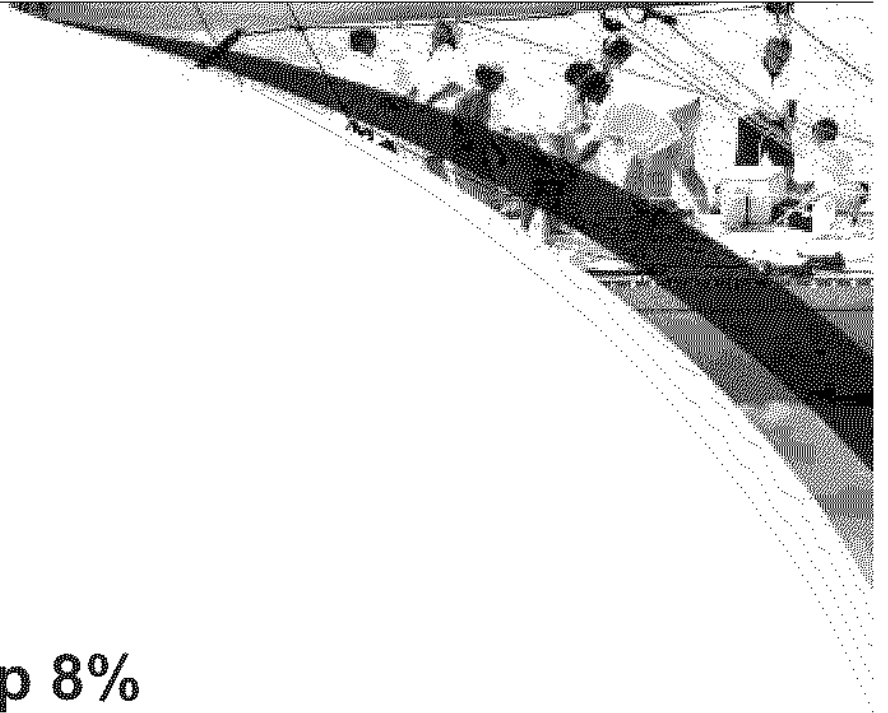


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**2006 Operating revenue up 8%  
to \$15m**

