

### Results for Announcement to the Market

#### Trading Results (before business acquisition restructure costs)

|                                                                                | 2009 Result          | 2008 Result         | % Change     | Amount Change     |
|--------------------------------------------------------------------------------|----------------------|---------------------|--------------|-------------------|
| Operating Revenue                                                              | \$85.3 million       | \$60.0 million      | 42% increase | \$25.3 million    |
| Group EBITDA<br><small>(before business acquisition restructure costs)</small> | \$26.1 million       | \$19.0 million      | 38% increase | \$7.1 million     |
| Group NPAT<br><small>(before business acquisition restructure costs)</small>   | \$14.4 million       | \$11.3 million      | 27% increase | \$3.1 million     |
| EPS<br><small>(before business acquisition restructure costs)</small>          | 10.5 cents per share | 8.5 cents per share | 24% increase | 2 cents per share |

#### Trading Results (after business acquisition restructure costs)

|                                                                               | 2009 Result         | 2008 Result         | % Change     | Amount Change       |
|-------------------------------------------------------------------------------|---------------------|---------------------|--------------|---------------------|
| Group EBITDA<br><small>(after business acquisition restructure costs)</small> | \$25.1 million      | \$19.0 million      | 32% increase | \$6.1 million       |
| Group NPAT<br><small>(after business acquisition restructure costs)</small>   | \$13.6 million      | \$11.3 million      | 20% increase | \$2.3 million       |
| EPS<br><small>(after business acquisition restructure costs)</small>          | 9.9 cents per share | 8.5 cents per share | 17% increase | 1.4 cents per share |

#### Dividends

The Board has declared a final, fully franked dividend of 4 cents per share (2008: final, fully franked dividend of 3.5 cents per share).

The final dividend will be paid to shareholders recorded on the Company's Register as at record date of 19 February 2010 (see following announcement).

This represents an increase of 1 cent per share on the interim dividend of 3 cents per share (fully franked) declared on 11 August 2009. The Company's dividend payout ratio is 71%.

## **Net tangible assets**

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The net tangible assets per security as at 31 December 2009 is -1.9c cents per share (2008: 10.4 cents per share).

## **Acquisitions**

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Effective 1 January 2009, the company acquired the Corporate Services and Cost Recovery businesses from Espreon Limited for \$19 million.

On 1 July 2009 the Company through its wholly owned subsidiary in the United States, Billback Systems LLC, concluded an agreement with nQueue Inc. The Company through Billback Systems LLC holds a 67% membership interest and nQueue Inc holds a 33% membership interest in a new entity called nQueue Billback LLC.

## **Share Buy Back**

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On 9 February 2010 the board of directors approved an on-market share buy-back of not more than 10% of the shares in the company. Notice to ASIC was despatched today and it is proposed to commence implementing the share buy back on 20 February 2010.

The proposed share buy-back is viewed by the board as part of the company's strategy to manage its capital base.

In accordance with ASX Listing Rule 7.33 LR 7.33, the price at which shares will be bought back not be more than 5% above the average market price, calculated over the last 5 days before the day on which any buy back is made.

## **Audit**

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This report is based on accounts which are in the process of being audited.

## **Commentary**

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### **Segment/Divisional Results**

- Business Division
  - Operating revenue up 29% to \$49.9m
  - EBITDA up 29% to \$15.9m
- Professional Division
  - Operating revenue up 32% to \$28.1m
  - EBITDA up 26% to \$11.6m
- nQueue Billback Division
  - Operating revenue \$7.3m
  - EBITDA \$2.4m.

### **General**

The company generated organic growth in the existing businesses from increased revenue and carefully managing costs. The results further benefitted from the acquisition of Billback and Corporate Services as well as from the nQueue Billback joint venture in the second half of the year.

The Business Division had strong growth in direct sales while experiencing weaker full product sales mainly as a result of lower sell through and de-stocking by the bigger retailers (minus 35%). However, in November and December of 2009 and into January 2010, full product sales have showed signs of growth again.

In 2009, growth of over 20% was experienced in Enterprise and Elite product sales. QuickBooks Online was released in October 2009 and already has over 1000 users.

The Professional Division showed strong growth in the Australia accounting market enjoying demand from existing customers and demand from new customers. In New Zealand, the Professional Division grew by only 2%, feeling the impact of the liquidation of a major client. The United Kingdom accounting market had strong growth (up 10%). APS continues to experience demand for its expanded product range with compliance products being used in smaller accounting firms and a soon-to-be released Billback products suite including cost management, print solutions and WIP finder for the accounting profession showing promise.

The nQueue Billback joint venture showed positive results from a focused sales effort in the first 6 months of the joint venture. The company believes the joint venture is now well placed to gain market share in the large United States market. While this business continues to have growth in new customers, it will also shortly be positioned to roll out a vastly increased product range to its existing customers.

It remains the company's aim to build a strong customer base and leverage the full suite of our products into that base, across all divisions.

A handwritten signature in black ink, appearing to read "Clive Rabie".

**Clive Rabie**

Director, Group CEO  
9 February 2010

# Statement of Comprehensive Income

for the year ended 31 December 2009

|                                                                                        | Note     | Consolidated  |               | Parent        |               |
|----------------------------------------------------------------------------------------|----------|---------------|---------------|---------------|---------------|
|                                                                                        |          | 2009          | 2008          | 2009          | 2008          |
|                                                                                        |          | \$'000        | \$'000        | \$'000        | \$'000        |
| <b>Continuing operations</b>                                                           |          |               |               |               |               |
| <b>Revenue</b>                                                                         | <b>2</b> | <b>85,389</b> | <b>60,775</b> | <b>46,016</b> | <b>44,788</b> |
| Product and selling costs                                                              |          | (14,623)      | (5,358)       | (3,480)       | (3,728)       |
| Royalties                                                                              |          | (4,204)       | (4,211)       | (4,079)       | (4,200)       |
| Employee benefits expenses                                                             |          | (26,913)      | (20,051)      | (11,320)      | (11,027)      |
| Share-based payments expenses                                                          |          | (1,027)       | (301)         | (1,028)       | (301)         |
| Marketing expenses                                                                     |          | (3,106)       | (4,467)       | (2,297)       | (3,736)       |
| Premises and establishment expenses                                                    |          | (2,683)       | (1,771)       | (1,473)       | (1,144)       |
| Depreciation and amortisation of other non-current assets                              |          | (6,897)       | (4,663)       | (5,364)       | (4,511)       |
| Telecommunications                                                                     |          | (995)         | (809)         | (569)         | (530)         |
| Legal and professional expenses                                                        |          | (889)         | (441)         | (571)         | (350)         |
| Finance costs                                                                          |          | (303)         | -             | (438)         | (93)          |
| Other expenses                                                                         |          | (4,761)       | (3,580)       | (1,735)       | (1,991)       |
| <b>Profit before business acquisition restructure costs</b>                            |          | <b>18,988</b> | <b>15,123</b> | <b>13,662</b> | <b>13,177</b> |
| Business acquisition restructure costs                                                 |          | (1,176)       | -             | -             | -             |
| <b>Profit before income tax</b>                                                        |          | <b>17,812</b> | <b>15,123</b> | <b>13,662</b> | <b>13,177</b> |
| Income tax expense                                                                     | 3        | (4,210)       | (3,811)       | (1,413)       | (2,214)       |
| <b>Profit for the year</b>                                                             |          | <b>13,602</b> | <b>11,312</b> | <b>12,249</b> | <b>10,963</b> |
| <b>Other comprehensive income</b>                                                      |          |               |               |               |               |
| Exchange difference on translation of foreign operations                               | 21       | (258)         | (194)         | -             | -             |
| <b>Total comprehensive income for the year</b>                                         |          | <b>13,344</b> | <b>11,118</b> | <b>12,249</b> | <b>10,963</b> |
| Profit attributable to:                                                                |          |               |               |               |               |
| Owners of the parent                                                                   | 22       | 13,226        | 11,312        | 12,249        | 10,963        |
| Minority interest                                                                      |          | 376           | -             | -             | -             |
|                                                                                        |          | <b>13,602</b> | <b>11,312</b> | <b>12,249</b> | <b>10,963</b> |
| Total comprehensive income attributable to:                                            |          |               |               |               |               |
| Owners of the parent                                                                   |          | 12,968        | 11,118        | 12,249        | 10,963        |
| Minority interest                                                                      |          | 376           | -             | -             | -             |
|                                                                                        |          | <b>13,344</b> | <b>11,118</b> | <b>12,249</b> | <b>10,963</b> |
|                                                                                        |          | Cents         | Cents         |               |               |
| Basic Earnings per Share                                                               | 23       | 9.9           | 8.5           |               |               |
| Alternative Basic Earnings per Share (excluding after tax effect of restructure costs) | 23       | 10.5          | 8.5           |               |               |
| Diluted Earnings per Share                                                             | 23       | 9.9           | 8.5           |               |               |

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

# Statement of Financial Position

as at 31 December 2009

|                                             | Note | Consolidated  |               | Parent        |               |
|---------------------------------------------|------|---------------|---------------|---------------|---------------|
|                                             |      | 2009          | 2008          | 2009          | 2008          |
|                                             |      | \$'000        | \$'000        | \$'000        | \$'000        |
| <b>ASSETS</b>                               |      |               |               |               |               |
| <b>Current Assets</b>                       |      |               |               |               |               |
| Cash and cash equivalents                   | 27   | 2,350         | 16,134        | 712           | 14,889        |
| Trade and other receivables                 | 6    | 9,152         | 4,993         | 1,540         | 1,161         |
| Inventories                                 | 5    | 1,159         | 440           | 235           | 280           |
| Other assets                                | 7    | 1,164         | 855           | 466           | 401           |
| <b>Total Current Assets</b>                 |      | <b>13,825</b> | <b>22,422</b> | <b>2,953</b>  | <b>16,731</b> |
| <b>Non-Current Assets</b>                   |      |               |               |               |               |
| Receivables                                 | 6    | 617           | -             | 2,203         | 1,029         |
| Financial assets                            | 8    | 64            | 629           | 33,566        | 15,069        |
| Property, plant and equipment               | 9    | 3,768         | 2,543         | 1,823         | 1,613         |
| Deferred tax assets                         | 10   | 586           | 426           | -             | -             |
| Intangible assets                           | 11   | 45,270        | 24,088        | 15,019        | 13,062        |
| Other assets                                | 12   | 192           | 905           | 192           | 905           |
| <b>Total Non-Current Assets</b>             |      | <b>50,497</b> | <b>28,591</b> | <b>52,803</b> | <b>31,678</b> |
| <b>Total Assets</b>                         |      | <b>64,322</b> | <b>51,013</b> | <b>55,756</b> | <b>48,409</b> |
| <b>LIABILITIES</b>                          |      |               |               |               |               |
| <b>Current Liabilities</b>                  |      |               |               |               |               |
| Trade and other payables                    | 13   | 6,022         | 4,918         | 2,883         | 3,036         |
| Borrowings                                  | 14   | 375           | -             | 4,412         | 3,052         |
| Current tax payables                        |      | 813           | 1,742         | 632           | 1,569         |
| Provisions                                  | 15   | 1,899         | 808           | 940           | 351           |
| Deferred revenue                            |      | 6,048         | 2,863         | 2,072         | 1,868         |
| Deferred rent contribution                  |      | 250           | 213           | 142           | 142           |
| <b>Total Current Liabilities</b>            |      | <b>15,407</b> | <b>10,544</b> | <b>11,081</b> | <b>10,018</b> |
| <b>Non-Current Liabilities</b>              |      |               |               |               |               |
| Borrowings                                  | 16   | 2,023         | -             | 2,012         | -             |
| Deferred tax liabilities                    | 17   | 1,972         | 640           | 594           | 210           |
| Provisions                                  | 15   | 850           | 605           | 665           | 432           |
| Deferred rent contribution                  |      | 795           | 841           | 591           | 733           |
| <b>Total Non-Current Liabilities</b>        |      | <b>5,640</b>  | <b>2,086</b>  | <b>3,862</b>  | <b>1,375</b>  |
| <b>Total Liabilities</b>                    |      | <b>21,047</b> | <b>12,630</b> | <b>14,943</b> | <b>11,393</b> |
| <b>Net Assets</b>                           |      | <b>43,275</b> | <b>38,383</b> | <b>40,813</b> | <b>37,016</b> |
| <b>Equity</b>                               |      |               |               |               |               |
| Issued capital                              | 20   | 18,037        | 17,566        | 18,037        | 17,566        |
| Reserves                                    | 21   | 239           | 816           | 639           | 958           |
| Retained earnings                           | 22   | 24,625        | 20,003        | 22,137        | 18,492        |
| Equity attributable to owners of the parent |      | 42,901        | 38,385        | 40,813        | 37,016        |
| Minority interest                           | 28   | 374           | (2)           | -             | -             |
| <b>Total Equity</b>                         |      | <b>43,275</b> | <b>38,383</b> | <b>40,813</b> | <b>37,016</b> |

