

Results Presentation

Year Ended
December 2008

Clive Rabie – Group CEO
Chris Hagglund – Group CFO
Brian Armstrong – CEO Professional Division
Gavin Dixon – CEO Business Division

Overview

- Reckon is taking strong strides towards achieving its mission: “to be the leading Australian provider of best of Class”:
 - Accounting Software Solutions
 - Personal wealth management solutions
 - Practice Management Solutions for professionals
 - Content and service provider for professionals
 - Expense Management Solutions
- Our results and balance sheet testify to the success of our ongoing strategy:
 - To build on our organic growth
 - To expand our product and service offering to existing clients
 - To grow by acquisition

Performance Highlights – December 2008

Reckon Group

Revenue	up 8%	to \$60.8m
EBITDA	up 15%	to \$19.0m
NPAT	up 14%	to \$11.3m

Professional Division

Operating revenue	up 15%	to \$21.3m
EBITDA	up 46%	to \$5.3m

Business Division

Operating revenue	up 5%	to \$38.6m
EBITDA	up 7%	to \$13.7m

Performance Highlights – year ended December 2008

- Operating cash flow \$16.3m
- Final dividend of **3.5 cents** per share
- Dividend franked to **100%**
- Dividend payout ratio is **71%**
- EPS **growth 14%** to 8.5 cents

Trends over last 5 years

	2004	2005	2006	2007	2008
Revenue	36.6m	42.3m	45.6m	56.2m	60.8m
Cumm Growth					66%
EBITDA	7.8m	10.1m	13.0m	16.5m	19.0m
Cumm Growth					143%
NPBT	7.4m	9.3m	11.0m	13.3m	15.1m
EPS	4.0 cents*	5.1 cents	6.2 cents	7.5 Cents	8.5 Cents
<i>* Normalised for tax</i>					

Half year analysis - year ended December 2008

	2008	1 st Half	2 nd Half
Revenue	60.8m	31.5m	29.3m
Growth	8%	11%	6%
EBITDA	19.0m	9.4m	9.6m
Growth	15%	15%	16%
NPAT	11.3m	5.6m	5.7m
Growth	14%	12%	17%

Margin trends over 4 years

	2005	2006	2007	2008
EBITDA (pre R&D and Royalties)	16.0m	19.3m	23.0m	25.5m
Margin	38%	42%	41%	42%
EBITDA	10.1m	13.0m	16.5m	19.0m
Margin	24%	29%	29%	31%

The current year has been positively impacted by:

- Significantly lower 3rd party product sales in the Professional Division i.e. higher margins
- Improved 2nd half implementation productivity and lower recruitment costs in the Professional Division.

The current year has been negatively impacted by:

- Higher marketing and development for QuickBooks 2008 QBⁱ series in the 1st half
- Minimal profit contribution from Business Division in NZ – focus on market share growth
- Additional costs incurred in preparation for Espreon acquisitions eg premises

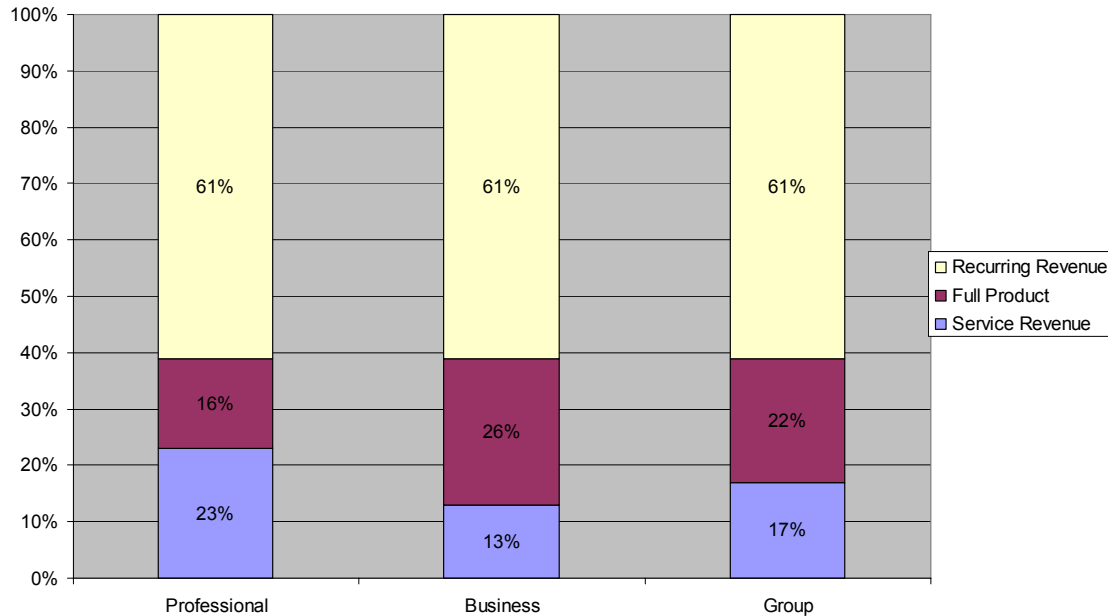
Cash Flow Highlights – year ended December 2008

