

Reckon Limited Annual Report

ABN 14 003 348 730

for the Financial Year Ended 31 December 2009

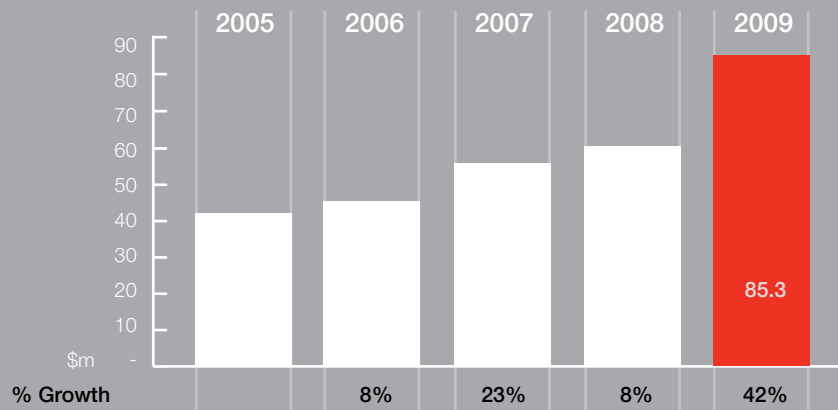
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Our results at a glance

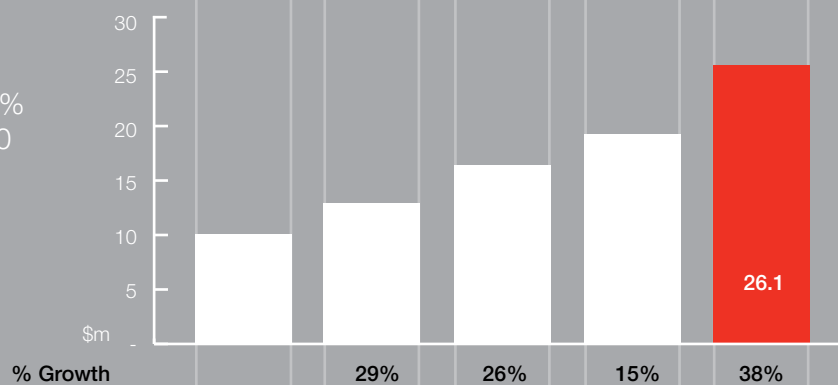
Revenue

Operating revenue was up 42% to \$85.3 million from \$60.0 million



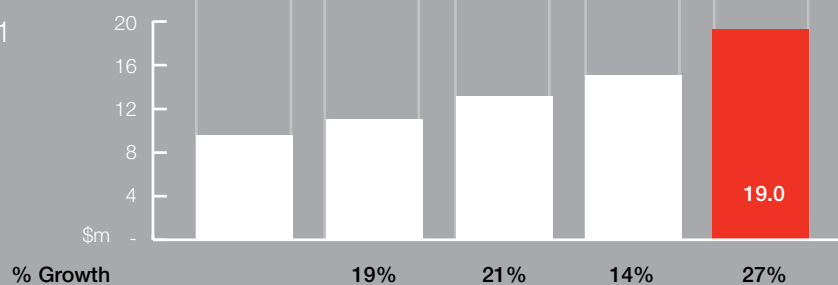
EBITDA

Group EBITDA was up 38% to \$26.1 million from \$19.0 million.
(before acquisition restructure costs).



NPBT

Group NPBT was up 27% to \$19.0 million from \$15.1 million.
(before acquisition restructure costs).



Message to shareholders from the Chairman and Group CEO

Overview

It is with pleasure that we present the Reckon Limited results for the year ending 31 December 2009.

2009 was once again an excellent result for the Company.

The table below sets out the key indicators for 2009 compared to 2008.

	2009	2008	% Change
Operating Revenue	\$85.3 million	\$60.0 million	42% up
Group EBITDA*	\$26.1 million	\$19.0 million	38% up
Group NPAT*	\$14.4 million	\$11.3 million	27% up
EPS*	10.5 cents	8.5 cents	24% up

* Excludes business acquisition restructure costs.

Dividend

On 9 February 2010 the board declared a final dividend for 2009 of 4 cents per share, fully franked. The interim dividend for 2009, declared on 14 August 2009 was 3 cents per share, fully franked, for a combined dividend total for 2009 of 7 cents per share. The final dividend for 2008 was 3.5 cents per share.

Operations

The Reckon Group operations are currently divided into three main divisions: Professional, Business and nQueue Billback all of which contributed to the strong growth experienced by Reckon in 2009.

The table below illustrates the performance of each division.

	Operating Revenue	% change on 2008 Revenue	EBITDA*	% change on 2008 EBITDA
Professional Division	\$28.1 million	32% up	\$11.6 million	26% up
Business Division	\$49.9 million	29% up	\$15.9 million	29% up
nQueue Billback Division	\$7.3 million	-	\$2.4 million	-

*Excludes business acquisition restructure costs.

The overall results were positively impacted by the efficient integration of the Corporate Services and Billback businesses, together with organic growth in existing businesses.

The Operating Revenue in the Business Division from the underlying business was down on the prior year by 2%, because of substantially lower sales to the retail channel (-35%). A significant part of the reduced sales to the retail channel was due to the one-off impact of de-stocking by the bigger retailers. However, this was markedly set off by strong positive growth (+ 20%) in Enterprise and Elite product sales and 7% growth on the previous year in the direct core business. This revenue result together with cost reductions has resulted in a pleasing underlying EBITDA growth of 9% in the Business Division.

The Operating Revenue in the Professional Division from underlying business grew by 9%, and EBITDA by 13% (before a negative foreign exchange impact of 2%) on the back of healthy growth in maintenance revenue.

nQueue Billback has proved to be a profitable business with operating revenues of \$7.3 million and EBITDA of \$2.4 million.

Professional Division

The Professional Division continues to enjoy the benefits of being a market leader in the provision of practice management systems to accounting practices. The Division's product extension and integration strategies continue to resonate with existing clients and prospects alike. The product suite comprises 14 accounting products, and following the Billback acquisition, now includes 7 legal products.

The Professional Division has focused predominantly on the Top 300 accounting firms market and has conducted its business on the basis of a one-to-one highly relationship based offering of the best of breed technology into that market.

Message to shareholders from the Chairman and Group CEO continued

As a result of its strong reputation as a supplier of best of breed products and services, demand from smaller sized accounting firms for compliance products now compels this Division to expand its market to the next tier of accounting firms beyond the Top 300.

With the acquisition of the Corporate Services business, an opportunity has presented itself for sales of the Group's company formation and compliance products and services to the wider professional accountancy market. In addition the launch of QuickBooks Online has opened an opportunity to cross-sell these products to accountants and their clients. Equally the acquisition of Billback solutions, especially once fully integrated into the APS suite of products, also presents a new opportunity in the wider accountancy market.

In addition as touched upon below it is anticipated that the Group as a whole will look to implementing strategies that take advantage of the growing complementarity between our Divisions as they move outside of their traditional markets. This will be achieved by the further integration of our product offerings across business divisions, for example our Professional Division expanding into QuickBooks Enterprise, QuickBooks Online and compliance solutions for its customers.

Business Division

The Business Division once again experienced many successes in the 2009 financial year.

In product development we saw the successful launch of QuickBooks 2009/10 QBⁱ series; Quicken 2009-2010, and the rest of the wide product range, as well the launch of Reckon Docs Desktop, an all in one simple and convenient desktop application for company registration, searches and ASIC compliance management.

Sales in Enterprise products and Elite products were good contributors to performance. The highly scalable QuickBooks Enterprise product is proving to be a solution that easily meets the demands of growing businesses. Elite sales growth in turn shows acceptance of quality practice management and compliance technology at good value for the professional accounting market outside the Top 2000 accounting firms. A new Elite Enterprise version with an SQL database will allow us to move up into mid-size accounting practices.

We also paid special attention to growing our partner network. The attraction of the ease of use and efficiency gains possible from QuickBooks, saw growth in new accountants joining our network. Significantly, QuickBooks Online is also attracting attention from accountants who see the value in a SaaS product. We concentrated on closer liaison with our partners through regular representative forums and greater participation of our partners in presenting products to other partners at our annual conference.

Marketing efforts were focused on increasing the brand awareness of the Reckon Group products through improving uptake in professional partner membership, partner conference attendance, road shows, master classes, webinars, in store product demonstrations and product promotions; as well as the creation of a new dedicated sales team for the partner channel.

Finally, the soft launch of QuickBooks Online in the last quarter of 2009 was very successful with over 1000 users signed up.

In 2010 the Business Division will build on its performance in 2009 by:

- Maintaining focus on product strength;
- Growing cross-selling opportunities across the Group;
- Exploring opportunities in online applications;
- Exploring opportunities in Enterprise sales;
- Building on existing partner relationships and increasing our relevance to them;
- Focusing on market share growth.

Billback and nQueue Billback

The acquisition of the Billback business, as mentioned below, has added a new dimension to the product offering of the Group, not only as a profitable business, but also because it provides an opportunity to widen the territories and markets into which the Group sells.

As far as the USA operations are concerned, effective 1 July 2009, the Company entered into an agreement with nQueue Inc and launched nQueue Billback LLC with an ownership share of 67%. The strategic aim of the creation of nQueue Billback was to create a business with scale, totally focused on the USA legal market and thereby cementing market share, and obtaining committed management on the ground with a direct financial interest.

Acquisitions

In January 2009 we announced the completion of the acquisition of the Corporate Services and Billback businesses from Espreon Limited. These businesses were integrated into existing Group infrastructures during 2009.

Billback operations were progressively integrated into our Professional Division in Australia and the UK. From 1 July 2009 the Company created nQueue Billback as the vehicle for its USA operations.

Corporate Services was merged into our existing Reckon Shelco business. We have derived some benefit from the efficiency of these integrations. Corporate Services is being gradually re-branded to be brought to market under the banner of Reckon Docs.

We have been traditionally conservative in our approach to acquisitions and continue to take that approach.

Future Outlook

The success for 2009 was based on the execution of our acquisition strategy and organic growth.

It is our intention to stick to our strategies while keeping an eye on market dynamics and adapting as needs may dictate.

We recognise untapped potential in both our products and customer base which prompts a focus on organic growth for 2010.

Partners

Every year it is important to acknowledge the support of Reckon's network of partners amongst accountants, bookkeepers and business and IT consultants.

We also extend our thanks to the support of all our employees, customers and suppliers who contributed to our success in 2009.