The above statement of financial position should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

for the year ended 31 December 2009

|                                                           | Issued<br>capital<br>\$'000 | Foreign<br>currency<br>translation<br>reserve<br>\$'000 | Share-<br>based<br>payments<br>reserve<br>\$'000 | Retained<br>earnings<br>\$'000 | Attributable<br>to owners<br>of the<br>parent<br>\$'000 | Minority<br>interest<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------------------------|-----------------------------|---------------------------------------------------------|--------------------------------------------------|--------------------------------|---------------------------------------------------------|--------------------------------|-----------------|
| Balance at 1 January 2009                                 | 17,566                      | (142)                                                   | 958                                              | 20,003                         | 38,385                                                  | (2)                            | 38,383          |
| Profit for the year                                       | -                           | -                                                       | -                                                | 13,226                         | 13,226                                                  | 376                            | 13,602          |
| Exchange differences on translation of foreign operations | -                           | (258)                                                   | -                                                | -                              | (258)                                                   | -                              | (258)           |
| Total comprehensive income for the year                   | -                           | (258)                                                   |                                                  | 13,226                         | 12,968                                                  | 376                            | 13,344          |
| Share based payments expense                              | -                           | -                                                       | 311                                              | -                              | 311                                                     | -                              | 311             |
| Dividends paid                                            | -                           | -                                                       | -                                                | (8,604)                        | (8,604)                                                 | -                              | (8,604)         |
| Treasury shares vested/lapsed                             | 498                         | -                                                       | (498)                                            | -                              | -                                                       | -                              | -               |
| Transfer to share capital                                 | 132                         | -                                                       | (132)                                            | -                              | -                                                       | -                              | -               |
| Treasury shares acquired                                  | (415)                       | -                                                       | -                                                | -                              | (415)                                                   | -                              | (415)           |
| Contributions of equity, net of transaction costs         | 256                         | -                                                       | -                                                | -                              | 256                                                     | -                              | 256             |
| Balance at 31 December 2009                               | 18,037                      | (400)                                                   | 639                                              | 24,625                         | 42,901                                                  | 374                            | 43,275          |
| Balance at 1 January 2008                                 | 18,203                      | 52                                                      | 461                                              | 15,938                         | 34,654                                                  | (2)                            | 34,652          |
| Profit for the year                                       | -                           | -                                                       | -                                                | 11,312                         | 11,312                                                  | -                              | 11,312          |
| Exchange differences on translation of foreign operations | -                           | (194)                                                   | -                                                | -                              | (194)                                                   | -                              | (194)           |
| Total comprehensive income for the year                   | -                           | (194)                                                   | -                                                | 11,312                         | 11,118                                                  | -                              | 11,118          |
| Dividends paid                                            | -                           | -                                                       | -                                                | (7,247)                        | (7,247)                                                 | -                              | (7,247)         |
| Share based payments expense                              | -                           | -                                                       | 559                                              | -                              | 559                                                     | -                              | 559             |
| Transfer to share capital                                 | 62                          | -                                                       | (62)                                             | -                              | -                                                       | -                              | -               |
| Treasury shares acquired                                  | (812)                       | -                                                       | -                                                | -                              | (812)                                                   | -                              | (812)           |
| Contributions of equity, net of transaction costs         | 113                         | -                                                       | -                                                | -                              | 113                                                     | -                              | 113             |
| Balance at 31 December 2008                               | 17,566                      | (142)                                                   | 958                                              | 20,003                         | 38,385                                                  | (2)                            | 38,383          |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# Statement of Cash Flows

for the year ended 31 December 2009

|                                                                   | Note         | Consolidated<br>Inflows/(Outflows) |                | Parent<br>Inflows/(Outflows) |                |
|-------------------------------------------------------------------|--------------|------------------------------------|----------------|------------------------------|----------------|
|                                                                   |              | 2009                               | 2008           | 2009                         | 2008           |
|                                                                   |              | \$'000                             | \$'000         | \$'000                       | \$'000         |
| <b>Cash Flows From Operating Activities</b>                       |              |                                    |                |                              |                |
| Receipts from customers                                           |              | 93,451                             | 65,180         | 39,374                       | 41,236         |
| Payments to suppliers and employees                               |              | (69,701)                           | (46,548)       | (24,482)                     | (27,312)       |
| Interest received                                                 |              | 81                                 | 804            | 71                           | 626            |
| Interest paid                                                     |              | (303)                              | -              | (438)                        | (93)           |
| Dividends received                                                |              | -                                  | -              | 4,952                        | 3,312          |
| Income taxes paid                                                 |              | (4,647)                            | (3,137)        | (1,966)                      | (1,942)        |
| <b>Net cash inflow from operating activities</b>                  | <b>27(c)</b> | <b>18,881</b>                      | <b>16,299</b>  | <b>17,511</b>                | <b>15,827</b>  |
| <b>Cash Flows From Investing Activities</b>                       |              |                                    |                |                              |                |
| Payment for purchase of business, net of cash acquired            |              | (18,394)                           | (366)          | (18,165)                     | (366)          |
| Payments for purchase of intellectual property                    |              | (164)                              | (40)           | (46)                         | (40)           |
| Payment for deferred acquisition costs                            |              | -                                  | (905)          | -                            | (905)          |
| Payment for capitalised development costs                         |              | (6,485)                            | (4,634)        | (6,723)                      | (4,841)        |
| Payment for property, plant and equipment                         |              | (1,822)                            | (664)          | (762)                        | (309)          |
| Increase/(decrease) in loans from subsidiaries                    |              | -                                  | -              | (72)                         | 2,183          |
| Proceeds/(payments) for security deposits                         |              | 565                                | (249)          | 573                          | (249)          |
| <b>Net cash outflow from investing activities</b>                 |              | <b>(26,300)</b>                    | <b>(6,858)</b> | <b>(25,195)</b>              | <b>(4,527)</b> |
| <b>Cash Flows From Financing Activities</b>                       |              |                                    |                |                              |                |
| Proceeds from issues of equity securities                         |              | 256                                | 113            | 256                          | 113            |
| Proceeds from borrowings                                          |              | 2,398                              | -              | 2,270                        | -              |
| Payment for treasury shares                                       |              | (415)                              | (314)          | (415)                        | (314)          |
| Dividends paid                                                    |              | (8,604)                            | (7,247)        | (8,604)                      | (7,247)        |
| <b>Net cash outflow from financing activities</b>                 |              | <b>(6,365)</b>                     | <b>(7,448)</b> | <b>(6,493)</b>               | <b>(7,448)</b> |
| <b>Net Increase/(Decrease) in cash and cash equivalents</b>       |              | <b>(13,784)</b>                    | <b>1,993</b>   | <b>(14,177)</b>              | <b>3,852</b>   |
| Cash and cash equivalents at the beginning of the financial year  |              | 16,134                             | 14,141         | 14,889                       | 11,037         |
| <b>Cash and cash equivalents at the end of the financial year</b> | <b>27(a)</b> | <b>2,350</b>                       | <b>16,134</b>  | <b>712</b>                   | <b>14,889</b>  |

The above statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

for the year ended 31 December 2009

## 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. The financial report includes separate financial statements for Reckon Limited as an individual entity and the consolidated entity consisting of Reckon Limited and its subsidiaries.

### Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations and the *Corporations Act 2001*, and complies with the other requirements of the law.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Reckon Limited, comply with International Financial Reporting Standards (IFRSs).

The financial report has been prepared in accordance with the historical cost convention, except for the revaluation of certain non-current assets and financial instruments.

### Significant Accounting Policies

#### (a) Trade Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 days of the month of recognition. Trade payables are recognised initially at fair value, and subsequently at amortised cost.

#### (b) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the fair value of the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is the weighted average of their closing market price for the total of the five business days either side of the acquisition date.

In the event that settlement of all or part of the consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. However, where the deferred component is subject to certain criteria being met, the amount deferred is recognised based on an estimate where it is probable that the relevant criteria will be met. If the amount is not probable or cannot be reliably measured, no amount is recognised.

#### (c) Depreciation and Amortisation

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight-line basis. Leasehold improvements are amortised over the period of the lease or the estimated useful life, whichever is the shorter, using the straight-line method. The following estimated useful lives are used in the calculation of depreciation and amortisation:

|                        |             |
|------------------------|-------------|
| Plant and equipment    | 3 - 5 years |
| Leasehold improvements | 3 - 6 years |

#### (d) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, and other employee entitlements expected to be settled within 12 months are measured at the amounts expected to be paid when the liabilities are settled.

Provisions made in respect of long service leave which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

The Group recognises a liability and an expense for the long-term incentive plan for selected executives based on a formula that takes into consideration the ranking of total shareholder return measured against a comparator group of companies.

Contributions are made by the Group to defined contribution employee superannuation funds and are charged as expenses when incurred.

#### (e) Contributed Equity

##### Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

#### (f) Foreign Currency Translation

##### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Reckon Limited's functional and presentation currency.

##### Transactions and balances

All foreign currency transactions during the financial year have been brought to account in the functional currency using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date. Exchange differences are brought to account in the profit or loss in the period in which they arise.

##### Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency of the consolidated entity as follows:

- Assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- Income and expenses are translated at average rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of monetary items forming part of the net investment in foreign entities,

and of borrowings and other currency instruments designated as hedges of such investments, are taken directly to reserves. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity at the closing rate.

#### (g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

#### (h) Intangible assets

##### Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. Goodwill represents the excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired. Goodwill is not amortised, and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Following initial recognition goodwill is measured at cost less any accumulated impairment losses. If an impairment has been identified, the goodwill is written down and an expense recognised in profit or loss. Impairment losses recognised for goodwill are not subsequently reversed.

##### Intellectual Property

Acquired Intellectual Property is recognised at cost, less accumulated amortisation and any impairment losses, and is amortised on a straight line basis between 3-5 years.

##### Research and development costs

Research and development expenditure is recognised as an expense when incurred, except in the undernoted instances.

Development costs in respect of enhancements on existing Professional Division and Elite suites of software applications are capitalised and written off over a 3 to 4 year period. Development costs on technically and commercially feasible new Professional Division and Elite products are capitalised and written off on a straight line basis over a period of 3 to 4 years commencing at the time of commercial release of the new product.