	2008	2007
Cash Balance at December 2008	\$16.1m	
Operating cash flow	\$16.3m	\$14.6m
Acquisitions²	\$1.3m	\$2.3m
Development Cost Expenditure¹	\$4.6m	\$3.7m
Fixed Asset Acquisitions	\$0.7m	\$0.5m
Dividends Paid	\$7.2m	\$6.6m

1 Higher costs reflect additional expenditure on APS tax product and Shelco company secretarial software

2 Includes \$0.9m of acquisition costs for BillBack / Corporate Services

Revenue Breakdown – year ended June 2008



Prior year recurring revenue	60%	59%	59%
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Acquisition Update

- Acquired BillBack and Corporate Services divisions from Espreon effective 2 January 2009 for \$18m
- EBITDA purchase multiple of 3.6x (*based on June 2008 results*)
- The Corporate Services business is a provider of documentation for company formation, secretarial and compliance services, trust and self managed super funds trust deeds. This is a range of products and services similar to Reckon's Shelco business
- The BillBack business is a provider of technologies for the capture, reporting and billing of client expenses.

Business Division



Business Division - year ended December 2008

	2008	1 st Half	2 nd Half
Operating Revenue	\$38.6m	\$20.6m	\$18.0m
Operating revenue growth	5%	10%	0%
EBITDA	\$13.7m	\$6.8m	\$6.9m
EBITDA growth	7%	10%	3%

Business Division – Operating revenue growth

	2008	1 st Half	2 nd Half
Total Sales	5%	10%	0%
Quickbooks (Australia)	7%	10%	5%
- Retail (sell-in)	0%	3%	-4%
- Direct	10%	13%	8%
Other	1%	11%	-8%

Business Division - Small Product Strategy

- Followed Intuit's strategy in the USA - Introduced QBi Lite \$29.95 in retail to attempt to influence Excel users to move to accounting package (estimate of 40% of small business not using accounting software)
- QBi Lite attracted a 25% share in retail (at the expense of larger products in short term but with long term opportunities)
- Retail sell through:
 - 2008 achieved 97% of 2007 units
 - 2008 achieved 88% of 2007 dollars
 - Lower average price purchases as result of QBi Lite



Business Division - 2008 Highlights

- Release of QuickBooks 2008 QBⁱ Series
 - Major technology change - now scalable to mid-size enterprises
- Strong growth from QuickBooks customer base especially Enterprise
 - Growth 21%
- Continued success with Elite products
 - Over 150 practices switched to Elite Accountants' Suite
 - 90% net promoter score
- Significant enhancements in Quicken 2009 release
- NZ and Shelco systems integrated into Australian operations

Key 2009 Strategies

- Leverage QuickBooks 2009 QBⁱ Series release
- Leverage scalability of QuickBooks Enterprise
- Further SAAS products through Reckon Data Centre solutions
- Integrate Espreon Corporate Services into Reckon
- Market Espreon/Shelco products into Reckon partner network



Professional Division

aps
Accountable Technology



Client Relationship Management



Document Management



Business Intelligence



Practice Management



Accountable Technology



Professional Division - year ended December 2008

	2008	1 st Half	2 nd Half
Operating Revenue	\$21.3m	\$10.6m	\$10.7m
Operating revenue growth	15%	13%	17%
New sales & service revenue growth	11%	8%	15%
Recurring revenue growth	17%	16%	18%
EBITDA	\$5.3m	\$2.6m	\$2.7m
EBITDA growth	46%	29%	66%*