John Thame
Chairman



Clive Rabie
Group CEO

Directors' Report

The Directors of Reckon Limited submit these financial statements for the financial year ended 31 December 2009

BOARD OF DIRECTORS

John Thame AAIBF FCPA

Age 68, Non-Executive Chairman

John Thame has over 30 years' experience in the retail financial services industry. He was Managing Director of Advance Bank Limited from 1986 until it merged with St George Bank Limited in January 1997 and held a variety of senior positions in his career with Advance. John was Chairman of St George Bank Limited until April 2008 and a member of the St George Bank Limited board until 1 July 2008. He is also Chairman of Abacus Property Trust Group Limited, where he has been a Director since 2002. John was appointed to the Board on 19 July 1999.

Ian Ferrier FCA

Age 69, Non-Executive Director

Ian Ferrier is the founder of Ferrier Hodgson. He is a Fellow of the Institute of Chartered Accountants in Australia. He has more than 40 years experience in company corporate recovery and turnaround practice. He is also a Director of a number of private and public companies. Ian was appointed Chairman of InvoCare Limited in 2001 and was Chairman of Port Douglas Reef Resorts Limited until April 2006. Ian is a Director of McGuigan Simeon Wines Limited since 1991, Goodman Limited since 2003 and Australian Oil Company Limited since 2005. He has significant experience in property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and aviation and service industries. Ian joined the Board on 17 August 2004. In January 2008 Ian assumed the Chair of a new accounting practice, Ferrier Green Krejci & Silvia, which after merging with insolvency practice BRI, now trades as BRI Ferrier.

Greg Wilkinson

Age 54, Deputy Executive Chairman

Greg Wilkinson has over 20 years experience in the computer software industry. Greg entered the industry in the early 1980s in London where he managed Caxton Software, which became one of the UK's leading software publishers. Greg co-founded Reckon in 1987 and was the Chief Executive Officer until February 2006. He was appointed to the position of Deputy Chairman in February 2006 and became a member of the Board of the listed entity on 19 July 1999.

Clive Rabie

Age 50, Group Chief Executive Officer

Clive was Chief Operating Officer of Reckon from 2001 until February 2006 and in that time played a pivotal role in its turn-around. In February 2006 Clive was appointed to the position of Group Chief Executive Officer. He has extensive management and operational experience in the IT and retail sectors as both an owner and Director of companies.

Myron Zlotnick LL.M., GCertAppFin

Age 45, General Counsel and Company Secretary

Myron Zlotnick has 20 years experience as a legal practitioner, general and corporate counsel, and as a Director of companies in the information, communications and technology sector. Myron also assumes responsibility for some aspects of the management and operations of the Reckon Docs and nQueue Billback businesses.

Marianne Kopeinig LL.M., GDipAppI CorpGov

Age 48, Legal Counsel and Assistant Company Secretary

Marianne has over 15 years experience as a private practitioner and corporate counsel for private and ASX listed companies and broad industry experience in commercial, risk management and compliance functions.

Principal Activities

Reckon Limited conducts business predominantly across the following areas: (1) the sales and support of small and enterprise business accounting and personal wealth management software under the QuickBooks and Quicken brands; the sales and support of corporate services such as company incorporations, SMSF documentation and ASIC compliance management under the Reckon Docs brand, (2) the sales and support of accounting practice management and allied software, including the newly acquired modules for revenue and expense management, under the APS brand to larger professional accounting firms, and to smaller professional accounting firms under the Reckon Elite brand; (3) supplying software solutions to legal firms in the main areas of revenue management, expense management, print solutions, business process automation, business intelligence, document service automation, and document management.

Through strategic acquisition of businesses and technology, Reckon continues to broaden its scope of operations to provide complementary products and services across these business areas. The main products and services are principally organised into three operating units, the Business Division; the Professional Division and nQueue Billback Division.

In the Business Division, under the QuickBooks and Quicken brands, Reckon develops, localises, distributes and provides after sales technical support for the accounting software needs of small to medium sized and enterprise businesses and in the personal finance and wealth management sector. In addition, Reckon independently develops and distributes a payroll and point of sale solution. Under the Reckon Tools brand, Reckon develops applications that enhance these products, for example: electronic data interchange ("EDI") functionality, bill payment solutions, super choice management solutions, on-line backup, and on-line trading.

Reckon has also recently developed QuickBooks Online. This offers end user and accountants a convenient secure online version accessible from anywhere that effectively very closely mimics the traditional desktop package.

Reckon operates its QuickBooks and Quicken business under an exclusive evergreen licence from Intuit Inc. Intuit is the leading US-based accounting software house with over 25 million customers worldwide, annual sales of over US\$2 billion and a market capitalisation of close to US\$10 billion. Intuit's annual research and development budget exceeds US\$300 million. Reckon is able to leverage off this extensive research and development spend without the usual associated development risk. The licence from Intuit has an effective continuing rolling term of 10 years. Reckon continues to maintain an excellent working relationship with Intuit Inc.

The Reckon Elite business develops and distributes tax return preparation tools, practice management tools and related solutions for accountants and tax agents in public practice. Reckon Elite focuses on sales to smaller accounting firms compared to APS which focuses on the larger firms.

Through its New Zealand subsidiary Reckon distributes QuickBooks and Quicken products as well as IBankData; Intrepid Payroll, Bit Defender and IBackup solutions.

Espreon Corporate Services, which was acquired by Reckon in January 2009, increases Reckon's presence and market share in the corporate services (company registrations and compliance) market and presents growth opportunities in the data supply market. Espreon Corporate Services also adds depth to the product offering in the market for documentation for trusts and self managed superannuation funds. Espreon Corporate Services is gradually being re-branded and will be merged under the Reckon Docs banner.

The Reckon Docs services business comprises the technology and established client base for the registration of companies and other business structures using the traditional full service method. This business provides clients with an on-line company registration service available 24 hours a day, seven days a week. It also provides services for the establishment of unit trusts and family trusts (discretionary trusts), as well as services for constitution updates, domain name registrations and self-managed super funds.

The Reckon Docs data business provides comprehensive accredited business name and ASIC information electronically combined with a highly personalised client relationship. A full range of sophisticated information services to assist customers with the provision of financial, corporate and statutory information is also offered.

Reckon has now also developed a desktop utility called Reckon Docs Desktop (RDD) that is a simple and convenient desktop application for company registration, searches, and ASIC compliance management. The same product is being developed for integration into the Practice Management suite of APS and will be known as Advance Company Registers (ACR).

In the Professional Division, the APS business develops, distributes and supports a suite of solutions for professional service firms in Australia, New Zealand and the United Kingdom. For professional accountants these solutions also include tax and accounts production. APS also delivers a wide range of complementary applications to practice management.

Principal Activities continued.

The APS business continues to be considered a market leader in the provision of its products and services to professional accounting firms. This is reflected in the market share that APS enjoys in Australia and New Zealand.

APS has committed several years of research and development to delivering unique integrated practice software to work off a single platform, offering all its solutions under the collective "Advance" suite.

The Advance suite comprises several integrated modules for several business critical functions in professional firms: Practice Management (PM); Reporting (PIQ); Document and E-mail Management (DM); Taxation (Tax); Client Accounting (XPA); Client Relationship Management (CRM); Resource Planning (RP); Superannuation (DS); Corporate Secretarial (ACR) Workpaper Management (WM); and others.

With the acquisition of BillBack by Reckon in January 2009, APS commenced integrating technologies for revenue management, expense management, print solutions, document service automation, and document management into its practice management suite. APS is also adapting accounting solutions for sale into the legal professional market.

In July 2009, Reckon entered into an agreement with nQueue Inc for a more efficient and competitive means of delivering legal products in the USA.

The nQueue Billback business assists USA law firms by enhancing the automation and processing of any operational and administrative expenses, including print, copy, scan, telephone, online searches, emails, court fees, car services, credit card charges, courier costs and more. nQueue Billback's software offerings can be embedded directly into multi-function devices or reside on tablet computers or terminals to provide clients with the knowledge required to run their businesses more profitably.

Review of Operations

Overview of financial performance

- Operating revenue was up 42% to \$85.3 million from \$60.0 million.
- Group EBITDA was up 38% to \$26.1 million from \$19.0 million (before business acquisition restructure costs).
- Group NPAT was up 27% to \$14.4 million from \$11.3 million (before business acquisition restructure costs).
- Basic EPS was up 24% to 10.5 cents per share from 8.5 cents (before business acquisitions restructure costs).
- Final dividend of 4 cents per share – 100% franked with a full year dividend payout ratio of 71%.
- Operating cash flow was up 16% to \$18.9 million resulting in zero net debt at 31 December 2009.
- Cash utilised in the acquisition of Espreon Corporate Services and BillBack was \$18.4 million.

Growth in revenue, strong management of costs, and the benefits of a sustainable customer base has resulted in strong Group performance from all Divisions.

Dividends

On 9 February 2010, the Board declared a final dividend of 4 cents per share (100% franked) payable to shareholders recorded on the Company's Register as at the record date of 20 February 2010. Reckon does not have a dividend re-investment plan currently in operation. On 11 August 2009, the Board declared an interim dividend of 3 cents per share (100% franked) payable to shareholders recorded on the Company's Register at record date of 25 August 2009.

The Future

As we have previously stated Reckon's overall strategy continues to involve:

- expanding the product and service offering to its customer base,
- leveraging cross selling opportunities across its customer base,
- generating recurring revenue streams through subscription products,
- generating repeat revenue through consulting and technical support,
- enhancing relationships with sales channels, including retailers and professional partners, and
- maintaining operating efficiencies resulting in increasing margins.

In the Business Division:

- the QuickBooks 2010/11 QBⁱ series release will show attractive new capabilities and offerings;
- we propose to leverage the scalability of QuickBooks Enterprise Editions;
- we will expand the QuickBooks Online offering;
- we will expand the Reckon Elite customer base with a broader product offering;
- we aim to grow Reckon Docs market share; and
- take advantage of an expanded direct sales team.

In the Professional Division:

- we will continue to rollout an integrated compliance and practice management suite;
- leverage our expanded legal product suite;
- explore and expand cross-selling opportunities presented by company formations and QuickBooks Online; and
- present new products for Expense Management, Print Solutions, Digital Imaging, Workpaper Management, and Resource Planning.

nQueue Billback will continue to pursue market growth in the USA legal market and take advantage of the greater product suite offered by the rest of the Group.

It also is anticipated that 2010 and beyond will show some structural changes to the businesses to obtain the maximum efficiency in pursuing Reckon's tactics and strategies. For example, we propose equipping the Professional Division sales team to offer QuickBooks, QuickBooks Online and compliance solutions to their customers.

Significant Changes in State of Affairs

Apart from the acquisition of the Corporate Services and Billback businesses referred to above, there were no other events in 2009 that represented material changes to the state of affairs of the Company.

Matters Subsequent to the End of the Financial Year

On 9 February 2010 the Company announced a buy-back of shares which under the provisions of the Corporations Act 2001 permits the Company to buy back up to 10% of its shares on the open market. It is anticipated to keep the buy back in place until 31 December 2010.