Development costs include cost of materials, direct labour and appropriate overheads.

At each balance sheet date, a review of the carrying value of the capitalised development costs being carried forward is undertaken to ensure the carrying value is recoverable from future revenue generated by the sale of that software.

#### (i) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities, and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or

liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to those temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. All deferred tax liabilities are recognised.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Reckon Limited, and its wholly owned Australian controlled entities have formed a tax consolidated group.

Under the tax consolidation regime, the parent Company is responsible for recognising the current tax assets and liabilities both for itself and its underlying subsidiaries. Therefore any current tax assets or liabilities attributable to the underlying subsidiaries are assumed by the parent Company.

Deferred tax is recognised by each entity within the Group, with the exception of deferred tax assets arising from available tax losses and tax credits, which are assumed by the parent Company.

Both current and deferred tax assets and liabilities are calculated as if each entity were a standalone taxpayer.

All the wholly-owned Australian subsidiaries in the Group have entered into a tax funding agreement, which requires that all balances assumed by the head entity are settled in full. Furthermore, in the event that the head entity defaults in its obligations under the tax consolidation system, each entity in the Group is limited in its obligation to fund the income tax obligation of the head entity to the proportion that the tax liability to which the entity would have been liable had the Group not elected to become a tax consolidated entity bears to the total taxation liability of the head entity.

#### (j) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventory on hand on a weighted average cost basis.

#### (k) Investments in subsidiaries

Investments in subsidiaries are recorded at cost.

Dividend revenue is taken to income on a receivable basis.

#### (l) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased assets, and operating leases under which the lessor effectively retains substantially all the risks and benefits.

Operating lease payments are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. Lease incentives are initially recognised as a liability and are amortised over the term of the lease on a straight line basis.

#### (m) Principles of Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries. Subsidiaries are all entities over which the Group has the

power to govern the financial and operating policies.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control the entity.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising from transactions within the consolidated entity are eliminated in full.

#### (n) Receivables

Trade receivables and other receivables are recorded at amortised cost, less impairment.

#### (o) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

#### (p) Revenue Recognition

##### Sale of Goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer, the fee is fixed or determinable and collectability is probable.

Professional Division software licence fee revenue is recognised at the point when the customer is in agreement for a "live operation" (i.e. when the customer accepts that all users can use the system on a fully functional basis).

##### Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract or on a time and materials basis depending upon the nature of the contract.

Support and maintenance revenue is recognised on a straight-line basis over the period of the contract, unless the cost of providing the technical support is insignificant. Under those circumstances the revenue and the associated cost of providing the technical support is accrued upon shipment of the goods. In multiple element arrangements where goods and services are sold as a bundled product, the fair value of the services is recognised as revenue over the period during which the service is performed, unless cost of providing those services is insignificant. Under those circumstances the revenue and the associated cost of providing the services is accrued upon shipment of the goods.

##### Royalty Income

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreement.

##### Interest and Other Revenue

Interest revenue is recognised on a time proportional basis taking into account the effective interest rates applicable to the financial assets. Other revenue is recognised when the right to receive the revenue has been established.

#### (q) Deferred Revenue

Revenue earned from maintenance and support services provided on sales of certain products by the consolidated entity are deferred and then

recognised in the income statement over the contract period as the services are performed, normally 12 months. Refer note 1(p) for further detail.

#### (r) Earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures in the determination of basic earnings per share by taking into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of dilutive potential ordinary shares.

#### (s) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and bank overdrafts.

#### (t) Other financial assets

Other financial assets represent security deposits held as rental guarantees. They are valued at amortised cost.

#### (u) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured.

#### (v) Fair Value estimation

The fair value of financial instruments and share based payments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and assumptions that are based on existing market conditions. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining instruments.

The Directors consider that the nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values.

#### (w) Rounding of amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100, and accordingly, amounts in the financial report have been rounded off to the nearest thousand dollars.

#### (x) Significant accounting judgments, estimates and assumptions

##### Significant accounting judgments

In applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the financial statements:

Capitalisation of development costs – the Group has adopted a policy of capitalising development costs only for products for which an assessment is made that the product is technically feasible and will generate definite economic benefits for the Group going forward. The capitalised costs are subsequently amortised over the expected useful life of the product.

Revenue recognition - in multiple element arrangements where goods and services are sold as a bundled product, the fair value of the services is recognised as revenue over the period during which the service is performed

#### Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities are:

Impairment of goodwill – the Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the goodwill is allocated. The assumptions used in this estimation, and the effect if these assumptions change, are disclosed in Note 11.

Share based payments – the Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. The fair value has been determined using the Binomial Option Pricing Model, and the assumptions related to this can be found in Note 19.

## (y) New accounting standards not yet effective

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the company's financial report.

| <b>Standard/Interpretation</b>                                                                                                                                                                                                                                       | <b>Effective for annual reporting periods beginning on or after</b>                                   | <b>Expected to be initially applied in the financial year ending</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>AASB 3 'Business Combinations' (revised), AASB 127 'Consolidated and Separate Financial Statements' (revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'</li> </ul>     | Business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009 | 31 December 2010                                                     |
| <ul style="list-style-type: none"> <li>AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'</li> </ul>                                                                                                   | 1 July 2009                                                                                           | 31 December 2010                                                     |
| <ul style="list-style-type: none"> <li>AASB 2008-8 'Amendment to Australian Accounting Standards - Eligible Hedged Items'</li> </ul>                                                                                                                                 | 1 July 2009                                                                                           | 31 December 2010                                                     |
| <ul style="list-style-type: none"> <li>AASB 2009-4 'Amendment to Australian Accounting Standards arising from the Annual Improvements Process'</li> </ul>                                                                                                            | 1 July 2009                                                                                           | 31 December 2010                                                     |
| <ul style="list-style-type: none"> <li>AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'</li> </ul>                                                                                                   | 1 January 2010                                                                                        | 31 December 2010                                                     |
| <ul style="list-style-type: none"> <li>AASB 2009-7 'Amendment to Australian Accounting Standards'</li> </ul>                                                                                                                                                         | 1 July 2009                                                                                           | 31 December 2010                                                     |
| <ul style="list-style-type: none"> <li>AASB 1 'First-time Adoption of Australian Accounting Standards'</li> </ul>                                                                                                                                                    | 1 July 2009                                                                                           | 31 December 2010                                                     |
| <ul style="list-style-type: none"> <li>AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners'</li> </ul> | 1 July 2009                                                                                           | 31 December 2010                                                     |
| <ul style="list-style-type: none"> <li>AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions'</li> </ul>                                                                                                  | 1 January 2010                                                                                        | 31 December 2010                                                     |
| <ul style="list-style-type: none"> <li>AASB 124 'Related Party Disclosures (2009)', AASB 2009-12 'Amendments to Australian Accounting Standards'</li> </ul>                                                                                                          | 1 January 2011                                                                                        | 31 December 2011                                                     |
| <ul style="list-style-type: none"> <li>AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'</li> </ul>                                                                                                   | 1 January 2013                                                                                        | 31 December 2013                                                     |
| <ul style="list-style-type: none"> <li>AASB 2009-9 'Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters'</li> </ul>                                                                                                        | 1 January 2010                                                                                        | 31 December 2010                                                     |
| <ul style="list-style-type: none"> <li>AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'</li> </ul>                                                                                                                     | 1 February 2010                                                                                       | 31 December 2011                                                     |
| <ul style="list-style-type: none"> <li>AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'</li> </ul>                                                                                                              | 1 January 2011                                                                                        | 31 December 2011                                                     |
| <ul style="list-style-type: none"> <li>AASB Interpretation 19 'Extinguishing Liabilities with Equity Instruments'</li> </ul>                                                                                                                                         | 1 July 2010                                                                                           | 31 December 2011                                                     |

## 2 Profit for the year

Profit before income tax includes the following items of revenue and expense:

### Revenue

#### Sales revenue

Sale of goods and rendering of services

|                                  | Consolidated |        | Parent |        |
|----------------------------------|--------------|--------|--------|--------|
|                                  | 2009         | 2008   | 2009   | 2008   |
|                                  | \$'000       | \$'000 | \$'000 | \$'000 |
|                                  | 85,231       | 59,871 | 36,031 | 37,026 |
| <b>Other Revenue</b>             |              |        |        |        |
| Other income                     | 77           | 100    | 108    | 163    |
| Interest revenue – Bank deposits | 81           | 804    | 71     | 626    |
| Royalty revenue                  | -            | -      | 4,854  | 3,661  |
| Dividend income                  | -            | -      | 4,952  | 3,312  |
|                                  | 158          | 904    | 9,985  | 7,762  |
|                                  | 85,389       | 60,775 | 46,016 | 44,788 |

### Expenses

Cost of Sales

Bad debt expense:

Other Entities

Finance costs expensed:

Wholly-owned controlled entities

Bank loans and overdraft

Net transfers to/(from) provisions:

Sales returns and rebates

Employee benefits

Allowance for doubtful debts

Depreciation of non-current assets:

Property, plant and equipment

Amortisation of non-current assets:

Leasehold improvements

Intellectual property

Development costs

Foreign exchange losses/(gains)

Research and Development costs

Operating lease rental expenses:

Minimum lease payments

|  |        |       |       |       |
|--|--------|-------|-------|-------|
|  | 18,827 | 9,569 | 7,559 | 7,928 |
|  | 103    | -     | 54    | -     |
|  | -      | -     | 135   | 93    |
|  | 303    | -     | 303   | -     |
|  | 149    | 55    | 149   | 55    |
|  | 796    | 32    | 630   | (19)  |
|  | 47     | 23    | 1     | 43    |
|  | 871    | 552   | 399   | 346   |
|  | 425    | 196   | 153   | 119   |
|  | 1,529  | 602   | 605   | 602   |
|  | 4,072  | 3,313 | 4,207 | 3,444 |
|  | (59)   | (155) | 1     | 4     |
|  | 2,190  | 2,342 | 2,001 | 2,260 |
|  | 2,362  | 1,718 | 1,075 | 1,015 |

### 3 Income Tax

#### (a) Income tax expense

|                                       | Consolidated |              | Parent       |              |
|---------------------------------------|--------------|--------------|--------------|--------------|
|                                       | 2009         | 2008         | 2009         | 2008         |
|                                       | \$'000       | \$'000       | \$'000       | \$'000       |
| Current tax                           | 4,215        | 4,169        | 1,820        | 2,540        |
| Deferred tax                          | 733          | (133)        | 384          | (92)         |
| Under /(over) provided in prior years | (738)        | (225)        | (791)        | (234)        |
|                                       | <u>4,210</u> | <u>3,811</u> | <u>1,413</u> | <u>2,214</u> |

(b) The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense/(income tax revenue) in the financial statements as follows:

|                                                    |              |              |              |              |
|----------------------------------------------------|--------------|--------------|--------------|--------------|
|                                                    | 17,812       | 15,123       | 13,662       | 13,177       |
| <b>Profit before income tax</b>                    | <u></u>      | <u></u>      | <u></u>      | <u></u>      |
| Income tax expense calculated at 30% of profit     | 5,344        | 4,537        | 4,099        | 3,953        |
| <b>Tax Effect of:</b>                              |              |              |              |              |
| Effect of higher tax rates on overseas income      | 60           | -            | -            | -            |
| Tax effect of non-deductible/non-taxable items:    |              |              |              |              |
| Dividends                                          | -            | -            | (1,486)      | (994)        |
| Minority interest component                        | (113)        | -            | -            | -            |
| Research and development claims                    | (389)        | (530)        | (389)        | (530)        |
| Sundry items                                       | <u>46</u>    | <u>29</u>    | <u>(20)</u>  | <u>19</u>    |
|                                                    | 4,948        | 4,036        | 2,204        | 2,448        |
| Under/(over) provision in prior years – R&D claims | (791)        | -            | (791)        | -            |
| Under/(over) provision in prior years - other      | 53           | (225)        | -            | (234)        |
|                                                    | <u>4,210</u> | <u>3,811</u> | <u>1,413</u> | <u>2,214</u> |
| Income tax expense attributable to profit          |              |              |              |              |