* Positively impacted by lower recruitment costs and improved implementation productivity in 2008

Professional Performance – Year ended December 2008

Software revenue

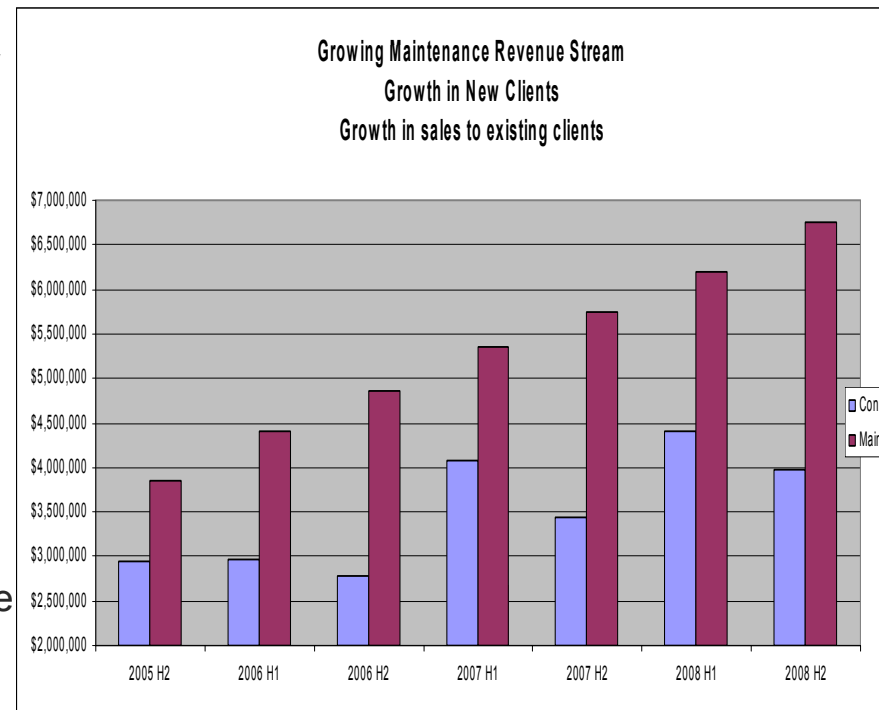
- Reflects impact of strong new business growth
- Reflects impact of take up of full product range by clients

Consulting revenue

- Reflects strong demand by clients for additional consulting services
- Reflects high take up of compliance and productivity software and services
- Reflects high utilisation and increased capacity of consulting team

Maintenance revenue

- Reflects impact of the take up of full product range by clients
- Reflects continued strong new business sales



Professional Division - 2008 Highlights

- **Continued strong organic growth**
- **Positioning strategy well received by market**
- **Consolidated our position as supplier of choice to leading firms**
- **Significant growth in large clients – high demand for additional services**
- **Client management strategy successfully implemented**
- **Acquisition of Billback – Global leader in expense management solutions with operations in USA, UK and Australia & over 1000 clients in 53 countries**
- **Acquisition of Solutions 2001 – Imaging & Scanning solutions**



APS
PRACTICE
MANAGEMENT
SOFTWARE
OF THE YEAR



A momentous battle between three practice management titans saw APS prove victorious for this year's award.

The judges said there were 'three good entries', but were swayed towards APS by the quality of their clients' comments.

Cambridgeshire-based firm Bulley Davey said its investment in APS had proved excellent value for money. South west firm Simpkins Edwards said APS listened to its needs for a product with a strong core, but a broader base of services. Saffery Champness's Jonathan Fox said it was 'the best system I have seen'.

The closely fought competition saw both Iris and CCH being highly praised for their testimonials and technologies, but 'APS is

'Shortlisted in last year's award, APS said success had driven it to look to improve its offering'

challenging the home market', said one judge.

'It's innovative and fleet of foot, with a client service ethos,' said another.

APS claims to have never lost a client to any of its top-tier practice management rivals, which is quite a boast considering the level of competition.

USER'S VERDICT

FW Stephens was searching for a technology to replace its legacy systems to drive the business forward. The firm had moved to new premises, upgraded its IT infrastructure and the decision on its practice management software was seen as the final piece of the jigsaw.