Dividend

A final dividend for 2009 was declared on 9 February 2010 as disclosed above.

Options

Since balance date 10,344 shares were issued after exercise of options under Share Option Plan 2. See Note 19 for the details of this plan.

Since 31 December 2009 no options have lapsed.

Effective 31 December 2005, the Company terminated Share Option Plan 2. Going forward the Board will continue to assess the merits of incentive based schemes pursuant to the share scheme approved at the Special General Meeting on 20 December 2005 or such other plan that the Company may lawfully put in place from time to time. The Remuneration Report in the Directors' Report contains details of the relevant long-term incentive plans approved by shareholders at the Special General Meeting of the Company held on 20 December 2005.

Other matters

Other than as disclosed in this Directors' Report no other matter or circumstance has arisen since 31 December 2008 that has significantly affected, or may significantly affect:

- the consolidated entity's operations in future financial years, or
- the results of those operations in future financial years, or
- the consolidated entity's state of affairs in future financial years

Future Developments

Other than as outlined above, disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Directors' Shareholdings

As at the date of this report, the directors held shares in Reckon Limited as set out in the Remuneration Report immediately below. Options, if any, were granted under the Executive Share Option Plan. None of the directors hold any options in Reckon Limited.

Remuneration Report

Key management

The key management personnel include the directors and Group executives who have responsibility for planning, directing and controlling the activities of the Company and the consolidated entity. Key management personnel details are set out on page 12 below.

Policy for determining remuneration of key management personnel

Policy for determining remuneration of key management personnel, including the directors, Group CEO, Group CFO, Divisional CEO's and other Company officers is the ultimate responsibility of a remuneration committee comprising the Chairman of the Board and the other independent non-executive director. The Chairman of the remuneration committee is Ian Ferrier. There is no formal charter for the remuneration committee. Policy is set with due consideration for the need to motivate directors and management to pursue the long-term growth and success of the Company as well as to tie remuneration in with performance as contemplated in the ASX Corporate Governance Principles and Recommendations ("ASX Guidelines"). It is the view of the Board that the Company complies with the substance of the aims and aspirations of the ASX Guidelines in the context of the size of the Company, the size of the Board, the size of the senior management team and the size of the business.

Policy for determining remuneration of other management personnel has been delegated to the Group CEO, Group CFO and Divisional CEO's by the Board to be exercised in accordance with the same broad principles as apply for the Group CEO, Group CFO, other Company officers and Divisional MD's. The Board reviews all remuneration in its consideration of the Company's annual budget process. The Board, through the remuneration committee will consider for approval the levels of remuneration set in the annual budget, taking into account the relevant performance budgeted as well as compared with historical performance.

The policy is to pay the relevant officers and employees' remuneration consistent with applicable market comparisons suited to the unique features of the Company, the competitive landscape, the scale of the business, the responsibilities of the individual directors and employees, internal relativities and performance. The Board is conscious of the need to attract and retain talent. The remuneration policy takes account of striking the right balance between short term benefits and long term incentives. All remuneration is reviewed annually. Generally increases, if justified, will not exceed comparable market increases.

Terms of employment for key management personnel

Executive directors and Group executives are all appointed on standard employment terms that are not fixed term contracts. These contracts include a notice period of between 1 – 3 months to be provided by either the executive or the Company. No contract provides for termination payments except where the employee is to receive payment in lieu of notice.

For 2009, remuneration for key management personnel including the Group CEO, Group CFO, other Company officers, Divisional CEOs and other senior executives, comprises a fixed element, a short-term incentive element and a long-term incentive element.

Fixed component

The fixed component of remuneration is determined in preparing the annual budget for the year and then subjected to the approval of the Board through the remuneration committee.

Short term incentive payments

The short-term incentive component of remuneration is dependent on satisfaction of performance conditions. Each annual budget fixes a pool representing the total potential amount in which the relevant employees can share if the performance conditions are met. There are three weighted elements to the performance conditions, viz: a revenue target, a net profit after tax (NPAT) target, and earnings per share (EPS) target measured against the budgeted performance of the Company. The Board retains a discretion regarding the allocation of the pool between employees as well as regarding weightings. Short term incentives are paid in cash as bonuses usually in about February or March of the following year. If the relevant performance targets are exceeded, then the amount of short term incentive can be increased by an amount not exceeding 10% of the total pool.

Long term incentive payments

The long-term incentive component is the last of the mix of the components comprising remuneration packages. It is aimed at retaining the long term services of the key management personnel to whom it applies and to align their remuneration with the longer term performance of the Company. The substance of the long-term incentive component for key management was approved by Special General Meeting on 20 December 2005. In general terms, the long-term incentive component comprises three possible methods of participation: an option plan, a performance share plan and a share appreciation plan. The Board has discretion to approve the making of 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, based upon 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 (and indeed the entire design of the long term incentive component) was determined after taking advice from 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 ongoing basis. During 2009 some of the entities comprising the comparator group were delisted either as part of merger and acquisition activity or for other reasons. This was factored into the calculation of the Company's performance by the independent valuers who undertook the exercise on behalf of the Company. Where companies were de-listed for example, it was assumed that the Company out-performed that company. The comparator group of companies used in the performance period for assessment included (1) Adacel Technologies Limited, (2) Firstfolio Limited (previously listed as AFS), (3) Altium Limited, (4) Amcom Telecommunications Limited, (5) ASG Group Limited, (6) CPT Global Limited, (7) Eftel Limited, (8) Eservglobal Limited, (9) Hansen Technologies Limited, (10) Infomedia Ltd, (11) Integrated Research Limited, (12) Melbourne IT Limited, (13) Lifestyle Communities Limited (previously listed as NMB), (14) MYOB Limited (no longer listed), (15) Newsat Limited, (16) Objective Corporation Limited, (17) Oakton Limited, (18) Powerlan Limited, (19) Queste Communications Limited, (20) Rea Group Ltd, (21) Sirius Corporation Limited, (23) Asian Pacific Limited (previously listed as TMO, no longer listed), (24) Technology One Limited and (25) Talent2 International Limited, (26) Chariot Limited (no longer listed), and (27) Citect Corporation Limited (no longer listed).

Only 50 percent 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).

Consequence of performance on shareholder wealth

	NPAT	EPS	Reduction of Capital	Dividend	Changes in Share Price between the beginning and the end of the year	
					Beginning of January	End of December
	\$'000		(cents per share)			(cents)
2005	7,034	5.1	4	2	85	76
2006	8,169	6.2		4.5	76	102
2007	9,893	7.5	-	5.5	102	139
2008	11,312	8.5	-	6.0	139	105
2009*	14,425	10.5	-	7.0	105	184

*Before business acquisition restructure costs.

The Company's "Trading Policy" prohibits directors, key management personnel and employees from entering into a transaction with securities which limit the economic risk of any unvested entitlements awarded under any Reckon equity-based remuneration scheme. Prior to presenting full-year results Reckon equity plan participants are required to confirm that they have not entered into any transactions which would contravene the Company's "Trading Policy".

The share appreciation right plan represents an alternative remuneration component (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.

Balance between salary, short term and long term incentives

It is the Board's opinion that an adequate balance is struck between the three components comprising the relevant remuneration. For short term incentives, the performance targets reflect, in part, the key factors that the Company pursues in measuring its performance: volume of sales; profit generated; and value returned to shareholders in terms of EPS. The targets also represent a measure of an incentive to encourage commitment to the business and to its growth. The audited financial results for the year are used to assess whether the performance conditions are satisfied. Audited results represent an independent accurate method of determining the attainment of the conditions. For long-term incentives, the additional targets comprising TSR reflect a further assessment of value to shareholders before the remuneration is earned. As stated above the comparator group to which reference will be had will be subject to review.

The remuneration committee is satisfied that to date, the remuneration of the relevant employees accords with the general upward trend of the performance of the Company and returns to shareholders, as set out in the table below; and also takes into account the imperative to retain their services so as to avoid the business and opportunity costs associated with replacing them as well as the need to be commensurate with market rates.

Remuneration Report continued

Remuneration 2009

2009	Office	Fixed component	Short term Incentive component		Other compensation	Long term incentive component		Total remuneration
		Salary	Bonus ¹	Other short term benefits ²	Superannuation	Equity settled share based payments- Performance shares ^{3,9}	Cash settled share based payments- Appreciation rights ^{4,7}	
Directors⁸								
John Thame	Chairman, Non-executive Director	\$90,000	0	0	\$8,100	0	0	\$98,100
Greg Wilkinson	Deputy Chairman, Executive Director	\$78,000	\$0	0	\$7,020	0	0	\$85,020
Clive Rabie	Group CEO, Executive Director	\$500,000	\$181,884	0	\$45,000	0	\$661,843 ⁷	\$1,388,727
Ian Ferrier	Non-executive Director	\$75,000	0	0	\$6,750		0	\$81,750
Executives⁸								
Brian Armstrong	CEO, Professional Division	\$340,000	\$103,934	0	\$30,600	\$83,109	0	\$557,643
Chris Hagglund	CFO	\$305,000	\$79,250	0	\$27,450	\$73,472	0	\$485,172
Paul James	GM, Professional Division Australia	\$203,029	\$40,560	0	\$21,902	\$3,506	0	\$268,997
Myron Zlotnick	General Counsel & Company Secretary	\$250,000	\$51,967	0	\$22,500	\$40,017	0	\$364,484
Brian Coventry	MD, Professional Division United Kingdom	\$188,307	\$45,000	\$0	\$9,010	\$4,908	0	\$247,225
Gavin Dixon	CEO, Business Division	\$340,000	\$88,344		\$30,600	\$80,384	0	\$539,328
Grant Linton	GM, Professional Division New Zealand	\$105,696	\$20,032	\$29,928	\$11,964	\$3,506	0	\$171,126
Nigel Boland	GM Development, Professional Division	\$163,346	\$20,032	0	\$12,401	\$4,908	0	\$200,687
Richard Hellers ⁵	President and CEO, nQueue Billback Division	\$126,263	\$63,131	\$7,380	\$6,854	0	0	\$203,628
Russell Scott	GM, Reckon Docs	\$195,000	\$0	\$18,000	\$17,550	0	0	\$230,550
Andrew Moon ⁶	GM, Billback	\$57,340	\$0	\$157,514	\$5,160	0	0	\$220,014
TOTAL		\$3,016,981	\$694,134	\$212,822	\$262,861	\$293,810	\$661,843	\$5,142,451

1 The potential amounts payable for the short term cash performance bonuses are determined at the beginning of the year and are earned based upon the performance criteria for the year described in more detail on pages 10 and 11.

2 For Mr Linton this represents a sales commission. For Mr Hellers this represents a contribution to life and medical insurance. For Mr Scott this represents a motor vehicle allowance. For Mr Moon this represents terminations benefits.