(c) Future income tax benefits not brought to account as an asset: not probable of recovery

Tax losses:

|         |              |              |              |              |
|---------|--------------|--------------|--------------|--------------|
| Revenue | -            | -            | -            | -            |
| Capital | 2,295        | 2,261        | 2,295        | 2,261        |
|         | <u>2,295</u> | <u>2,261</u> | <u>2,295</u> | <u>2,261</u> |

## 4 Remuneration of Auditors

### (a) Deloitte Touche Tohmatsu

During the year, the auditors of the parent entity earned the following remuneration:

|                                             | <b>Consolidated</b> |                | <b>Parent</b>  |                |
|---------------------------------------------|---------------------|----------------|----------------|----------------|
|                                             | <b>2009</b>         | <b>2008</b>    | <b>2009</b>    | <b>2008</b>    |
|                                             | \$                  | \$             | \$             | \$             |
| Auditing and reviewing of financial reports | 184,851             | 164,777        | 134,851        | 135,915        |
| Due diligence and other assurance services  | 14,850              | 42,750         | 14,850         | 42,750         |
| Tax compliance and consulting services      | 56,767              | 80,914         | 56,767         | 80,914         |
|                                             | <u>256,468</u>      | <u>288,441</u> | <u>206,468</u> | <u>259,579</u> |

### (b) Other Auditors

|                                             |                |                |                |                |
|---------------------------------------------|----------------|----------------|----------------|----------------|
| Auditing and reviewing of financial reports | 56,842         | 32,181         | -              | -              |
| Tax compliance services                     | 19,766         | 25,139         | -              | -              |
|                                             | <u>76,608</u>  | <u>57,320</u>  | <u>-</u>       | <u>-</u>       |
|                                             | <u>333,076</u> | <u>345,761</u> | <u>206,468</u> | <u>259,579</u> |

## 5 Inventories

Finished goods:

|                                           | <b>Consolidated</b> |             | <b>Parent</b> |             |
|-------------------------------------------|---------------------|-------------|---------------|-------------|
|                                           | <b>2009</b>         | <b>2008</b> | <b>2009</b>   | <b>2008</b> |
|                                           | \$'000              | \$'000      | \$'000        | \$'000      |
| At lower of cost and net realisable value | <u>1,159</u>        | <u>440</u>  | <u>235</u>    | <u>280</u>  |

## 6 Trade and Other Receivables

Current:

|                              | Consolidated |        | Parent |        |
|------------------------------|--------------|--------|--------|--------|
|                              | 2009         | 2008   | 2009   | 2008   |
|                              | \$'000       | \$'000 | \$'000 | \$'000 |
| Trade receivables (i)        | 8,552        | 4,670  | 1,301  | 912    |
| Allowance for doubtful debts | (261)        | (317)  | (179)  | (233)  |
|                              | 8,291        | 4,353  | 1,122  | 679    |
| Other receivables            | 861          | 640    | 418    | 482    |
|                              | 9,152        | 4,993  | 1,540  | 1,161  |

Non current:

|                                      |     |   |       |       |
|--------------------------------------|-----|---|-------|-------|
| Unsecured loans to subsidiaries (ii) | -   | - | 2,203 | 1,029 |
| Other receivables                    | 617 | - | -     | -     |
|                                      | 617 | - | 2,203 | 1,029 |

(i) The ageing of past due receivables at year end is detailed as follows:

|                     |       |       |     |     |
|---------------------|-------|-------|-----|-----|
| Past due 0-30 days  | 1,271 | 982   | 105 | 168 |
| Past due 31-60 days | 988   | 466   | 118 | 107 |
| Past due 61+ days   | 1,474 | 504   | 80  | -   |
|                     | 3,733 | 1,952 | 303 | 275 |

Total

The movement in the allowance for doubtful accounts in respect of trade receivables is detailed below:

|                                                         |       |     |      |     |
|---------------------------------------------------------|-------|-----|------|-----|
| Balance at beginning of the year                        | 317   | 294 | 233  | 190 |
| Amounts written off during the year                     | (103) | -   | (55) | -   |
| Increase in allowance recognised in the profit and loss | 47    | 23  | 1    | 43  |
|                                                         | 261   | 317 | 179  | 233 |

**Balance at end of year**

The average credit period on provision of services is 30 days. No interest is charged on trade or other receivable balances overdue.

The Group has used the following basis to assess the allowance loss for trade receivables and as a result is unable to specifically allocate the allowance to the ageing categories shown above:

- a general provision based on historical bad debt experience;
- the general economic conditions;
- an individual account by account specific risk assessment based on past credit history; and
- any prior knowledge of debtor insolvency or other credit risk.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$3,472 thousand (2008: \$1,635 thousand) which are past due at the reporting date which the Group has not provided for as there has been no significant change in credit quality and the Group believes that the amounts are still considered recoverable. Furthermore, the above balances are partially offset by amounts included in deferred revenue in current liabilities. The Group does not hold any collateral over these balances.

(ii) The loans to wholly owned subsidiaries have no fixed repayment terms. The loans are interest free and at call.

## 7 Other Assets

|             | Consolidated |            | Parent     |            |
|-------------|--------------|------------|------------|------------|
|             | 2009         | 2008       | 2009       | 2008       |
|             | \$'000       | \$'000     | \$'000     | \$'000     |
| Prepayments | 820          | 740        | 466        | 401        |
| Other       | 344          | 115        | -          | -          |
|             | <u>1,164</u> | <u>855</u> | <u>466</u> | <u>401</u> |

## 8 Other Financial Assets

|                                                   |           |            |               |               |
|---------------------------------------------------|-----------|------------|---------------|---------------|
| Security deposits                                 | 64        | 629        | 56            | 629           |
| Shares in controlled entities - at cost (note 26) | -         | -          | 33,510        | 14,440        |
|                                                   | <u>64</u> | <u>629</u> | <u>33,566</u> | <u>15,069</u> |

## 9 Property, Plant And Equipment

### Leasehold Improvements

|                                |              |              |            |            |
|--------------------------------|--------------|--------------|------------|------------|
| At cost                        | 2,472        | 2,329        | 1,093      | 1,732      |
| Less: Accumulated amortisation | 858          | 1,119        | 349        | 835        |
| Total leasehold improvements   | <u>1,614</u> | <u>1,210</u> | <u>744</u> | <u>897</u> |

### Plant and equipment

|                                |              |              |              |              |
|--------------------------------|--------------|--------------|--------------|--------------|
| At cost                        | 5,382        | 5,417        | 2,174        | 4,234        |
| Less: Accumulated depreciation | 3,228        | 4,084        | 1,095        | 3,518        |
| Total plant & equipment        | <u>2,154</u> | <u>1,333</u> | <u>1,079</u> | <u>716</u>   |
|                                | <u>3,768</u> | <u>2,543</u> | <u>1,823</u> | <u>1,613</u> |

### Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year are set out below.

|                                   | Leasehold<br>Improvements<br>\$'000 | Plant and<br>Equipment<br>\$'000 | Total<br>\$'000 |
|-----------------------------------|-------------------------------------|----------------------------------|-----------------|
| <b>Consolidated</b>               |                                     |                                  |                 |
| Carrying amount at 1 January 2009 | 1,210                               | 1,333                            | 2,543           |
| Additions                         | 829                                 | 1,741                            | 2,570           |
| Depreciation/amortisation expense | (425)                               | (920)                            | (1,345)         |
| Balance at 31 December 2009       | <u>1,614</u>                        | <u>2,154</u>                     | <u>3,768</u>    |
| <b>Parent entity</b>              |                                     |                                  |                 |
| Carrying amount at 1 January 2009 | 897                                 | 716                              | 1,613           |
| Additions                         | -                                   | 762                              | 762             |
| Depreciation/amortisation expense | (153)                               | (399)                            | (552)           |
| Balance at 31 December 2009       | <u>744</u>                          | <u>1,079</u>                     | <u>1,823</u>    |

|                                   | <b>Leasehold<br/>Improvements</b> | <b>Plant and<br/>Equipment</b> | <b>Total</b>  |
|-----------------------------------|-----------------------------------|--------------------------------|---------------|
|                                   | <b>\$'000</b>                     | <b>\$'000</b>                  | <b>\$'000</b> |
| <b>Consolidated</b>               |                                   |                                |               |
| Carrying amount at 1 January 2008 | 431                               | 1,283                          | 1,714         |
| Additions                         | 975                               | 647                            | 1,622         |
| Depreciation/amortisation expense | (196)                             | (597)                          | (793)         |
| Balance at 31 December 2008       | 1,210                             | 1,333                          | 2,543         |

|                                   |       |       |       |
|-----------------------------------|-------|-------|-------|
| <b>Parent entity</b>              |       |       |       |
| Carrying amount at 1 January 2008 | 47    | 764   | 811   |
| Additions                         | 969   | 298   | 1,267 |
| Depreciation/amortisation expense | (119) | (346) | (465) |
| Balance at 31 December 2008       | 897   | 716   | 1,613 |

| <b>Consolidated</b> |               | <b>Parent</b> |               |
|---------------------|---------------|---------------|---------------|
| <b>2009</b>         | <b>2008</b>   | <b>2009</b>   | <b>2008</b>   |
| <b>\$'000</b>       | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b> |

## 10 Deferred Tax Asset

The balance comprises temporary differences attributable to:

|                   |     |     |   |   |
|-------------------|-----|-----|---|---|
| Doubtful debts    | 22  | 22  | - | - |
| Employee benefits | 319 | 314 | - | - |
| Deferred revenue  | 65  | -   | - | - |
| Other provisions  | 180 | 90  | - | - |
|                   |     |     |   |   |
|                   | 586 | 426 | - | - |

Details of unrecognised deferred tax assets can be found in Note 3(c)

Reconciliation:

|                                            |       |     |   |   |
|--------------------------------------------|-------|-----|---|---|
| Opening balance at 1 January               | 426   | 387 | - | - |
| Credited/(charged) to the income statement | (955) | 41  | - | - |
| Acquisition of businesses                  | 1,115 | -   | - | - |
|                                            |       |     |   |   |
| Balance at 31 December                     | 586   | 426 | - | - |

## 11 Intangibles

|                                 | <b>Consolidated</b> |               | <b>Parent</b> |               |
|---------------------------------|---------------------|---------------|---------------|---------------|
|                                 | <b>2009</b>         | <b>2008</b>   | <b>2009</b>   | <b>2008</b>   |
|                                 | <b>\$'000</b>       | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b> |
| Intellectual property – at cost | 12,588              | 6,270         | 6,316         | 6,270         |
| Accumulated amortisation        | (6,667)             | (5,138)       | (5,743)       | (5,138)       |
|                                 | <u>5,921</u>        | <u>1,132</u>  | <u>573</u>    | <u>1,132</u>  |
| Development costs – at cost     | 23,107              | 16,573        | 23,978        | 17,255        |
| Accumulated amortisation        | (12,397)            | (8,325)       | (12,934)      | (8,727)       |
|                                 | <u>10,710</u>       | <u>8,248</u>  | <u>11,044</u> | <u>8,528</u>  |
| Goodwill – at cost              | 28,639              | 14,708        | 3,402         | 3,402         |
|                                 | <u>45,270</u>       | <u>24,088</u> | <u>15,019</u> | <u>13,062</u> |

### Impairment test for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to the business entities acquired, as follows:

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| Professional Division Australia      | 10,361        | 9,564         |
| Professional Division New Zealand    | 1,742         | 1,742         |
| Professional Division United Kingdom | 426           | -             |
| nQueueBillback                       | 2,449         | -             |
| Elite                                | 2,536         | 2,536         |
| Corporate Services                   | 11,125        | 866           |
|                                      | <u>28,639</u> | <u>14,708</u> |

The recoverable amount of a CGU is determined based on value-in-use calculations. Management has based the value in use calculations on the most recently completed Board approved budget for the forthcoming one year (2010) period. Subsequent cashflows between years two and five are projected using forecast EBITDA growth rates of 10% per annum based on recent historical performance and managements expectation of continued organic growth during this period. Thereafter growth rates are projected at a constant growth rate of 3% (based on historical industry averages) into perpetuity. An average post-tax discount rate of 13.4% (2008: 13.4%) (2009 pre-tax rate: 17.5%) reflecting assessed risks associated with CGU's have been applied to determine the present value of future cash flow projections. No impairment write-offs have been recognised during the year (2008: nil). Should the projected EBITDA growth rates of 10% per annum in years two to five reduce to 0%, an impairment would still not arise.