APS' Advance systems has proved so rich in functionality that the firm is just scratching the surface of its capabilities. 'In addition we were impressed by the approach APS takes with clients and collective vision on how we could leverage our existing client data,' said FW Stephens general manager Chris Madde

Shortlisted in last year's award, APS said success had driven it to look at improving its offering.

A refocus on client engagement followed also introduced an intelligence module Practice IQ, which enables practices measure the value they deliver to clients.

It has also posted an average 20% year-on-year revenue growth since 2002, with 50% of sales generated from support and maintenance.

Recent client wins include FW Stephens, James Cowper, Horsfield Smith, R Menzies and Chantrey Vellacott.

APS has been awarded gold partner status by Microsoft for its use of Microsoft technologies, and by Interwoven for its use of cutting edge technology.



Business Model

Product	Market	Service	Price
			
			
Proven Safe Flexible Innovation Expertise Depth Modern Reliable	Accounting Profession Professional Service firms Leading firms Forward thinking Company relationship rather than product relationship	Caring Passionate Committed Knowledgeable Accountable Experience Track record Exceptional relationships	High Value Consistent Transparent Fair



Professional Division - Strong revenue growth

Australia

- Strong revenue growth – up 19%
- 96 new firms switched to APS in 2008
- Major wins include 12 New Top 100 Firms

New Zealand

- Major win – Big 4 firm – all core products
- 14 new firms switched to APS in NZ including 2 new Top 100 firms
- Product distribution extensions across all key clients

United Kingdom

- Strong revenue growth – up 22 %
- Winner of Accountancy Age Practice Management software of the year.
- Interwoven Gold Certified Partner – acknowledges APS as the key “go to market partner” for the accounting profession



Professional Division Growth Strategies

- Expansion in the Accounting & Legal markets
- Expansion in the USA
- Expanded integrated compliance offering
- Leverage APS & Billback opportunities in all countries
- New Products
 - Advance Company Register
 - .Net Tax
 - Billback Expense management & Cost recovery
 - Workflow & Resource Planning
- New market – Imaging and scanning solutions



Accounting Solutions

High Value

High Expertise

3

Client Relationship Management (crm)
 Document & Email Management (dm)
 Capacity Workflow & Resource Planning (pm)
 Extranet & Intranet (dm)



2

Practice Management (pm)
 Business Process Automation (bpa)
 Database Collaboration 3rd Party Solutions (pm)
 Business Intelligence (bi)



1
























Superannuation & Corporate Affairs (ds)
 Tax (tax)
 Accounts Production (xpa)
 Company Secretarial (acr)



Low Value Expertise

Low Value

- 1 Compliance and Productivity Solutions
- 2 Business Solutions
- 3 Enterprise and Collaborative Solutions

	1994 2000	2001 2003	2004 2006	2007	2008	2009	
Milestones	  						
Positioning							
Products							
							
Users Team	0 - 6,000	17,000	21,000 70	26,000 85	29,000 120	35,000 1	
First with	1. SQL Server Platform	1. Business Intelligence Solution 2. SQL Tax	1. Accredited PM Solution by ICAEW 2. Integrated DM	1. Integrated CRM	1. Total Integrated SQL Suite	1. .Net Tax 2. Integrated Workflow & Resource Panning	

Legal Solutions



High Value

High Expertise

3

Client Relationship Management

Document & Email Management

Expense Management

Extranet & Intranet

2

Imaging & Scanning

Business Process Automation

Cost Recovery

Business Intelligence

1

Microsoft SQL Server

Financial & Payroll

Advancedocs PDF

Microsoft Office

Low Value Expertise

Low Value

- 1 Productivity Solutions
- 2 Business Solutions
- 3 Enterprise and Collaborative Solutions

- photocopy activity
- fax transmissions
- printing
- scan activity
- telephone calls
- mobile phone calls
- on-line searches
- credit card charges
- courier costs
- taxi costs
- a myriad sundry expenses





Future Opportunities

- Continued organic growth
- Professional division – leverage full product suite
- Business division focus – continue to leverage QBⁱ
- Roll out of integrated compliance and secretarial offerings
- Integrate new acquisition
- Continue to seek out other suitable acquisitions

Questions

Thank you