3 Mr Armstrong (80,952 shares), Mr Hagglund (72,619 shares), Mr James (9,524 shares), Mr Zlotnick (47,619 shares), Mr Coventry, (13,333 shares), Mr Dixon (80,952 shares), Mr Linton (9,524 shares) and Mr Boland (13,333 shares) are participants in the 2009 performance share plan. The date of grant for each of these participants was 1 January 2009. The value of the long term incentive is obtained by reference to the market price of the shares on the grant date allocated over each year of the 3 year performance period. If the performance criteria are met, then the shares are released at no consideration. The fair value of the performance shares at grant date was \$1.05. The performance shares are exercisable on 31 December 2011 at zero cents. The fair value of performance shares which vested and were forfeited during the financial year are set out in the table below.

4 Mr Rabie is a participant in the share appreciation plan. 888,324 rights were issued under the plan on 1 January 2009. The value of the rights was \$0.197 determined using a Monte Carlo simulation with a Black Scholes based valuation model to determine the value as at hurdle dates. The fair value of appreciation rights which vested and were forfeited during the financial year are set out in the table below.

5 Appointed 1 July 2009.

6. Employment ended on 31 March 2009.

7. The amount is calculated based on the difference between the Company share price at vesting and the share price at date of issue spread over the three year performance period. The share based remuneration earned by Mr Rabie relative to share price movement is as follows:

	Share based remuneration	Share price movements
2007	\$284,833	+36%
2008	\$34,088	-24%
2009	\$661,843	+75%

2009 reflects a catch up of share based payment expense following the strong re-bound of the share price in 2009.

8. To the extent that any of the above are directors of any wholly owned subsidiaries of the Company listed on page 52, no additional remuneration is paid.

9. No options were granted to any person during the year as part of their remuneration. No options vested during the financial year. All options issued in previous years as set out in Note 27 in the financial statements were fully vested in prior years. 47,500 options were exercised during 2009.

Remuneration Report continued

2009	Percentage of total remuneration that is performance related	Percentage of available bonus which vested in the year	Percentage of available bonus which was forfeited during the year	No of performance shares vested in 2009	Value of Performance shares vested in 2009	Value of Performance shares forfeited in 2009	Value of Appreciation rights vested in 2009	Value of Appreciation rights forfeited in 2009
Directors								
John Thame	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Greg Wilkinson	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Clive Rabie	61%	100%	0	n/a	n/a	n/a	\$477,528	0
Ian Ferrier	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Executives								
Brian Armstrong	34%	100%	0	72,451	\$86,937	0	n/a	n/a
Chris Hagglund	31%	100%	0	63,630	\$76,350	0	n/a	n/a
Paul James	16%	100%	0	0	\$0	0	n/a	n/a
Myron Zlotnick	25%	100%	0	28,204	\$33,843	0	n/a	n/a
Brian Coventry	20%	100%	0	9,823	\$11,788	0	n/a	n/a
Gavin Dixon	31%	100%	0	67,539	\$81,042	0	n/a	n/a
Grant Linton	31%	100%	0	0	\$0	0	n/a	n/a
Nigel Boland	12%	100%	0	9,823	\$11,788	0	n/a	n/a
Richard Hellers	31%	100%	0	0	\$0	0	n/a	n/a
Russell Scott	0%	0%	0	0	\$0	0	n/a	n/a
Andrew Moon	0%	0%	0	0	\$0	0	n/a	n/a
TOTAL				251,470	\$301,748	\$0	\$477,528	\$0

Remuneration Report continued

Remuneration 2008		Fixed component	Short term incentive component		Other compensation	Long term incentive component		Total remuneration
		Salary	Bonus ¹	Other short term benefits ²	Superannuation	Equity settled share based payments- Performance shares ^{3,8}	Cash settled share based payments- Appreciation rights ⁴	
2008	Office							
Directors⁷								
John Thame	Chairman, Non-Executive Director	\$86,000	0	0	\$7,740	0	0	\$93,740
Greg Wilkinson	Deputy Chairman, Executive Director	\$75,000	0	0	\$6,750	0	\$5,000	\$86,750
Clive Rabie	Group CEO, Executive Director	\$460,000	\$164,095	0	\$41,400	0	\$34,088	\$699,583
Ian Ferrier	Non-executive Director	\$66,000	0	0	\$5,940	0	0	\$71,940
Executives⁷								
Brian Armstrong	CEO, APS	\$320,000	\$109,400	0	\$31,488	\$65,828	0	\$526,716
Chris Hagglund	CFO	\$280,000	\$70,900	0	\$25,200	\$52,576	0	\$428,676
Paul James	GM, APS Australia	\$193,806	\$21,448	0	\$19,373	\$9,124	0	\$243,751
Myron Zlotnick	General Counsel & Company Secretary	\$210,540	\$31,400	0	\$18,949	\$27,005	0	\$287,894
Brian Coventry	MD, APS United Kingdom	\$194,003	\$34,117	\$17,794	\$9,649	\$9,124	0	\$264,687
Gavin Dixon	CEO, Quicken Australia	\$310,000	\$75,200	0	\$27,900	\$50,584	0	\$463,684
Michael Donnelley ⁵	MD, APS New Zealand	\$172,501	\$68,160	0	\$17,107	\$9,124	0	\$266,892
Grant Linton ⁶	GM, APS New Zealand	\$36,277	0	\$11,497	\$4,051	0	0	\$51,825
Nigel Boland	GM Development, APS	\$161,366	\$20,047	0	\$12,103	\$9,124	0	\$202,640
TOTAL		\$2,565,493	\$594,767	\$29,291	\$227,650	\$232,489	\$39,088	\$3,688,778

1 The potential amounts payable for the short term cash performance bonuses are determined at the beginning of the year and are earned based upon the performance criteria for the year described in more detail on pages 10 and 11.

2 For Mr Coventry and Mr Linton this reflects a sales commission.

3 Mr Armstrong (58,656 shares), Mr Hagglund (51,324 shares), Mr Dixon (56,823 shares), Mr Zlotnick (27,018 shares), Mr Donnelley (7,332 shares), Mr James (7,332 shares), Mr Coventry (7,332 shares), and Mr Boland (7,332 shares) are participants in the 2008 performance share plan. The date of grant for each of these participants was 1 January 2008. The value of the long term incentive is obtained by reference to the market price of the shares on the grant date allocated over each year of the 3 year performance period. If the performance criteria are met, then the shares are released at no consideration. The fair value of the performance shares at grant date was \$1.36. The performance shares are exercisable on 31 December 2010 at zero cents. The fair value of performance shares which vested and were forfeited during the financial year are set out in the table below.

4 Mr Rabie is a participant in the share appreciation plan. 495,356 rights were issued under the plan on 1 January 2008. The value of the rights was 32.3 cents determined using a Monte Carlo simulation with a Black Scholes based valuation model to determine the value as at hurdle dates. The fair value of appreciation rights which vested and were forfeited during the financial year are set out in the table below.

5 Mr Donnelley resigned effective 15 October 2008 and Mr Linton was appointed MD on 1 September 2008. Mr Donnelley's salary includes accrued leave paid out on resignation.

6 Mr Linton received remuneration of: salary \$55,544, commission \$61,901 and superannuation of \$9,956 in the period 1 January 2008 – 31 August 2008.

7 To the extent that any of the above are directors of any wholly owned subsidiaries of the Company listed on page 52, no additional remuneration is paid.

8 No options were granted to any person during 2008 as part of their remuneration. No options vested during the financial year. All options issued in previous years as set out in Note 27 in the financial statements are fully vested. 82,333 options were exercised during 2008.

Remuneration Report continued

2008	Percentage of total remuneration that is performance related	Percentage of available bonus which vested in the year	Percentage of available bonus which was forfeited during the year	No of performance shares vested in 2008	Value of Performance shares vested in 2008	Value of Performance shares forfeited in 2008	Value of Appreciation rights vested in 2008	Value of Appreciation rights forfeited in 2008
Directors								
John Thame	0%	0	0	0	0	0	0	0
Greg Wilkinson	6%	0	0	0	0	0	\$18,750	0
Clive Rabie	28%	100%	0	0	0	0	\$93,750	0
Ian Ferrier	0%	0	0	0	0	0	0	0
Executives								
Brian Armstrong	33%	100%	0	46,762	\$37,557	0	0	0
Chris Hagglund	29%	100%	0	21,802	\$17,511	0	0	0
Paul James	13%	100%	0	0	0	0	0	0
Myron Zlotnick	20%	100%	0	16,873	\$13,551	0	0	0
Brian Coventry	23%	100%	0	0	0	0	0	0
Gavin Dixon	27%	100%	0	0	0	0	0	0
Michael Donnelley	29%	75%	25%	0	0	\$20,912	0	0
Grant Linton	22%	0	0	0	0	0	0	0
Nigel Boland	14%	100%	0	0	0	0	0	0
TOTAL				85,437	\$68,619	\$20,912	\$112,500	0

Options and shareholding for directors and relevant employees can be found at Note 27 to the accounts.

Remuneration Report continued

Indemnification of Directors and Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary and all executive officers of the Company, and of any related body corporate, against a liability incurred as a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

In addition, Rule 12 of the Company's constitution obliges the Company to indemnify on a full indemnity basis and to the full extent permitted by law, every Director, officer or former officer for all losses or liabilities incurred by the person as an officer. This obligation continues after the person has ceased to be a Director or an officer of the Company or a related body corporate, but operates only to the extent that the loss or liability is not covered by insurance.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company, or any related body corporate, against a liability incurred as an officer or auditor.

Directors' Meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each Director.

Reckon Limited - Attendance Tables						
Directors	Meetings					
	Board		Audit Committee		Remuneration Committee	
	A	B	A	B	A	B
JM Thame	10	10	2	2	2	2
I Ferrier	10	10	2	2	2	2
GJ Wilkinson	10	8	n/a	n/a	n/a	n/a
C Rabie	10	10	n/a	n/a	n/a	n/a

Key: A – number of meetings eligible to attend; B - number of meetings attended

Non audit fees

Details of the non-audit services can be found in Note 4 to the financial statements.

Rounding of Amounts

ASIC Class Order 98/0100 applies to the Company, and in accordance with that Class Order, amounts in the Directors' Report and the financial statements have been rounded off to the nearest thousand dollars, except where otherwise indicated.

Auditors' Independence Declaration

The auditors independence declaration for the year ended 31 December 2009 has been received and can be found on page 21 of the Directors Report.

Signed in accordance with a resolution of the directors made pursuant to Section 298 of the Corporations Act 2001.