**Consolidated movements in intangibles**

|                              | <b>Goodwill</b> | <b>Intellectual<br/>Property</b> | <b>Development<br/>Costs</b> | <b>Total</b>  |
|------------------------------|-----------------|----------------------------------|------------------------------|---------------|
|                              | <b>\$'000</b>   | <b>\$'000</b>                    | <b>\$'000</b>                | <b>\$'000</b> |
| At 1 January 2009            | 14,708          | 1,132                            | 8,248                        | 24,088        |
| Additions                    | 13,931          | 6,318                            | 6,534                        | 26,783        |
| Amortisation charge          | -               | (1,529)                          | (4,072)                      | (5,601)       |
| At 31 December 2009          | 28,639          | 5,921                            | 10,710                       | 45,270        |
| At 1 January 2008            | 14,750          | 1,694                            | 6,882                        | 23,326        |
| Additions                    | -               | 40                               | 4,679                        | 4,719         |
| Adjustment to purchase price | (42)            | -                                | -                            | (42)          |
| Amortisation charge          | -               | (602)                            | (3,313)                      | (3,915)       |
| At 31 December 2008          | 14,708          | 1,132                            | 8,248                        | 24,088        |

**Parent movements in intangibles**

|                              | <b>Goodwill</b> | <b>Intellectual<br/>Property</b> | <b>Development<br/>Costs</b> | <b>Total</b>  |
|------------------------------|-----------------|----------------------------------|------------------------------|---------------|
|                              | <b>\$'000</b>   | <b>\$'000</b>                    | <b>\$'000</b>                | <b>\$'000</b> |
| At 1 January 2009            | 3,402           | 1,132                            | 8,528                        | 13,062        |
| Additions                    | -               | 46                               | 6,723                        | 6,769         |
| Amortisation charge          | -               | (605)                            | (4,207)                      | (4,812)       |
| At 31 December 2009          | 3,402           | 573                              | 11,044                       | 15,019        |
| At 1 January 2008            | 3,444           | 1,694                            | 7,131                        | 12,269        |
| Additions                    | -               | 40                               | 4,841                        | 4,881         |
| Adjustment to purchase price | (42)            | -                                | -                            | (42)          |
| Amortisation charge          | -               | (602)                            | (3,444)                      | (4,046)       |
| At 31 December 2008          | 3,402           | 1,132                            | 8,528                        | 13,062        |

| <b>Consolidated</b> |               | <b>Parent</b> |               |
|---------------------|---------------|---------------|---------------|
| <b>2009</b>         | <b>2008</b>   | <b>2009</b>   | <b>2008</b>   |
| <b>\$'000</b>       | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b> |

**12 Other assets**

|                                          |     |     |     |     |
|------------------------------------------|-----|-----|-----|-----|
| Prepayments – deferred acquisition costs | -   | 905 | -   | 905 |
| Prepayments - other                      | 192 | -   | 192 | -   |
|                                          | 192 | 905 | 192 | 905 |

**13 Trade and Other Payables**

Current:

|                                        |       |       |       |       |
|----------------------------------------|-------|-------|-------|-------|
| Trade payables and sundry accruals (i) | 4,683 | 3,885 | 2,356 | 2,466 |
| Employee benefits (Note 19)            | 1,339 | 1,033 | 527   | 570   |
|                                        | 6,022 | 4,918 | 2,883 | 3,036 |

(i) The credit period for the majority of goods purchased is 30 days. No interest is charged. The Group has policies in place to ensure payables are paid within the credit periods.

| Consolidated |        | Parent |        |
|--------------|--------|--------|--------|
| 2009         | 2008   | 2009   | 2008   |
| \$'000       | \$'000 | \$'000 | \$'000 |

## 14 Borrowings

Current:

|                                        |            |          |              |              |
|----------------------------------------|------------|----------|--------------|--------------|
| Bank overdraft (i)                     | 258        | -        | 258          | -            |
| Unsecured loans from subsidiaries (ii) | -          | -        | 4,154        | 3,052        |
| Other borrowings                       | 117        | -        | -            | -            |
|                                        | <u>375</u> | <u>-</u> | <u>4,412</u> | <u>3,052</u> |

(i) During the year the consolidated entity secured bank facilities totaling \$23 million. The facility comprises a bank overdraft facility, and a multi option facility (which includes a bill facility and bank guarantee/transactional facility). The facility covers a 3 year term, except for \$1 million which is subject to annual review. The facility is secured over the Australian net assets of the Group (\$38 million at 31 December 2009). The balance drawn down to date has been used to fund a portion of the Corporate Services and Billback acquisitions.

|                                                                                                            | Bank<br>overdraft<br>\$'000 | Bill facility<br>\$'000 | Bank<br>guarantee<br>facility<br>\$'000 |
|------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------|-----------------------------------------|
| <b>2009</b>                                                                                                |                             |                         |                                         |
| The available, used and unused components of the facility at year end is as follows:                       |                             |                         |                                         |
| Available                                                                                                  | 1,000                       | 19,000                  | 3,000                                   |
| Used                                                                                                       | 258                         | 2,012                   | 1,078                                   |
| Unused                                                                                                     | 742                         | 16,988                  | 1,922                                   |
| The remaining contractual maturity for the facility (including both interest and principal) is as follows: |                             |                         |                                         |
| 0-12 months                                                                                                | 258                         | -                       | -                                       |
| 12-24 months                                                                                               | -                           | 2,192                   | -                                       |
| Weighted average interest rate                                                                             | 7.08%                       | 4.33%                   | -                                       |

(ii) Loans from related parties are interest bearing at 5% (2008: 7%) on normal commercial terms with no fixed terms of repayment.

| Consolidated |        | Parent |        |
|--------------|--------|--------|--------|
| 2009         | 2008   | 2009   | 2008   |
| \$'000       | \$'000 | \$'000 | \$'000 |

## 15 Provisions

Current:

Sales returns, volume rebates

Employee benefits (Note 19)

Commissions and sundry provisions

|       |     |     |     |
|-------|-----|-----|-----|
| 339   | 190 | 339 | 190 |
| 1,052 | 343 | 601 | 161 |
| 508   | 275 | -   | -   |
| 1,899 | 808 | 940 | 351 |

Non-current:

Employee benefits (Note 19)

|     |     |     |     |
|-----|-----|-----|-----|
| 850 | 605 | 665 | 432 |
|-----|-----|-----|-----|

### Movement in provisions

Movements in each class of provision during the financial year, excluding employee benefits, are set out below:

| Sales returns,<br>volume rebates | Commissions and<br>sundry | Total  |
|----------------------------------|---------------------------|--------|
| \$'000                           | \$'000                    | \$'000 |

#### 2009 Consolidated

Carrying amount at the start of the year

Additional provisions recognised

Released to profit or loss

|     |     |     |
|-----|-----|-----|
| 190 | 275 | 465 |
| 149 | 233 | 382 |
| -   | -   | -   |

Carrying amount at the end of the year

|     |     |     |
|-----|-----|-----|
| 339 | 508 | 847 |
|-----|-----|-----|

#### 2009 Parent

Carrying amount at the start of the year

Additional provisions recognised

Released to profit or loss

|     |   |     |
|-----|---|-----|
| 190 | - | 190 |
| 149 | - | 149 |
| -   | - | -   |

Carrying amount at the end of the year

|     |   |     |
|-----|---|-----|
| 339 | - | 339 |
|-----|---|-----|

| Consolidated |        | Parent |        |
|--------------|--------|--------|--------|
| 2009         | 2008   | 2009   | 2008   |
| \$'000       | \$'000 | \$'000 | \$'000 |

## 16 Borrowings

Non-current:

Bank loans (note 14)

Other borrowings

|       |   |       |   |
|-------|---|-------|---|
| 2,012 | - | 2,012 | - |
| 11    | - | -     | - |
| 2,023 | - | 2,012 | - |

## 17 Deferred tax liabilities

The temporary differences are attributable to:

|                                                                              |              |            |            |            |
|------------------------------------------------------------------------------|--------------|------------|------------|------------|
| Withholding tax payable in event of distribution of pre-acquisition dividend | 430          | 430        | -          | -          |
| Doubtful debts                                                               | (54)         | (70)       | (54)       | (70)       |
| Employee benefits                                                            | (254)        | (260)      | (254)      | (260)      |
| Sales returns and volume rebates                                             | (101)        | (57)       | (101)      | (57)       |
| Deferred revenue                                                             | (619)        | (560)      | (619)      | (560)      |
| Difference between book and tax value of non-current assets                  | 2,892        | 1,634      | 1,954      | 1,634      |
| Other provisions                                                             | (322)        | (477)      | (332)      | (477)      |
|                                                                              | <u>1,972</u> | <u>640</u> | <u>594</u> | <u>210</u> |

Details of unrecognised deferred tax assets can be found in Note 3(c)

Reconciliation:

|                                      |              |            |            |            |
|--------------------------------------|--------------|------------|------------|------------|
| Opening balance at 1 January         | 640          | 732        | 210        | 302        |
| Charged (credited) to profit or loss | (222)        | (92)       | 384        | (92)       |
| Acquisition of businesses            | <u>1,554</u> | <u>-</u>   | <u>-</u>   | <u>-</u>   |
| Balance at 31 December               | <u>1,972</u> | <u>640</u> | <u>594</u> | <u>210</u> |

## 18 Working capital

The statement of financial position indicates an excess of current liabilities over current assets of \$1,582 thousand in respect of the consolidated entity and \$8,128 thousand in respect of the parent. This arises due to the cash management structure adopted by management, whereby surplus funds are used to repay long-term debt. The consolidated entity and the company had available unused long-term bank facilities at year end totaling \$19,652 thousand. Furthermore, included in current liabilities is deferred revenue of \$6,048 thousand for the consolidated entity and \$2,072 thousand for the company, settlement of which liabilities will involve substantially lower cashflows.

| Consolidated |        | Parent |        |
|--------------|--------|--------|--------|
| 2009         | 2008   | 2009   | 2008   |
| \$'000       | \$'000 | \$'000 | \$'000 |

## 19 Employee Benefits

The aggregate employee benefit liability recognised and included in the financial statements is as follows:

|                                   |              |              |              |              |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Accrued annual leave:             |              |              |              |              |
| Current (Note 13)                 | 1,339        | 1,033        | 527          | 570          |
| Long term incentive:              |              |              |              |              |
| Current (Note 15)                 | 492          | 119          | 492          | 119          |
| Non-current (Note 15)             | 407          | 176          | 407          | 176          |
| Provision for long service leave: |              |              |              |              |
| Current (Note 15)                 | 560          | 224          | 109          | 42           |
| Non-current (Note 15)             | 443          | 429          | 258          | 256          |
|                                   | <u>3,241</u> | <u>1,981</u> | <u>1,793</u> | <u>1,163</u> |

### Long-term incentive plan

The long-term incentive plan was approved at the Special General Meeting on 20 December 2005, and comprises three possible methods of participation: an option plan, a performance share plan and a share appreciation plan. The Board has discretion to make offers to applicable employees to participate in any of these plans. Options granted and/or performance shares awarded (all in respect of the Company's ordinary shares) and/or share appreciation rights do not vest before three years after their grant date. Vesting is also conditional upon the Company achieving defined performance criteria. The performance criteria are based upon a total shareholder return (TSR) target. A TSR is the return to shareholders over a prescribed period, being the growth in the Company's share price plus dividends or returns of capital for that period. The Company's initial TSR target will be the Company achieving a median or higher ranking against the TSR position of individual companies within a 'comparator Group' of companies (i.e. a group of comparable ASX listed companies pre-selected by the Board) over the same period. The initial comparator group was determined by independent advisers and was set out in the Chairman's speech at the Special General Meeting on 20 December 2005. The Board will review the suitability of the comparator group on an on going basis.