**2006 EBITDA up 35%  
to \$3m**



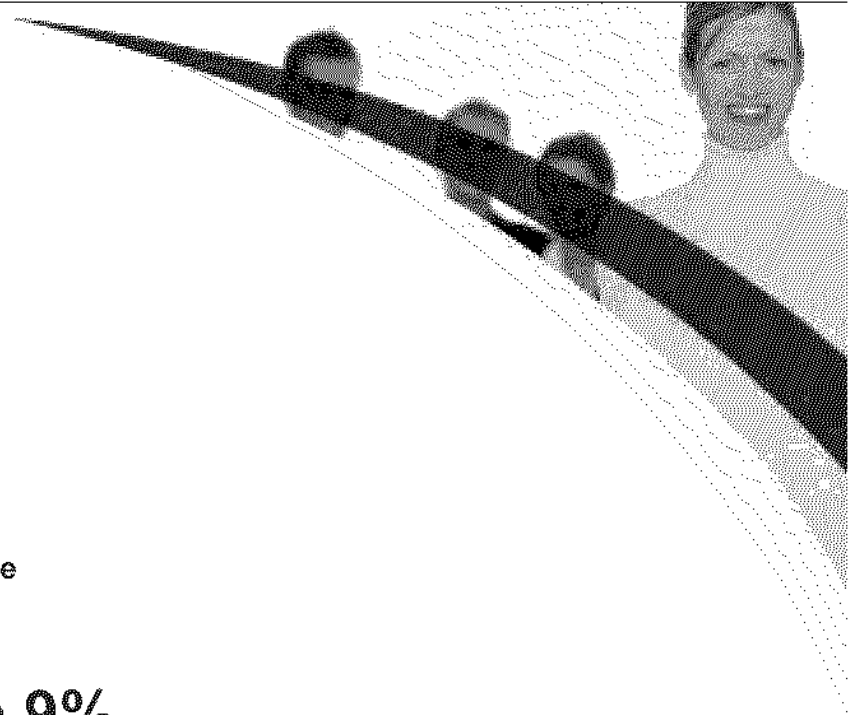
*Reckon*

*Quicken*<sup>®</sup>

The world's best selling financial management software

**2006 Operating revenue up 9%  
to \$30m**

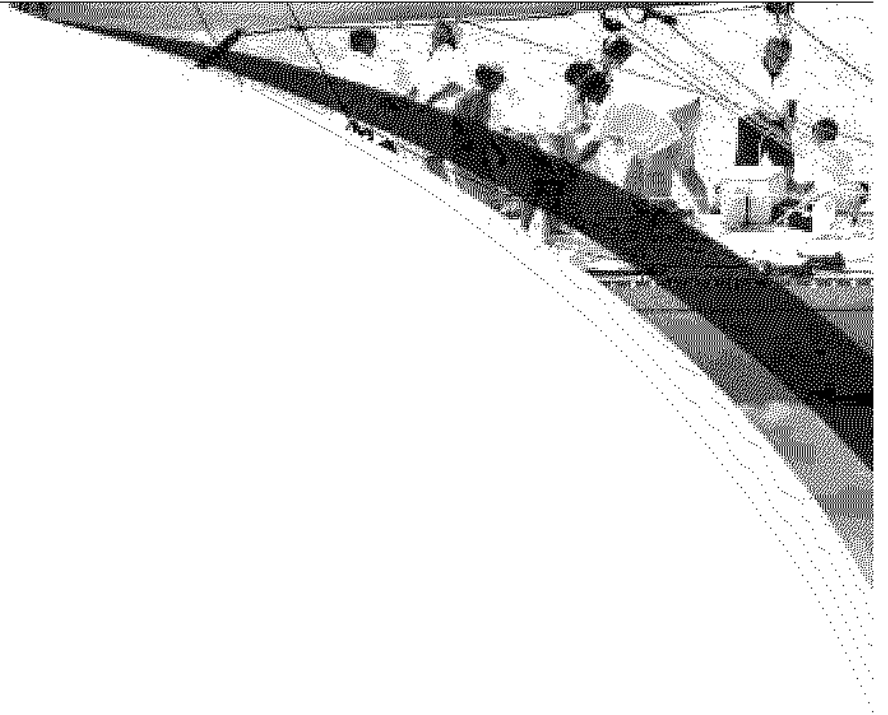
**2006 EBITDA up 27%  
to \$10m**



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## **Acquisitions**

- Elite Tax
- Desktop Super
- Superlink
- Shelco Services
- Shelco Data
- Payroll, Backup, Bankdata
- Quicken New Zealand





## Guidance for half year ending

**30 June 2007**

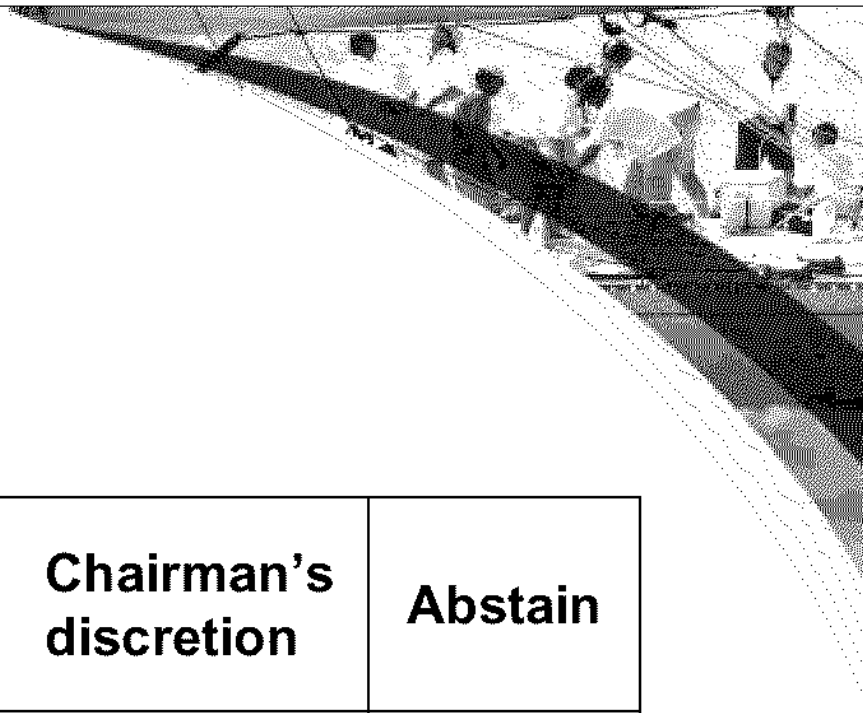
- Operating revenue expected to be up 20%
- APS revenue growth expected to be up in excess of 20%
- Quicken organic growth expected to be up 12% and will be further boosted by acquisitions
- EBITDA margin (%) for the period expected to be in line with EBITDA margins achieved in 2006





## Proxy results

<b>Resolution</b>	<b>For</b>	<b>Against</b>	<b>Chairman's discretion</b>	<b>Abstain</b>
<b>1</b>	<b>43,625,651</b>	<b>39,425</b>	<b>771,638</b>	<b>78,959</b>
<b>2</b>	<b>43,351,220</b>	<b>288,178</b>	<b>765,037</b>	<b>111,238</b>
<b>3</b>	<b>43,645,832</b>	<b>14,250</b>	<b>775,487</b>	<b>80,104</b>



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Thank You