On behalf of the directors



Mr J Thame
Chairman

Sydney, 24 March 2010

Corporate Governance Report

The Company is committed to a system of relationships, policies and processes which align with the ASX Corporate Governance Principles and Recommendations, 2nd Edition ("the ASX Governance Principles"). It is a priority of the board to ensure the Company's governance framework and support processes uphold these principles. The board is of the opinion that the Company's existing policies and processes effectively achieve the objectives of the relevant Recommendations. The few departures from the Recommendations in the ASX Governance Principles are generally justified on the basis that the formal requirements of the Recommendations are not applicable to the size of the Company and the resources available. Where appropriate, the board seeks opportunities to adopt these Recommendations to suit the circumstances of the Company and continue to improve the Company's governance policies and processes.

1. Management and Oversight

The Company is governed on behalf of the shareholders by its Board of Directors who in turn oversee the Company's management team. The responsibilities and duties of the board are set out in the Constitution. The board is responsible for ensuring appropriate risk management, accountability and control mechanisms. The board also provides advice and input into development of the businesses generally, overall corporate strategy, performance objectives, and appointment of senior executives. The board monitors and reviews the performance of the Company, financial reporting and implementation of strategy. The board approves the annual budget, material capital expenditure and large acquisitions.

The Company has adopted each of the Recommendations relating to Principle 1 of the ASX Governance Principles, except for the requirement in Recommendation 1.1, only to the extent that there is no formal charter. The board is of the opinion, given the relatively small size of the composition of the board, the relatively flat structure of management, the size of the management team and open and frequent channels of communication between management and the board, that there is adequate definition and understanding of the functions and responsibilities of the board and management. The board maintains sufficiently close oversight of operations and has close input to material decisions to ensure compliance with principles of good corporate governance. The board recognises that with the growth and evolution of the Company, it is important to review the division of matters and responsibilities reserved to the board or delegated to senior executives regularly and where needed, to formalise these by way of a charter.

The board is able to efficiently deal with issues which, in other larger enterprises, may normally be delegated to committees because of the size of the Company and the management team. The Audit & Risk Committee and Remuneration Committee are the only committees of the board.

The Company undertakes an annual performance evaluation of key management personnel. The nature of the review process is as follows:

- In the case of key management personnel other than head of divisions the review process is managed and administered by the Group Human Resources Manager. It generally involves a 360 degree feedback review in which selected peers and reporting staff assess the performance of relevant executives and managers according to a set of questions benchmarked against key performance indicators. The process also includes a series of reviews with the Divisional CEO's in which the 360 degree feedback review is discussed with the relevant executive or manager and remedial steps and coaching, if applicable, are implemented. There may be further additional reviews undertaken through the year if necessary.
- In the case of head of divisions and head office management (CEO, General Counsel and Company Secretary) the review process is managed and administered by the Group Chief Executive Officer. The review involves a one-on-one interview in which performance against key performance indicators is assessed and discussed and feedback from peers (where relevant) is reviewed. Where necessary remedial steps are identified and coaching is implemented. There may be additional reviews undertaken through the year if necessary.

In addition, a portion of remuneration for key management personnel is tied into the financial performance of the Company as set out in more detail in the Remuneration Report. Performance evaluation for key management personnel was undertaken in 2009 and it was in accordance with the processes disclosed in this report.

The independent non-executive directors also generally informally monitor and review the ongoing performance of senior executives.

The Group Human Resources Manager is also responsible for managing and administering an induction process for newly appointed senior executives. In addition the Group CEO and divisional CEO's undertake a rigorous process of briefing new senior executives.

Corporate Governance Report continued

2. The Board

At present, the board comprises four members: John Thame, Ian Ferrier, Greg Wilkinson and Clive Rabie. Mr Thame is Chairman of the board and he, together with Mr Ferrier, are independent non-executive directors. Further details of the directors, including a summary of their skills and experience and period of office, are set out in the Directors' Report.

The Company has adopted each of the Recommendations relating to Principle 2 of the ASX Governance Principles, except for the requirements in Recommendation 2.1 and 2.4 due to the size and circumstances of the board. However in the opinion of the board, the existing structure and processes are appropriate for the Company and still meet the objectives of the Recommendations and Principle 2. While there is not strictly an independent majority in the sense described in Recommendation 2.1, as there are only four directors, the non-executive directors ensure that all issues that come before the board are considered in an impartial manner and from a variety of perspectives to meet the objectives of Recommendation 2.1. Mr Wilkinson, although still a substantial shareholder, has occupied a non-executive position for more than three years since he resigned from the management of the Company. The Chairman, who is independent, has a casting vote where necessary. The independent non-executive directors oversee the nomination of any potential directors.

The criteria for directorship and the election process are set out in the Company's constitution. The directors periodically review the composition of the board to ensure that members have the desired breadth of experience and expertise to govern the Company effectively. The size of the board dictates that there is no efficiency obtained in establishing a formal nomination committee. Accordingly, the Company departs from this requirement in Recommendation 2.4.

Directors are entitled to seek independent professional advice at the Company's expense to assist them in fulfilling their duties in order to comply with all applicable laws and regulations. There is no formal procedure for the board to agree when to take independent advice at the expense of the Company, but given the size of the board there is no efficiency to be obtained in formalising this process. The independent non-executive directors exercise their judgment to call for such advice when they deem appropriate. The Chairman also has frequent contact with internal legal counsel to assess the need for external advice.

The board met ten times during 2009. The details of attendance at these meetings are set out in the Directors' Report.

The independent non-executive directors monitor and review the ongoing performance of the executive directors and key executives. The independent non-executive directors occasionally meet informally without management being present to generally discuss the affairs of the Company and the overall performance of key executives.

The independent non-executive directors are subject to the Company's constitution and their continuity of tenure is dependent on re-election by shareholders in accordance with the constitution.

Any decision regarding the appointment of new directors is taken cognizant of the need to appoint someone who is technically qualified and as far as possible familiar with the Company's market sector.

While there is no formal induction process in place, the Chairman, Deputy Chairman and Group CEO will appropriately brief new board members, if and when appointed.

Given the size of the Company there is also direct informal communication on a regular basis between the Chairman and the Company Secretary on governance matters.

3. Ethical and Responsible Decision Making

The Company's governance policies and processes incorporate all the Recommendations relating to Principle 3 of the ASX Governance Principles.

The board's policy is that the Company, the directors and employees in addition to their legal obligations must maintain high ethical standards in their dealings with the public and other members of the industry.

The initial Directors' Code of Conduct adopted in 2003 was reviewed and updated in 2007 to apply to all employees.

The Company's Human Resources Policy and Procedures, binding on all employees, also collectively embrace the substance of the ASX Governance Principles in a Code of Conduct, including expectations regarding behaviour in the workplace, disciplinary processes, grievance processes, discrimination and harassment, occupational health and safety, ethical business practices, conflict of interest, corporate opportunity and the like.

The Trading Policy is accessible to employees and the public at the Company web site.

The Company is committed to training employees and maintaining employees' relevant technical expertise and understanding of their ethical and legal obligations, for example by way of trade practices training from time to time for relevant staff.

Corporate Governance Report continued

4. Integrity in Financial Reporting

The board assumes the responsibility to ensure the integrity of the Company's financial reporting and has established the Audit & Risk Committee to focus on the issues relating to the integrity of the financial reporting of the Company and oversight and review of the Company's risk management. The terms of reference for the Audit & Risk Committee, to review and monitor all financial, risk management and compliance policies, were formalised in a Charter in 2003 to meet the requirements of the ASX Governance Principles. The Audit & Risk Committee consists of John Thame and Ian Ferrier, independent, non-executive directors, and Greg Wilkinson (from 8 February 2010), to ensure independent review of financial reporting over and above formal audit processes. Details of their experience and qualifications are set out in the Directors' Report.

The Audit & Risk Committee also meets informally to discuss matters including risk management and reporting.

Due to the size of the board, where only two of the four members meet the criteria in Recommendation 4.2, the Audit & Risk Committee only had two members in 2009, as such the Company was not in a position to fully adopt all of Recommendation 4.2. The board is of the opinion that the existing structure of the Committee, with the independent non-executive directors and its considerable technical expertise in the market sector of the Company and financial literacy, enable it to discharge its functions effectively and in accordance with the objectives of Principle 4, Recommendation 4.2. With the appointment of Greg Wilkinson to the Audit and Risk Committee in February 2010, the Company will have fully adopted Recommendation 4.2.

Deloitte Touche Tohmatsu, the Company's auditors, report directly to the Audit & Risk Committee on the appropriateness of the Company's internal accounting policies and practices. The board reviews the adequacy of existing external audit arrangements each year, with particular emphasis on the scope and quality of the audit.

At each Audit & Risk Committee meeting, the independent non-executive directors meet separately with the auditors, without management being present, to review any concerns that the auditors may have regarding the financial management of the Company.

The Audit & Risk Committee met twice during 2009. The Audit & Risk Committee reports back to the board after each Audit & Risk Committee meeting. The details of attendance at these meetings are set out in the Directors' Report. The board is aware of its obligations to ensure the appropriate selection and rotation of external auditors and the external audit engagement partners and closely monitors and reviews the engagement of the Company's external auditors.

5. Timely and Balanced Disclosure

The Company has adopted each of the Recommendations relating to Principle 5 of the ASX Governance Principles. The board remains conscious of the Company's disclosure obligations under the Corporations Act 2001, the ASX listing rules and the ASIC guidance principles. These obligations are reflected in the Continuous Disclosure Policy. All required disclosures are also made in accordance with the Continuous Disclosure policy which is accessible to the public at the Company web site. A review of operations and commentary on the financial results is provided in the Annual Report 2009 and the Finance Report.

6. Rights of Shareholders

The board is conscious of the requirements of Principle 6 of the ASX Governance Principles and takes into account the rights and needs of shareholders to balanced and understandable information about the Company and acts in accordance with this Principle. The Company communicates with shareholders through its ASX disclosures to the market. The Company also communicates with shareholders through the posting of statutory notices to shareholders and at the general and special meetings of the Company. The Company keeps recent announcements and general Company information on its web site with a dedicated investor relations section which is accessible to the public. The web site contains a link to the ASX web site for older announcements. Given the size and circumstances of the Company, there is no formally documented communications strategy, and in this respect the Company has not adopted Recommendation 6.1.

The Company's auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report at the meeting.

7. Recognise and Manage Risk

As stated above in paragraph 1, the board is responsible for ensuring appropriate risk management, accountability, and control mechanisms. It constantly monitors the operational and financial aspects and material risks of the Company's activities and, through the Audit & Risk Committee, considers the recommendations and advice of the auditors and other external advisers on the operational and financial risks that face the Company. The Group CEO and Group CFO monitor and review the financial performance of the Company and monitor any potential risk virtually on a daily basis. The board has received assurance from the CEO and the CFO that the S295A Declaration provided in the Financial Report is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to

Corporate Governance Report continued

financial reporting risks. The board is of the opinion that there is substantial compliance with the ASX Governance Principle 7 although Recommendations 7.1 and 7.2 have not yet been fully adopted.