Only 50% of options or performance shares become exercisable or vest if the initial performance criterion is satisfied. The extent to which the balance of options or performance shares become exercisable or vest will depend on the extent to which the initial performance criterion is exceeded (i.e. the extent to which the Company exceeds a median ranking against the TSR position of the comparator group of companies). The performance shares are held in trust after vesting.

The share appreciation rights plan represents an alternative remuneration element (to offering options or performance shares) under which the Board can invite relevant employees to apply for a right to receive a cash payment from the Company equal to the amount (if any) by which the market price of the Company's shares at the date of exercise of the right exceeds the market price of the Company's shares at the date of grant of the right. The right may only be exercised if performance criteria are met. The performance criteria are fixed by the Board in the exercise of its discretion. At present these are the same as the TSR target set for the right to exercise options or for performance shares to vest.

No options were issued during the year (2008: Nil).

888,324 (2008: 495,356) appreciation rights and 375,475 (2008: 252,477) performance shares were issued during the year. The fair value of these rights was 19.7 cents (2008: 32.3 cents) and the shares were \$1.05 (2008: \$1.36), using market price for the shares, and a model that incorporates the Black Scholes model for the rights. The expense recognised in 2009 for appreciation rights/performance shares was \$1,027,823 (2008: \$300,666).

Set out below are summaries of performance shares and appreciation rights granted under the long-term incentive plan:

#### Performance Shares

| Grant Date | Expiry Date | Shares Granted | Shares lapsed during the year |      | Shares vested during the year |        | Shares available at the end of the year |         |
|------------|-------------|----------------|-------------------------------|------|-------------------------------|--------|-----------------------------------------|---------|
|            |             |                | 2009                          | 2008 | 2009                          | 2008   | 2009                                    | 2008    |
| Jan'06     | Dec'08      | 85,437         | -                             | -    | -                             | 85,437 | -                                       | -       |
| Jan'07     | Dec'09      | 300,590        | 9,823                         | -    | 290,762                       | -      | -                                       | 300,585 |
| Jan'08     | Dec'10      | 252,477        | 7,332                         | -    | -                             | -      | 245,145                                 | 252,477 |
| Jan'09     | Dec'11      | 375,475        | -                             | -    | -                             | -      | 375,475                                 | -       |

#### Appreciation Rights

| Grant Date | Expiry Date | Rights Granted | Rights lapsed during the year |      | Rights vested during the year |         | Rights available at the end of the year |         |
|------------|-------------|----------------|-------------------------------|------|-------------------------------|---------|-----------------------------------------|---------|
|            |             |                | 2009                          | 2008 | 2009                          | 2008    | 2009                                    | 2008    |
| Jan'06     | Dec'08      | 401,785        | -                             | -    | -                             | 401,785 | -                                       | -       |
| Jan'07     | Dec'09      | 561,798        | -                             | -    | 561,798                       | -       | -                                       | 561,798 |
| Jan'08     | Dec'10      | 495,356        | -                             | -    | -                             | -       | 495,356                                 | 495,356 |
| Jan'09     | Dec'11      | 888,324        | -                             | -    | -                             | -       | 888,324                                 | -       |

#### Reckon Limited Employee Option Plans

The Company has previously had two ownership-based remuneration schemes:

##### Executive share option plan

The executive share option plan has been terminated.

##### Executive share option plan No. 2

The Reckon Limited Executive Share Option Plan No. 2 was established on 19/7/2000. Under the provisions of the plan, the Directors may grant options over unissued shares in the Company to executives and Directors of the Company (or their associates) or subsidiaries of the Company selected by the Directors from time to time, subject to the ASX Listing Rules and the *Corporations Act 2001*.

Options are granted for a five-year period and 50% of each new tranche becomes exercisable after each of the first two anniversaries of the grant date. The entitlements are vested as soon as they are exercisable (i.e. they are not conditional on future employment). Each option entitles the holder to one ordinary share.

Amounts receivable on exercise of any options are recognised as share capital. Options exercised during the year were exercised with an average exercise price of \$0.67.

No further options will be issued under either of these plans. The plans have been replaced by the employee incentive plans approved by the Special General Meeting on 20 December 2005.

Options are valued using the Binomial Option Pricing Model, taking into account the exercise price, the expected life of the options (estimated at 4.5 years), the price of the underlying shares (range is between \$0.65 and \$0.82), the expected volatility of those shares based on historical volatility, the expected dividends and the risk-free rate of interest. The weighted average share price during the year was \$1.34.

Set out below are summaries of options granted under the Executive Share Option Plan No. 2.

| Grant date                                                  | Expiry date | Exercise Price | Options Initially Granted | Options lapsed during the year |        | Options exercised and shares issued during the year |         | Options vested and available at the end of the year |           |
|-------------------------------------------------------------|-------------|----------------|---------------------------|--------------------------------|--------|-----------------------------------------------------|---------|-----------------------------------------------------|-----------|
|                                                             |             |                |                           | 2009                           | 2008   | 2009                                                | 2008    | 2009                                                | 2008      |
| Feb 01                                                      | Feb 06      | \$0.198        | 1,123,334                 | -                              | -      | 9,340                                               | -       | -                                                   | 9,340     |
| Mar 01                                                      | Mar 06      | \$0.162        | 22,145                    | -                              | -      | 5,937                                               | -       | -                                                   | 5,937     |
| Jun 03                                                      | Jun 08      | \$0.270        | 58,891                    | -                              | 19,001 | -                                                   | -       | -                                                   | -         |
| Sep 03                                                      | Sep 08      | \$0.505        | 115,002                   | 8,339                          | 50,407 | 18,050                                              | 7,387   | -                                                   | 26,389    |
| Dec 03                                                      | Dec 08      | \$0.619        | 48,890                    | 10,555                         | 24,808 | 7,298                                               | 3,789   | 1,419                                               | 19,272    |
| Jan 04                                                      | Jan 09      | \$0.551        | 1,061,159                 | 217,076                        | -      | 161,168                                             | 176,806 | -                                                   | 378,244   |
| Mar 04                                                      | Mar 09      | \$0.789        | 56,110                    | 35,889                         | -      | -                                                   | -       | -                                                   | 35,889    |
| Jun 04                                                      | Jun 09      | \$0.960        | 76,668                    | 45,389                         | -      | 24,278                                              | -       | -                                                   | 69,667    |
| Sep 04                                                      | Sep 09      | \$0.823        | 151,166                   | 45,441                         | -      | 42,223                                              | -       | -                                                   | 87,664    |
| Dec 04                                                      | Dec 09      | \$0.796        | 250,554                   | 78,281                         | -      | 80,315                                              | -       | -                                                   | 158,596   |
| Mar 05                                                      | Mar 10      | \$0.743        | 75,555                    | -                              | -      | -                                                   | -       | 57,527                                              | 57,527    |
| Jul 05                                                      | Jul 10      | \$0.741        | 79,999                    | -                              | -      | -                                                   | -       | 49,876                                              | 49,876    |
| Sep 05                                                      | Sep 10      | \$0.779        | 113,887                   | -                              | -      | 31,139                                              | -       | 53,041                                              | 84,180    |
| Dec 05                                                      | Dec 10      | \$0.722        | 144,445                   | -                              | -      | -                                                   | -       | 81,809                                              | 81,809    |
|                                                             |             |                |                           | 440,970                        | 94,216 | 379,748                                             | 187,982 | 243,672                                             | 1,064,390 |
| Number of shares that can be issued for unexercised options |             |                |                           |                                |        |                                                     |         | 243,672                                             | 1,064,390 |

## 20 Issued Capital

| Fully Paid Ordinary Share Capital                                                | 2009        |        | 2008        |        |
|----------------------------------------------------------------------------------|-------------|--------|-------------|--------|
|                                                                                  | No.         | \$'000 | No.         | \$'000 |
| Balance at beginning of financial year                                           | 132,937,807 | 18,378 | 132,749,825 | 18,203 |
| Transfer from share-based payments reserve for options exercised during the year | -           | 132    | -           | 62     |
| Issue of shares                                                                  | 379,748     | 256    | 187,982     | 113    |
| Balance at end of financial year                                                 | 133,317,555 | 18,766 | 132,937,807 | 18,378 |
| <b>Less Treasury shares</b>                                                      |             |        |             |        |
| Balance at beginning of financial year                                           | 717,319     | 812    | -           | -      |
| Shares purchased in prior periods                                                | -           | -      | 464,842     | 498    |
| Shares purchased in current period                                               | 375,475     | 415    | 252,477     | 314    |
| Shares lapsed                                                                    | (17,155)    | (20)   | -           | -      |
| Shares vested                                                                    | (455,019)   | (478)  | -           | -      |
| Balance at end of financial year                                                 | 620,620     | 729    | 717,319     | 812    |
| Balance at end of financial year net of treasury shares                          | 132,696,935 | 18,037 | 132,227,820 | 17,566 |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concepts in relation to share capital from 1 July 1998. Therefore the company does not have a limited amount of authorised capital and issued shares do not have a par value.

379,748 (2008; 187,982) Options were exercised during the year with an average exercise price of \$0.67. Details of the options that were exercised and further details in respect of the share option plans are contained in note 19 to the financial statements.

Total consideration for options exercised during the year is \$255,419.