As described above, the size of the Company and the management team enables the board to have effective oversight of the overall risk management of the Company. In the board's opinion, especially with the existence of an Audit & Risk Committee, there is no efficiency for the Company to establish a separate risk management committee.

The board is provided with a declaration from the Group CEO and the Group CFO under section 295A of the Corporations Act 2001, that due consideration is given to budgets, cash flows, realisation of current assets, continuity of terms of trade, and consideration of contingencies in the day to day operations of the Company and in the monthly management financial reporting and statutory reporting of the Company.

At present the nature of operations and scope of the business is reasonably well established and understood by management and the board. The decision making and reporting processes in the Company incorporate an assessment of the relevant material risks, for example in the planning, budget, HR, product development, R&D, legal and compliance activities and, where relevant, any material risk issues are reported to and considered by the board. The planning and budget process involves both the executive and senior management, which means all of these employees have a more than adequate understanding of the issues, activities and opportunities across the Company. In turn this enables them to manage operational, planning, strategic and risk issues in the Company. In addition, the Company regularly conducts reviews of the material risks in the context of the annual insurance renewals and, in relation to acquisitions through due diligence. Relevant risk factors are included in the various management and financial reports to the board and are then considered by the board. The reporting, identification and management of risk are now effectively a standing board agenda item.

Due to the effectiveness of the existing processes and the size of the business, business risk management systems, policies and procedures have not been comprehensively formalised. With a view to fully adopting Recommendations 7.1 and 7.2, the Company's risk management systems, policies and processes are under consideration to be formalised and documented, if necessary.

8. Remunerate Fairly and Responsibly

The Company remunerates directors and key executives in accordance with the aspirations set out in ASX Governance Principle 8. Accordingly the board has adopted a remuneration policy designed to attract and maintain talented and motivated directors and senior employees so as to encourage enhanced performance of the Company. There is a clear relationship between performance and remuneration and a desire to strike the correct balance between the various components making up remuneration. The Remuneration Committee consists of the independent, non-executive directors, John Thame and Ian Ferrier. Details of their experience and qualification are set out in the Directors' Report. The Remuneration Committee ensures independent review of financial reporting over and above formal audit processes. The Remuneration Committee supervises the development and implementation of the Company's remuneration policy including the operation of option plans, and reviews the performance of the executive directors and senior executives. There is no formal charter for the remuneration committee, but it does fix policy and reward in accordance with ASX Governance Principle 8. The full detail of the policy and remuneration is contained in the Remuneration Report.

The Remuneration Committee met twice during 2009. The details of attendance at these meetings are set out in the Directors' Report.

24 March 2010

The Board of Directors
Reckon Limited
35 Saunders Street
Pymont NSW 2009

RECKON LIMITED

Dear Board Members

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Reckon Limited.

As lead audit partner for the audit of the financial statements of Reckon Limited for the financial year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report to the Members of Reckon Limited

Report on the Financial Report

We have audited the accompanying financial report of Reckon Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 24 to 63.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of Reckon Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the directors' report for the year ended 31 December 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Reckon Limited for the year ended 31 December 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Michael Kaplan

Partner

Chartered Accountants

Sydney, 24 March 2010

Financial Report

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes as set out on pages 25 to 63, are in accordance with the Corporations Act 2001, and:
 - comply with Accounting Standards; and
 - give a true and fair view of the financial position as at 31 December 2009 and of the performance for the year ended on that date of the Company and the consolidated Group;
2. the Chief Executive Officer and the Chief Finance Officer have each declared that:
 - the financial records of the Company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
 - the financial statements and notes for the financial year comply with the Accounting Standards, and
 - the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the directors



Mr J Thame
Chairman

Sydney, 24 March 2010

Statement of Comprehensive Income

for the year ended 31 December 2009

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Continuing operations					
Revenue	2	85,389	60,775	46,016	44,788
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)
Profit before business acquisition restructure costs		18,988	15,123	13,662	13,177
Business acquisition restructure costs	2	(1,176)	-	-	-
Profit before income tax		17,812	15,123	13,662	13,177
Income tax expense	3	(4,210)	(3,811)	(1,413)	(2,214)
Profit for the year		13,602	11,312	12,249	10,963
Other comprehensive income					
Exchange difference on translation of foreign operations	21	(258)	(194)	-	-
Total comprehensive income for the year		13,344	11,118	12,249	10,963
Profit attributable to:					
Owners of the parent	22	13,226	11,312	12,249	10,963
Minority interest		376	-	-	-
		13,602	11,312	12,249	10,963
Total comprehensive income attributable to:					
Owners of the parent		12,968	11,118	12,249	10,963
Minority interest		376	-	-	-
		13,344	11,118	12,249	10,963
		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 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
ASSETS					
Current Assets					
Cash and cash equivalents	28	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
Total Current Assets		13,825	22,422	2,953	16,731
Non-Current Assets					
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
Total Non-Current Assets		50,497	28,591	52,803	31,678
Total Assets		64,322	51,013	55,756	48,409
LIABILITIES					
Current Liabilities					
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
Total Current Liabilities		15,407	10,544	11,081	10,018
Non-Current Liabilities					
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
Total Non-Current Liabilities		5,640	2,086	3,862	1,375
Total Liabilities		21,047	12,630	14,943	11,393
Net Assets		43,275	38,383	40,813	37,016
Equity					
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	29	374	(2)	-	-
Total Equity		43,275	38,383	40,813	37,016

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

Consolidated	Issued capital	Foreign currency translation reserve	Share-based payments reserve	Retained earnings	Attributable to owners of the parent	Minority interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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 Changes in Equity

for the year ended 31 December 2009

Parent	Issued capital	Share-based payments reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2009	17,566	958	18,492	37,016
Profit for the year	-	-	12,249	12,249
Total comprehensive income for the year	-	-	12,249	12,249
Share based payments expense	-	311	-	311
Dividends paid	-	-	(8,604)	(8,604)
Treasury shares vested/lapsed	498	(498)	-	-
Transfer to share capital	132	(132)	-	-
Treasury shares acquired	(415)	-	-	(415)
Contributions of equity, net of transaction costs	256	-	-	256
Balance at 31 December 2009	18,037	639	22,137	40,813
Balance at 1 January 2008	18,203	461	14,776	33,440
Profit for the year	-	-	10,963	10,963
Total comprehensive income for the year	-	-	10,963	10,963
Dividends paid	-	-	(7,247)	(7,247)
Share based payments expense	-	559	-	559
Transfer to share capital	62	(62)	-	-
Treasury shares acquired	(812)	-	-	(812)
Contributions of equity, net of transaction costs	113	-	-	113
Balance at 31 December 2008	17,566	958	18,492	37,016

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		Parent	
		Inflows/(Outflows)		Inflows/(Outflows)	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash Flows From Operating Activities					
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)
Net cash inflow from operating activities	28(c)	18,881	16,299	17,511	15,827
Cash Flows From Investing Activities					
Payment for purchase of business, net of cash acquired	28(b)	(18,394)	(366)	(18,165)	(366)
Payments for purchase of intellectual property		(164)	(40)	(46)	(40)
Payment for deferred acquisition costs	28(b)	-	(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)
Net cash outflow from investing activities		(26,300)	(6,858)	(25,195)	(4,527)
Cash Flows From Financing Activities					
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)
Net cash outflow from financing activities		(6,365)	(7,448)	(6,493)	(7,448)
Net Increase/(Decrease) in cash and cash equivalents		(13,784)	1,993	(14,177)	3,852
Cash and cash equivalents at the beginning of the financial year		16,134	14,141	14,889	11,037
Cash and cash equivalents at the end of the financial year	28(a)	2,350	16,134	712	14,889

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.

Notes to the Financial Statements

for the year ended 31 December 2009

(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.

Notes to the Financial Statements

for the year ended 31 December 2009

(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.

Notes to the Financial Statements

for the year ended 31 December 2009

(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.

Notes to the Financial Statements

for the year ended 31 December 2009

(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, except where otherwise indicated.

(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.

Notes to the Financial Statements

for the year ended 31 December 2009

(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.

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

Notes to the Financial Statements

for the year ended 31 December 2009

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
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Other Revenue

Other income

Interest revenue – Bank deposits

Royalty revenue

Dividend income

77	100	108	163
81	804	71	626
-	-	4,854	3,661
-	-	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

Minimum lease payments

Business acquisition restructure costs

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
1,176	-	-	-

Business acquisition restructure costs relate predominantly to surplus premises and staff redundancies.

Notes to the Financial Statements

for the year ended 31 December 2009

3. Income Tax

(a) Income tax expense

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'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)
	4,210	3,811	1,413	2,214

(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
Profit before income tax				
Income tax expense calculated at 30% of profit	5,344	4,537	4,099	3,953
Tax Effect of:				
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	46	29	(20)	19
	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)
Income tax expense attributable to profit	4,210	3,811	1,413	2,214

(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
	2,295	2,261	2,295	2,261

Notes to the Financial Statements

for the year ended 31 December 2009

4. Remuneration of Auditors

Consolidated		Parent	
2009	2008	2009	2008
\$	\$	\$	\$

(a) Deloitte Touche Tohmatsu

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

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
	256,468	288,441	206,468	259,579

(b) Other Auditors

Auditing and reviewing of financial reports
Tax compliance services

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

5. Inventories

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

Finished goods:

At lower of cost and net realisable value

	1,159	440	235	280
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Notes to the Financial Statements

for the year ended 31 December 2009

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

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
Balance at end of year	261	317	179	233

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.

Notes to the Financial Statements

for the year ended 31 December 2009

7. Other Assets

Prepayments
Other

Consolidated		Parent	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
820	740	466	401
344	115	-	-
1,164	855	466	401

8. Other Financial Assets

Security deposits
Shares in controlled entities - at cost (Note 26)

64	629	56	629
-	-	33,510	14,440
64	629	33,566	15,069

9. Property, Plant And Equipment

Leasehold Improvements

At cost
Less: Accumulated amortisation
Total leasehold improvements

2,472	2,329	1,093	1,732
858	1,119	349	835
1,614	1,210	744	897

Plant and equipment

At cost
Less: Accumulated depreciation
Total plant & equipment

5,382	5,417	2,174	4,234
3,228	4,084	1,095	3,518
2,154	1,333	1,079	716
3,768	2,543	1,823	1,613

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.