## 21 Reserves

|                                               | Consolidated |        | Parent |        |
|-----------------------------------------------|--------------|--------|--------|--------|
|                                               | 2009         | 2008   | 2009   | 2008   |
|                                               | \$'000       | \$'000 | \$'000 | \$'000 |
| Foreign currency translation reserve          |              |        |        |        |
| Balance at beginning of financial year        | (142)        | 52     | -      | -      |
| Translation of foreign operations             | (258)        | (194)  | -      | -      |
| Balance at end of financial year              | (400)        | (142)  | -      | -      |
| Share-based payments reserve                  |              |        |        |        |
| Balance at beginning of financial year        | 958          | 461    | 958    | 461    |
| Treasury share expense                        | 311          | 559    | 311    | 559    |
| Treasury shares vested/lapsed                 | (498)        | -      | (498)  | -      |
| Transfer to share capital (options exercised) | (132)        | (62)   | (132)  | (62)   |
| Balance at end of financial year              | 639          | 958    | 639    | 958    |
|                                               | 239          | 816    | 639    | 958    |

### Nature and purpose of reserves

#### (a) Foreign currency translation reserve

Exchange differences arising on translation of the financial reports of foreign subsidiaries are taken to the foreign currency translation reserve, as described in note 1(f)

#### (b) Share-based payments reserve

The share-based payments reserve is for the fair value of options granted and recognised to date but not yet exercised, and treasury shares purchased which have not yet vested.

| Consolidated |        | Parent |        |
|--------------|--------|--------|--------|
| 2009         | 2008   | 2009   | 2008   |
| \$'000       | \$'000 | \$'000 | \$'000 |

## 22 Retained Earnings

|                                        |         |         |         |         |
|----------------------------------------|---------|---------|---------|---------|
| Balance at beginning of financial year | 20,003  | 15,938  | 18,492  | 14,776  |
| Net profit                             | 13,226  | 11,312  | 12,249  | 10,963  |
| Dividends                              | (8,604) | (7,247) | (8,604) | (7,247) |
| Balance at end of financial year       | 24,625  | 20,003  | 22,137  | 18,492  |

## 23 Earnings Per Share

|                                                                                                                                | 2009        | 2008        |
|--------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                                                                | ¢           | ¢           |
| Basic earnings per share                                                                                                       | 9.9         | 8.5         |
| Diluted earnings per share                                                                                                     | 9.9         | 8.5         |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share                                 | 133,115,106 | 132,786,989 |
| Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share | 133,358,778 | 133,833,461 |

Earnings per share calculations are based on profit for the year as set out in the statement of comprehensive income of \$13,226 thousand (2008: \$11,312 thousand).

Alternative earnings per share is based on profit for the year, adjusted for the after tax impact of business acquisition restructure costs of \$814 thousand (i.e. adjusted profit of \$14,040 thousand)

Potential ordinary shares of 243,672 (2008: 1,064,390) are options issued but not exercised as disclosed in note 19.

## 24 Contingent Liabilities

There are no material contingent liabilities as at 31 December 2009.

## 25 Commitments For Expenditure

### (a) Capital Expenditure Commitments

The consolidated entity has capital expenditure commitments of \$nil as at 31 December 2009 (2008: \$53,000)

|                                               | Consolidated  |              | Parent       |              |
|-----------------------------------------------|---------------|--------------|--------------|--------------|
|                                               | 2009          | 2008         | 2009         | 2008         |
|                                               | \$'000        | \$'000       | \$'000       | \$'000       |
| <b>(b) Lease Commitments</b>                  |               |              |              |              |
| <b>Operating Leases</b>                       |               |              |              |              |
| Within 1 year                                 | 1,976         | 1,720        | 985          | 1,021        |
| Later than 1 year and not longer than 5 years | 7,344         | 4,736        | 3,835        | 3,803        |
| Later than 5 years                            | 1,949         | 1,111        | 159          | 1,111        |
|                                               | <u>11,269</u> | <u>7,567</u> | <u>4,979</u> | <u>5,935</u> |

Operating leases relate to office and warehouse premises with lease terms of between 1 to 7 years. All operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

## 26 Subsidiaries

| Name of Entity                              | Country of Incorporation | Ownership Interest |      |
|---------------------------------------------|--------------------------|--------------------|------|
|                                             |                          | 2009               | 2008 |
|                                             |                          | %                  | %    |
| <b>Parent Entity</b>                        |                          |                    |      |
| Reckon Limited                              | Australia                |                    |      |
| <b>Subsidiaries</b>                         |                          |                    |      |
| Reckon.com.au Pty Limited                   | Australia                | 100                | 100  |
| Reckon Australia Pty Limited                | Australia                | 100                | 100  |
| Reckon Investment Centre Limited            | Australia                | 100                | 100  |
| Reckon Online Holdings Pty Limited          | Australia                | 100                | 100  |
| Reckon Pacrim Pty Limited                   | Australia                | 100                | 100  |
| Reckon Training Pty Limited                 | Australia                | 90                 | 90   |
| Reckon Limited Performance Share Plan Trust | Australia                | 100                | 100  |
| Reckon New Zealand Pty Limited              | New Zealand              | 100                | 100  |
| Advanced Professional Solutions Pty Limited | Australia                | 100                | 100  |
| Advanced Professional Solutions Limited     | New Zealand              | 100                | 100  |
| Advanced Professional Solutions Limited     | United Kingdom           | 100                | 100  |
| Reckon Docs Pty Limited                     | Australia                | 100                | -    |
| Independent Corporate Services Pty Limited  | Australia                | 100                | -    |
| Quickdocs.com.au Pty Limited                | Australia                | 100                | -    |
| Recount Expense Management Pty Limited      | Australia                | 100                | -    |
| Billback Systems (UK) Limited               | United Kingdom           | 100                | -    |
| Billback LLC                                | United States of America | 100                | -    |
| nQueue Billback LLC                         | United States of America | 67                 | -    |

All shares held are ordinary shares.

| Consolidated |        | Parent |        |
|--------------|--------|--------|--------|
| 2009         | 2008   | 2009   | 2008   |
| \$'000       | \$'000 | \$'000 | \$'000 |

## 27 Notes To The Statement of Cash Flows

### (a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

|          |              |               |            |               |
|----------|--------------|---------------|------------|---------------|
| Cash (i) | 2,350        | 16,134        | 712        | 14,889        |
|          | <u>2,350</u> | <u>16,134</u> | <u>712</u> | <u>14,889</u> |

(i) Cash balance is predominantly in the form of short-term money market deposits, which can be accessed at call.

### (b) Businesses Acquired

#### Corporate Services and BillBack businesses

Consideration:

|                                          |               |
|------------------------------------------|---------------|
| Cash consideration (i)                   | 18,000        |
| Net debt acquired                        | 228           |
| Direct costs relating to the acquisition | 1,045         |
| Consideration yet to be paid             | -             |
|                                          | <u>19,273</u> |

Fair value of net assets of entity acquired:

|                                                     |               |
|-----------------------------------------------------|---------------|
| Receivables                                         | 3,437         |
| Inventories                                         | 881           |
| Intellectual property – customer contracts          | 4,210         |
| Intellectual property – development and software    | 1,793         |
| Intellectual property – trademarks and domain names | 150           |
| Fixed assets                                        | 728           |
| Deferred tax liabilities                            | (439)         |
| Trade payables                                      | (772)         |
| Deferred revenue                                    | (3,361)       |
| Other current liabilities                           | (1,121)       |
| Other non-current liabilities                       | (138)         |
|                                                     | <u>5,368</u>  |
| Goodwill                                            | <u>13,905</u> |
|                                                     | <u>19,273</u> |

(i) Reckon Limited has commenced legal proceedings against Espreon in relation to several claims which is expected to reduce the consideration paid. The amount of the claim is yet to be finalised.

**nQueueBillback**

Consideration:

|                                          |       |
|------------------------------------------|-------|
| Cash consideration                       | -     |
| Direct costs relating to the acquisition | 26    |
|                                          | <hr/> |
|                                          | 26    |

Fair value of net assets of entity acquired:

|                           |         |
|---------------------------|---------|
| Receivables - current     | 334     |
| Receivables – non current | 684     |
| Inventories               | 301     |
| Fixed assets              | 20      |
| Deferred revenue          | (1,082) |
| Other current liabilities | (257)   |
|                           | <hr/>   |
|                           | -       |
| Goodwill                  | 26      |
|                           | <hr/>   |
|                           | 26      |

**Corporate Services and BillBack businesses**

Reckon Limited acquired the Corporate Services and BillBack businesses previously owned by Espreon Limited effective from 2 January 2009 for \$18 million. The acquisition was funded predominantly from existing cash reserves. Debt funding was used to fund the difference.

The Corporate Services business is a provider of documentation for company formations, secretarial services, trusts and self managed super fund trust deeds. This is a range of products and services which is similar to Reckon's Shelco business.

The BillBack business is a provider of technologies for the capture, reporting and billing of client expenses by professional services suppliers such as lawyers and accountants, and hence has a natural fit with Reckon's Professional Division.

**nQueueBillback**

Reckon Limited merged its United States subsidiary of BillBack with nQueue Inc effective from 1 July 2009. Reckon holds a 67% controlling interest in the merged entity.

The merged entity brings together the best of the parties cost recovery and cost management products and service offerings in the USA and gives the business greater scale.

These businesses contributed revenue of \$24,700 thousand and EBITDA of \$6,266 thousand (before restructure costs) to the group results for the year.

|                                                                                                  | <b>Consolidated</b> |               | <b>Parent</b> |               |
|--------------------------------------------------------------------------------------------------|---------------------|---------------|---------------|---------------|
|                                                                                                  | <b>2009</b>         | <b>2008</b>   | <b>2009</b>   | <b>2008</b>   |
|                                                                                                  | <b>\$'000</b>       | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b> |
| <b>(c) Reconciliation of Profit After Income Tax To Net Cash Flows From Operating Activities</b> |                     |               |               |               |
| Profit after income tax                                                                          | 13,602              | 11,312        | 12,249        | 10,963        |
| Depreciation and amortisation of non-current assets                                              | 6,897               | 4,663         | 5,364         | 4,511         |
| Non-cash employee benefits expense –<br>share based payment                                      | 311                 | -             | 311           | -             |
| Increase/(decrease) in current tax liability/asset                                               | (1,106)             | 805           | (937)         | (664)         |
| Increase/(decrease) in deferred tax balances                                                     | 733                 | (131)         | 384           | (92)          |
| Unrealised foreign currency translation amount                                                   | (258)               | (194)         | -             | -             |
| (Increase)/decrease in assets:                                                                   |                     |               |               |               |
| Current receivables                                                                              | (388)               | (788)         | (379)         | 328           |
| Current inventories                                                                              | 463                 | (91)          | 45            | (84)          |
| Other current assets                                                                             | (309)               | 52            | (65)          | 121           |
| Non-current receivables                                                                          | (125)               | 324           | (192)         | 324           |
| Increase/(decrease) in liabilities:                                                              |                     |               |               |               |
| Current trade payables                                                                           | (371)               | 288           | (153)         | 346           |
| Other current liabilities                                                                        | (629)               | 327           | 793           | 162           |
| Other non-current liabilities                                                                    | 61                  | (268)         | 91            | (88)          |
| Net cash inflow from operating activities                                                        | <u>18,881</u>       | <u>16,299</u> | <u>17,511</u> | <u>15,827</u> |

## 28 Outside Equity Interests in Controlled Entities

|                             | <b>Consolidated</b> |               |
|-----------------------------|---------------------|---------------|
|                             | <b>2009</b>         | <b>2008</b>   |
|                             | <b>\$'000</b>       | <b>\$'000</b> |
| Interest in:                |                     |               |
| Share Capital               | -                   | -             |
| Accumulated profits(losses) | <u>374</u>          | <u>(2)</u>    |
|                             | <u>374</u>          | <u>(2)</u>    |

## 29 Dividends – ordinary shares

|                                                                                                                                 | <b>Parent</b> |               |
|---------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                                 | <b>2009</b>   | <b>2008</b>   |
|                                                                                                                                 | <b>\$'000</b> | <b>\$'000</b> |
| Final franked dividend for the year ended 31 December 2008 of 3.5 cents (2007: 3.0 cents) per share paid on 6 March 2009        | 4,636         | 3,983         |
| Interim franked dividend for the year ended 31 December 2009 of 3.0 cents per share (2008: 2.5 cents) paid on 11 September 2009 | 3,968         | 3,264         |
|                                                                                                                                 | <hr/> 8,604   | <hr/> 7,247   |
| Franking credits available for subsequent financial years based on a tax rate of 30% (2008: 30%)                                | <hr/> 1,932   | <hr/> 2,507   |

## 30 Financial Instruments

### (a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

### (b) Financial Risk Management Objectives

The Board of Directors has overall responsibility for the establishment and oversight of the company and group's financial management framework.