Consolidated

Carrying amount at 1 January 2009
Additions
Depreciation/amortisation expense
Balance at 31 December 2009

Leasehold Improvements	Plant and Equipment	Total
\$'000	\$'000	\$'000
1,210	1,333	2,543
829	1,741	2,570
(425)	(920)	(1,345)
1,614	2,154	3,768

Parent entity

Carrying amount at 1 January 2009
Additions
Depreciation/amortisation expense
Balance at 31 December 2009

897	716	1,613
-	762	762
(153)	(399)	(552)
744	1,079	1,823

Notes to the Financial Statements

for the year ended 31 December 2009

Consolidated

Carrying amount at 1 January 2008
 Additions
 Depreciation/amortisation expense
 Balance at 31 December 2008

Leasehold Improvements	Plant and Equipment	Total
\$'000	\$'000	\$'000
431	1,283	1,714
975	647	1,622
(196)	(597)	(793)
1,210	1,333	2,543

Parent entity

Carrying amount at 1 January 2008
 Additions
 Depreciation/amortisation expense
 Balance at 31 December 2008

47	764	811
969	298	1,267
(119)	(346)	(465)
897	716	1,613

10. Deferred Tax Asset

The balance comprises temporary differences attributable to:

Doubtful debts
 Employee benefits
 Deferred revenue
 Other provisions

Consolidated		Parent	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
22	22	-	-
319	314	-	-
65	-	-	-
180	90	-	-
586	426	-	-

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

Reconciliation:

Opening balance at 1 January
 Credited/(charged) to the income statement
 Acquisition of businesses
 Balance at 31 December

426	387	-	-
(955)	39	-	-
1,115	-	-	-
586	426	-	-

Notes to the Financial Statements

for the year ended 31 December 2009

11. Intangibles

Intellectual property – at cost

Accumulated amortisation

Development costs – at cost

Accumulated amortisation

Goodwill – at cost

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

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	-
nQueue Billback Division	2,449	-
Elite	2,536	2,536
Corporate Services	11,125	866
	28,639	14,708

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 cash flows 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.

Notes to the Financial Statements

for the year ended 31 December 2009

Consolidated movements in intangibles

	Goodwill	Intellectual Property	Development Costs	Total
	\$'000	\$'000	\$'000	\$'000
At 1 January 2009	14,708	1,132	8,248	24,088
Additions (Note 28(b))	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

	Goodwill	Intellectual Property	Development Costs	Total
	\$'000	\$'000	\$'000	\$'000
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

12. Other Assets

Prepayments – deferred acquisition costs
Prepayments - other

Consolidated		Parent	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
-	905	-	905
192	-	192	-
192	905	192	905

Notes to the Financial Statements

for the year ended 31 December 2009

13. Trade and Other Payables

Current:

Trade payables and sundry accruals (i)

Employee benefits (Note 19)

Consolidated		Parent	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
4,683	3,885	2,356	2,466
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.

14. Borrowings

Current:

Bank overdraft (i)

Unsecured loans from subsidiaries (ii)

Other borrowings

Consolidated		Parent	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
258	-	258	-
-	-	4,154	3,052
117	-	-	-
375	-	4,412	3,052

(i) During the year the consolidated entity secured bank facilities totaling \$23.0 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 \$1.0 million which is subject to annual review. The facility is secured over the Australian net assets of the Group (\$38.6 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.

2009

Bank overdraft	Bill facility	Bank guarantee facility
\$'000	\$'000	\$'000

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.

Notes to the Financial Statements

for the year ended 31 December 2009

15. Provisions

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current:				
Sales returns, volume rebates	339	190	339	190
Employee benefits (Note 19)	1,052	343	601	161
Commissions and sundry provisions	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, volume rebates	Commissions and sundry	Total
\$'000	\$'000	\$'000

2009 Consolidated

Carrying amount at the start of the year	190	275	465
Additional provisions recognised	149	233	382
Released to profit or loss	-	-	-
Carrying amount at the start of the year	339	508	847

2009 Parent

Carrying amount at the start of the year	190	-	190
Additional provisions recognised	149	-	149
Released to profit or loss	-	-	-
Carrying amount at the end of the year	339	-	339

Notes to the Financial Statements

for the year ended 31 December 2009

16. Borrowings

Borrowings

Non-current:

Bank loans (Note 14)

Other borrowings

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

Doubtful debts

Employee benefits

Sales returns and volume rebates

Deferred revenue

Difference between book and tax value of non-current assets

Other provisions

430	430	-	-
(54)	(70)	(54)	(70)
(600)	(260)	(254)	(260)
(101)	(57)	(101)	(57)
(762)	(560)	(619)	(560)
3,387	1,634	1,954	1,634
(328)	(477)	(332)	(477)
1,972	640	594	210

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

Reconciliation:

Opening balance at 1 January

Charged (credited) to profit or loss

Acquisition of businesses

Balance at 31 December

640	732	210	302
(222)	(92)	384	(92)
1,554	-	-	-
1,972	640	594	210

18. Working capital deficiency

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 cash flows.

Notes to the Financial Statements

for the year ended 31 December 2009

19. Employee Benefits

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

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

Accrued annual leave:

Current (Note 13)

Long term incentive:

Current (Note 15)

Non-current (Note 15)

Provision for long service leave:

Current (Note 15)

Non-current (Note 15)

1,339	1,033	527	570
492	119	492	119
407	176	407	176
560	224	109	42
443	429	258	256
3,241	1,981	1,793	1,163

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).

Notes to the Financial Statements

for the year ended 31 December 2009

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.

Notes to the Financial Statements

for the year ended 31 December 2009

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
								243,672	1,064,390

Number of shares that can be issued for unexercised options

20. Issued Capital

Fully Paid Ordinary Share Capital

Balance at beginning of financial year
 Transfer from share-based payments reserve for options exercised during the year
 Issue of shares
 Balance at end of financial year

	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

Less Treasury shares

Balance at beginning of financial year
 Shares purchased in prior periods
 Shares purchased in current period
 Shares lapsed
 Shares vested
 Balance at end of financial year
 Balance at end of financial year net of treasury shares

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.

Notes to the Financial Statements

for the year ended 31 December 2009

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.

22. Retained Earnings

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

Notes to the Financial Statements

for the year ended 31 December 2009

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

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

(a) Capital Expenditure Commitments

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

(b) Lease Commitments

Operating Leases

	2009	2008	2009	2008
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
	11,269	7,567	4,979	5,935

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.

Notes to the Financial Statements

for the year ended 31 December 2009

26. Subsidiaries

Name of Entity	Country of Incorporation	Ownership Interest	
		2009 %	2008 %
Parent Entity			
Reckon Limited	Australia		
Subsidiaries			
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 ¹	Australia	100	100
Advanced Professional Solutions Limited ¹	New Zealand	100	100
Advanced Professional Solutions Limited ¹	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 ¹	Australia	100	-
Billback Systems (UK) Limited ¹	United Kingdom	100	-
Billback LLC ²	United States of America	100	-
nQueue Billback LLC ²	United States of America	67	-

All shares held are ordinary shares.

¹ Professional Division subsidiaries.

² nQueue Billback Division subsidiaries.

Notes to the Financial Statements

for the year ended 31 December 2009

27. Related Party Disclosures

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
(a) Key Management Personnel Remuneration				
Short term benefits	3,923,937	3,189,551	2,039,445	1,829,135
Post-employment benefits	262,861	227,650	147,420	133,879
Share based payments	955,653	271,577	855,716	169,253
	5,142,451	3,688,778	3,042,581	2,132,267

The names of and positions held by the key management are set out in Note 27(e). Further details of the remuneration of key management are disclosed in the Directors' Report.

(b) Other Transactions with Key Management Personnel

There were no transactions with directors apart from those disclosed in this note.

(c) Transactions within the Wholly-Owned Group

During the financial year, Reckon Limited provided management, accounting and administration services, at no cost, to other entities in the wholly-owned Group.

During the financial year, Reckon Limited charged royalties on intellectual property at market rates to the Professional and nQueue Billback Divisions of \$4,854,368 (2008; \$3,660,961), and was charged interest at normal commercial rates on the inter-company loan with Advanced Professional Solutions Limited in New Zealand of \$134,954 (2008; \$93,289). The Professional Division has also provided development services to Reckon Limited at market rates and has charged fees for these services of \$6,722,251 (2008; \$4,541,519). The Professional Division and Reckon Docs Pty Limited paid dividends to Reckon Limited of \$4,951,626 (2008; \$3,311,804). Receivables/payables from entities within the wholly-owned Group include amounts arising under the Group's tax funding arrangement. These loans are interest free and repayable on demand. The Professional and nQueue Billback Division subsidiaries are as set out in Note 26.

(d) Other Related Party Transactions

Intuit Ventures Inc

Intuit Ventures Inc, a significant shareholder (11.1%) in Reckon Limited provides the rights for Reckon to market and distribute Intuit software throughout Australasia and parts of South-East Asia. In return for this, Intuit receives a royalty payment based on sales made throughout the territory. These royalties amounted to \$4,056,227 (2008; \$4,209,212) which is expensed in the month that the associated product was sold. The balance due at 31 December 2009 is \$161,238 (2008; \$150,843).

Notes to the Financial Statements

for the year ended 31 December 2009

27. Related Party Disclosures *continued*

(e) Directors' and Key Management Equity Holdings

Options and Shareholding 2009									
		Shareholding at start of 2009	Shareholding at end of 2009 ²	Options at start of 2009	Options at end of 2009 ¹	Performance shares at start of 2009	Performance shares vested in 2009	Performance shares issued 2009	Performance shares held at end of 2009
	Office								
Greg Wilkinson	Deputy Chairman, Executive Director	7,450,000	7,450,000	0	0	0	0	0	0
Clive Rabie	CEO, Executive Director	10,508,000	10,508,000	0	0	0	0	0	0
Brian Armstrong	CEO, Professional Division	748,222	768,673	0	0	221,007	72,451	80,952	229,508
Brian Coventry	MD, Professional Division United Kingdom	287,766	297,589	0	0	17,155	9,823	13,333	20,665
John Thame	Chairman, Non-Executive Director	19,000	19,000	0	0	0	0	0	0
Myron Zlotnick	General Counsel & Co Secretary	0	28,204	0	0	87,660	28,204	47,619	107,075
Ian Ferrier	Non-Executive Director	0	0	0	0	0	0	0	0
Chris Hagglund	Chief Financial Officer	0	111,130	47,500	0	156,868	63,630	72,619	165,857
Nigel Boland	GM, Development Professional Division	23,222	13,039	0	0	17,155	9,823	13,333	20,665
Paul James	GM Professional Division Australia	0	0	0	0	7,332	0	9,524	16,856
Gavin Dixon	CEO Business Division	0	67,539	0	0	124,362	67,539	80,952	137,775
Grant Linton	GM, Professional Division New Zealand	0	0	0	0	0	0	9,524	9,524
Russell Scott	GM Reckon Docs	0	0	0	0	0	0	0	0
Andrew Moon³	GM Billback	0	0	0	0	0	0	0	0
Richard Hellers⁴	President & CEO nQueue Billback Division	0	0	0	0	0	0	0	0

1 No options were issued in 2009.

2 Shareholdings at the date of the Directors' Report remain unchanged, apart from Brian Armstrong, who has sold 42,222 shares since year end, and Brian Coventry, who has sold 25,000 shares since year end.