The Board of Directors oversees how Management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks. The main risk arising from the company and group's financial instruments are currency risk, credit risk, liquidity risk and cash flow interest rate risk.

### (c) Interest Rate Risk

The group and parent are exposed to interest rate risk on the cash held in bank deposits and on bank borrowings. Cash deposits of \$2,350 thousand and \$712 thousand were held by the consolidated entity and parent entity respectively at the reporting date, attracting an average interest rate of 1.5% (2008: 4.1%). If interest rates had been 50 basis points higher or lower (being the relevant volatility considered relevant by management) and all other variables were held constant, the group's net profit would increase/decrease by \$12 thousand (2008: \$81 thousand) and the parent's net profit would increase/decrease by \$4 thousand (2008: \$74 thousand).

Borrowings by the consolidated entity and the parent entity at the reporting date were \$2,270 thousand, attracting an average interest rate of 7.08% on overdraft facilities and 4.33% on bank bill facilities (2008: nil). If interest rates had been 50 basis points higher or lower and all other variables were held constant, the group's net profit would increase/decrease by \$11 thousand (2008: nil) and the parent's net profit would increase/decrease by \$11 thousand (2008: nil).

The Board of directors monitors these exposures and does not presently hedge against these risks.

The parent entity is also exposed to an immaterial interest rate risk on interest bearing loan balances due to its overseas subsidiaries.

### (d) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

#### (e) Foreign Currency Risk

The consolidated entity and company undertakes certain transactions denominated in foreign currencies that are different to the functional currencies of the entities undertaking the transactions, hence exposures to exchange rate fluctuations arise. The Board of Directors monitor these exposures and does not presently hedge against this risk.

The carrying amount of the consolidated entity and company's foreign currency denominated monetary assets and liabilities at the reporting date that are denominated in a currency that is different to the functional currency of respective entities undertaking the transactions is as follows:

|           | Consolidated |        |        |        | Parent      |        |        |        |
|-----------|--------------|--------|--------|--------|-------------|--------|--------|--------|
|           | Liabilities  |        | Assets |        | Liabilities |        | Assets |        |
|           | 2009         | 2008   | 2009   | 2008   | 2009        | 2008   | 2009   | 2008   |
|           | \$'000       | \$'000 | \$'000 | \$'000 | \$'000      | \$'000 | \$'000 | \$'000 |
| Euro      | -            | -      | 33     | -      | -           | -      | -      | -      |
| US Dollar | -            | -      | 28     | 96     | -           | -      | -      | -      |

At 31 December 2009, if the US Dollar weakened against the New Zealand Dollar by 10% (being the relevant volatility considered relevant by Management), with all other variables held constant the net profit of the consolidated entity would increase by \$3 thousand (2008: \$10 thousand). At 31 December 2009, if the Euro weakened against the UK Pound by 10% (being the relevant volatility considered relevant by Management), with all other variables held constant the net profit of the consolidated entity would increase by \$3 thousand (2008: nil). At 31 December 2009, if the New Zealand Dollar, US Dollar and UK Sterling weakened against the Australian Dollar by 10% (being the relevant volatility considered relevant by Management), with all other variables held constant the net profit of the consolidated entity would increase by \$231 thousand (2008: \$269 thousand). This latter sensitivity relates to inter-group loan balances denominated in Australian Dollars, which are eliminated on consolidation.

In Management's opinion, the sensitivity analysis is not fully representative of the inherent foreign exchange risk as the year-end exposure does not necessarily reflect the exposure during the course of the years. The consolidated entity includes certain subsidiaries whose functional currencies are different to the consolidated entity presentation currency. The main operating entities outside of Australia are based in New Zealand, United States of America and the United Kingdom. These entities transact primarily in their functional currency and, aside from inter-group loan balances, do not have significant foreign currency exposures due to outstanding foreign currency denominated items. As stated in the company and consolidated entity's accounting policies per Note 1, on consolidation the assets and liabilities of these entities are translated into Australian Dollars at exchange rates prevailing at year end. The income and expenses of these entities is translated at the average exchange rates for the year. Exchange differences arising are classified as equity and are transferred to a foreign exchange translation reserve. The company and consolidated entity's future reported profits could therefore be impacted by changes in rates of exchange between the Australian Dollar and the New Zealand Dollar, and the Australian Dollar and the US Dollar and the Australian Dollar and the UK Sterling.

#### (f) Liquidity

The Group manages liquidity risk by maintaining adequate cash reserves and banking facilities by continuously monitoring forecast and actual cashflows.

#### (g) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of cash, debt and equity attributable to equity holders of the parent. The Board reviews the capital structure on a regular basis. Based upon this review, the Group balances its overall capital structure through borrowings, the payment of dividends, issues of shares, share buy-backs and returns of capital. This strategy remains unchanged since the prior year.

#### (h) Fair Value

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets, is determined with reference to quoted market prices. The fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable market transactions. The carrying amount of financial assets and financial liabilities recorded in the financial report approximates their respective fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

## 31 Segment Information

The Group has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

### (a) Business segment information

The consolidated entity is organised into three operating divisions:

#### Business Division

#### Professional Division

#### nQueueBillback Division

These divisions are the basis upon which the consolidated entity reports its financial information to the chief operating decision maker, being the Board of directors.

The principal activities of these divisions are as follows:

- Business Division - development, distribution and support of personal financial and accounting software, as well as related products and services to professional partners. Products sold in this division include Quickbooks, Quicken, ReckonDocs and ReckonElite.
- Professional Division - development, distribution and support of practice management, tax, client accounting, cost management and related software under the APS and Billback brands.
- nQueueBillback Division – distribution and support of cost recovery, cost management and related software to the USA legal market.

### Segment revenues and results

|                                        | Business Division |               | Professional Division |               | nQueueBillback Division |          | Total         |               |
|----------------------------------------|-------------------|---------------|-----------------------|---------------|-------------------------|----------|---------------|---------------|
|                                        | 2009              | 2008          | 2009                  | 2008          | 2009                    | 2008     | 2009          | 2008          |
|                                        | \$'000            | \$'000        | \$'000                | \$'000        | \$'000                  | \$'000   | \$'000        | \$'000        |
| <b>Operating revenue</b>               | <b>49,854</b>     | <b>38,643</b> | <b>28,115</b>         | <b>21,328</b> | <b>7,339</b>            | <b>-</b> | <b>85,308</b> | <b>59,971</b> |
| Interest revenue                       |                   |               |                       |               |                         |          | 81            | 804           |
| Total revenue                          |                   |               |                       |               |                         |          | 85,389        | 60,775        |
| <b>Segment EBITDA</b>                  | <b>15,869</b>     | <b>12,322</b> | <b>11,612</b>         | <b>9,193</b>  | <b>2,382</b>            | <b>-</b> | <b>29,863</b> | <b>21,515</b> |
| Depreciation and amortisation          | (1,782)           | (1,140)       | (4,570)               | (3,523)       | (545)                   | -        | (6,897)       | (4,663)       |
| Business acquisition restructure costs | (275)             | -             | (724)                 | -             | (177)                   | -        | (1,176)       | -             |
| <b>Total segment profit before tax</b> | <b>13,812</b>     | <b>11,182</b> | <b>6,318</b>          | <b>5,670</b>  | <b>1,660</b>            | <b>-</b> | <b>21,790</b> | <b>16,852</b> |
| Central administration costs           |                   |               |                       |               |                         |          | (3,756)       | (2,533)       |
| Interest revenue/(Financing costs)     |                   |               |                       |               |                         |          | (222)         | 804           |
| Profit before income tax               |                   |               |                       |               |                         |          | 17,812        | 15,123        |
| Income tax expense                     |                   |               |                       |               |                         |          | (4,210)       | (3,811)       |
| <b>Profit for the year</b>             |                   |               |                       |               |                         |          | <b>13,602</b> | <b>11,312</b> |

The revenue reported above represents revenue generated from external customers.

Segment profit represents the profit earned by each segment without allocation of central administration costs, finance costs and income tax expense, all of which are allocated to Corporate head office. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessing performance.

Amounts reported in the prior period have been restated to conform to the requirements of AASB 8. As a result the following have been restated in 2008:

- Corporate head office expenses previously included in the Business Division has been separated out.
- Royalties paid by the Professional Division to the Business Division in lieu of development costs incurred by the latter have been removed and replaced by amortisation. Amortisation was previously reflected in the Business Division.

**Segment assets and liabilities**

|                         | <b>Assets</b> |               | <b>Liabilities</b> |               | <b>Additions to non-current assets</b> |               |
|-------------------------|---------------|---------------|--------------------|---------------|----------------------------------------|---------------|
|                         | <b>2009</b>   | <b>2008</b>   | <b>2009</b>        | <b>2008</b>   | <b>2009</b>                            | <b>2008</b>   |
|                         | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>      | <b>\$'000</b> | <b>\$'000</b>                          | <b>\$'000</b> |
| Business Division       | 23,331        | 26,569        | 12,613             | 10,012        | 6,673                                  | 1,797         |
| Professional Division   | 35,107        | 25,764        | 9,182              | 3,938         | 8,152                                  | 3,907         |
| nQueueBillback Division | 10,486        | -             | 3,854              | -             | 7,081                                  | -             |
| Total of all segments   | 68,924        | 52,333        | 25,649             | 13,950        | 21,906                                 | 5,704         |
| Eliminations            | (4,602)       | (1,320)       | (4,602)            | (1,320)       | -                                      | -             |
| Consolidated            | 64,322        | 51,013        | 21,047             | 12,630        | 21,906                                 | 5,704         |

**(b) Geographical information**

|                     | <b>Revenues from external customers</b> |               | <b>Non-current assets</b> |               |
|---------------------|-----------------------------------------|---------------|---------------------------|---------------|
|                     | <b>2009</b>                             | <b>2008</b>   | <b>2009</b>               | <b>2008</b>   |
|                     | <b>\$'000</b>                           | <b>\$'000</b> | <b>\$'000</b>             | <b>\$'000</b> |
| Australia           | 67,628                                  | 51,626        | 36,512                    | 23,224        |
| Other countries (i) | 17,680                                  | 8,345         | 13,985                    | 5,367         |
|                     | 85,308                                  | 59,971        | 50,497                    | 28,591        |

(i) No single country outside of Australia is considered to generate revenues which are material to the group.

**(c) Segment revenues**

|                                         | <b>External sales</b> |               |
|-----------------------------------------|-----------------------|---------------|
|                                         | <b>2009</b>           | <b>2008</b>   |
|                                         | <b>\$'000</b>         | <b>\$'000</b> |
| Business and wealth management products | 44,433                | 33,498        |
| Accounting industry products            | 28,203                | 26,473        |
| Legal industry products                 | 12,672                | -             |
|                                         | 85,308                | 59,971        |

## 32 Economic Dependency

Reckon Limited generates a significant volume of its revenue from products supplied by Intuit under the manufacturing and distribution agreement it has with Intuit Inc. The term of the agreement is 10 years and is subject to market growth objectives. If these objectives are met the agreement is automatically extended by one year for each calendar year in which Reckon meets or exceeds its market growth objective. To date Reckon Limited has exceeded these growth objectives.