3 Employment ended on 31 March 2009.

4 Mr Hellers was appointed President & CEO of the merged Billback USA and nQueue business effective from 1 July 2009.

Notes to the Financial Statements

for the year ended 31 December 2009

27. Related Party Disclosures *continued*

(e) Directors' and Key Management Equity Holdings

Options and Shareholding 2008									
	Office	Shareholding at start of 2008	Shareholding at end of 2008 ⁵	Options at start of 2008	Options at end of 2008 ⁴	Performance shares at start of 2008	Performance shares vested in 2008	Performance shares issued in 2008	Performance shares held at end of 2008
Greg Wilkinson	Deputy Chairman, Executive Director	7,450,000	7,450,000	0	0	0	0	0	0
Clive Rabie	Executive Director	10,508,000	10,508,000	0	0	0	0	0	0
Brian Armstrong	CEO, APS	728,000	748,222	42,222	0	162,351	46,762	58,656	221,007
Brian Coventry	MD, APS United Kingdom	287,766	287,766	40,111	0	9,823	0	7,332	17,155
John Thame	Chairman, Non-Executive Director	19,000	19,000	0	0	0	0	0	0
Myron Zlotnick	General Counsel & Co Secretary	0	0	0	0	60,642	16,873	27,018	87,660
Ian Ferrier	Non-Executive Director	0	0	0	0	0	0	0	0
Chris Hagglund³	Chief Financial Officer	0	0	47,500	47,500	105,544	21,802	51,324	156,868
Nigel Boland	GM, Development APS	23,222	23,222	0	0	9,823	0	7,332	17,155
Paul James	GM APS Australia	0	0	0	0	0	0	7,332	7,332
Gavin Dixon	CEO Quicken Australia	0	0	0	0	67,539	0	56,823	124,362
Michael Donnelly¹	MD, APS New Zealand	0	0	0	0	9,823	0	7,332	0
Grant Linton²	GM, APS New Zealand	0	0	0	0	0	0	0	0

1 Mr Donnelly resigned on 15 October 2008.

2 Mr Linton was appointed GM on 1 September 2008.

3 Options granted on: 15 December 2004; fair value per option granted: \$0.3809; options expire on 15 December 2009.
At exercise of options, an exercise price of \$0.796 is payable per share.

4 All options have vested and are exercisable. No options were issued in 2008.

5 Shareholdings at the date of the Directors' Report remain unchanged.

Notes to the Financial Statements

for the year ended 31 December 2009

28. 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)

(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)

Net debt acquired

Direct costs relating to the acquisition

Fair value of net assets of entity acquired:

Receivables

Inventories

Intellectual property – customer contracts

Intellectual property – development and software

Intellectual property – trademarks and domain names

Fixed assets

Deferred tax liabilities

Trade payables

Deferred revenue

Other current liabilities

Other non-current liabilities

Goodwill

(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.

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

2,350	16,134	712	14,889
2,350	16,134	712	14,889

18,000
228
1,045
19,273

3,437
881
4,210
1,793
150
728
(439)
(772)
(3,361)
(1,121)
(138)
5,368
13,905
19,273

Notes to the Financial Statements

for the year ended 31 December 2009

nQueue Billback

Consideration:	
Cash consideration	-
Direct costs relating to the acquisition	26
	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)
	-
Goodwill	26
	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.

nQueue Billback

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.

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

Notes to the Financial Statements

for the year ended 31 December 2009

28. Notes To The Statement of Cash Flows continued

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

(c) Reconciliation of Profit After Income Tax To Net Cash Flows From Operating Activities

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 – 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	18,881	16,299	17,511	15,827

29. Outside Equity Interests in Controlled Entities

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

Notes to the Financial Statements

for the year ended 31 December 2009

30. Dividends – ordinary shares

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

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

Franking credits available for subsequent financial years based on a tax rate of 30% (2008: 30%)

Consolidated	
2009	2008
\$'000	\$'000
4,636	3,983
3,968	3,264
8,604	7,247
1,932	2,507

31. 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.

Notes to the Financial Statements

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(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 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'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 cash flows.

(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.

Notes to the Financial Statements

for the year ended 31 December 2009

32. 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
nQueue Billback 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, Reckon Docs and Reckon Elite.
- Professional Division - development, distribution and support of practice management, tax, client accounting, cost management and related software under the APS and Billback brands.
- nQueue Billback 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		nQueue Billback Division		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Operating revenue	49,854	38,643	28,115	21,328	7,339	-	85,308	59,971
Interest revenue							81	804
Total revenue							85,389	60,775
Segment EBITDA	15,869	12,322	11,612	9,193	2,382	-	29,863	21,515
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)	-
Total segment profit before tax	13,812	11,182	6,318	5,670	1,660	-	21,790	16,852
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)
Profit for the year							13,602	11,312

Notes to the Financial Statements

for the year ended 31 December 2009

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	Assets		Liabilities		Additions to non-current assets	
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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
nQueue Billback 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

	Revenues from external customers		Non-current assets	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
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

Business and wealth management products
Accounting industry products
Legal industry products

	External sales	
	2009	2008
	\$'000	\$'000
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

Notes to the Financial Statements

for the year ended 31 December 2009

33. 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.

34. Subsequent Events

Subsequent to the end of the financial year:

Share buy-back

A share buy back of up to 10% of the Company's share capital, was announced on 9 February 2010, as part of the Company's strategy to manage its capital base.

Dividend

The Board has declared a dividend of 4 cents per share to shareholders on 9 February 2010. The dividend will be franked. The record date for the dividend is 19 February 2010. The impact on the franking account balance of unrecognised dividends is \$2,275 thousand.

Options

Nil options in the Executive Share Option Plan No. 2 have lapsed and 10,034 options have been exercised with an average exercise price of \$0.72.

35. Company information

Reckon Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

35 Saunders Street
Pyrmont Sydney
NSW 2009

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the Directors' Report, which is not part of this financial report.

The Financial Report was authorised for issue by the directors on 24 March 2010.

Additional Information

as at 2 March 2010

Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholder

	Number	Percentage
Intuit Ventures Inc	14,828,304	11.12
National Nominees Limited	14,405,727	10.80
JP Morgan Nominees Australia Limited	12,849,579	9.64
HSBC Custody Nominees (Australia) Limited	9,712,580	7.28
Gregory John Wilkinson	6,300,000	4.73
RBC Dexia Investor Services Australia Nominees Pty Ltd	5,082,273	3.81
Australian Executor Trustees NSW Ltd	5,031,301	3.77
DJZ Investments Pty Limited	4,750,000	3.56
Mr Clive Rabie and Mrs Kerry Rose Rabie	3,764,071	2.82
Citicorp Nominees Pty Limited	3,417,596	2.56
UBS Nominees Pty Limited	3,211,718	2.41
Mr Stephen James Rickwood	2,751,062	2.06
Cogent Nominees Pty Limited	2,730,461	2.05
Mr Clive Alan Rabie	1,993,929	1.50
Rawform Pty Ltd	1,150,000	0.86
ANZ Nominees Limited	1,149,239	0.86
Mr Philip Ross Hayman	1,000,000	0.75
Queensland Investment Corporation	1,000,000	0.75
Citicorp Nominees Pty Limited	941,204	0.71
Reckon Australia Pty Ltd (as trustee for the Reckon Limited Performance Share Plan Trust)	713,252	0.53
	96,782,296	72.57

Number of Holders of Equity Securities

Equity securities include shares, units, options over issued or unissued securities, rights to any one of the former securities and convertible securities.

Ordinary Share Capital

133,327,589 fully paid ordinary shares are held by 4,202 individual shareholders as at 2 March 2010.

All issued ordinary shares carry one vote per share.

Options

243,672 options were held by 28 individual option holders as at 31 December 2009. These options do not carry a right to vote and are not listed on the ASX.

Since 31 December 2009, NIL options have lapsed.

Additional Information

as at 2 March 2010

Distribution of Holders of Equity Securities

As at 2 March 2010

Number of Ordinary Shares	Number of Shareholders	Number of Option Holders
1 – 1,000	993	0
1,001 – 5,000	1,976	5
5,001 – 10,000	652	15
10,001 – 100,000	585	8
100,001 and over	56	0
Total	4,202	28

Substantial Shareholders

As at 2 March 2010

	Ordinary Shares (Number)	Ordinary Shares (Percentage)
Intuit Ventures Inc	14,828,304	11.12
National Nominees Limited	14,405,727	10.80
JP Morgan Nominees Australia Limited	12,849,579	9.64
Mr Clive Rabie and Mrs Kerry Rose Rabie	10,508,000	7.88
HSBC Custody Nominees (Australia) Limited	9,712,580	7.60
Gregory John Wilkinson	7,450,000	5.59

Principal Registered Office

Ground Floor, 35 Saunders Street
Pyrmont NSW 2009
Tel: (02) 9577 5000

Share Registry

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000
Tel: (02) 8234 5000

Auditors

Deloitte Touche Tohmatsu
225 George Street
Sydney NSW 2000

Principal Administration Office

Ground Floor, 35 Saunders Street
Pyrmont NSW 2009
Tel: (02) 9577 5000

Stock Exchange Listings

Reckon Limited's ordinary shares are listed on the Australian Stock Exchange Limited under the symbol 'RKN'.

Company Secretary

Mr Myron Zlotnick

Annual General Meeting

The Annual General Meeting for Reckon Limited will be held on Tuesday 25 May 2010 at 10:00am at 35 Saunders Street, Pyrmont NSW. If you are unable to attend, you are invited to complete the Proxy Form included with your Notice of Meeting. The completed Proxy Form must be received no later than 48 hours before the Annual General Meeting.

Important Information – Corporate Notices

Securityholders will be aware that recent legislative changes have had an impact on the options to receive statutory corporate notices and reports. In the interest of cost saving and the environment (every little bit helps), we encourage you to opt in to receive all notices and reports electronically.

Please go to: www.computershare.com.au and follow the prompts to register your opting in to receive ALL NOTICE AND REPORTS IN ELECTRONIC FORMAT.

To register to be notified by email when the Annual Report and other Announcements are available online:

- Visit the share registry at www.computershare.com
- Click on 'Securityholders'
- Click on 'Elect to receive eCommunications from your companies'
- Type 'RKN' in the Company Code field
- You will need to enter your personal security information: Holder Identification Number (HIN) or Securityholder Reference Number (SRN); family or company name, postcode or country (if outside Australia); and click 'Submit'
- After you have entered your email address and selected the publications you wish to receive, a confirmation email will be sent to you

Should you have any further enquiries, contact the Registry on 1300 855 080 or +61 3 9415 4000 (if outside Australia).

For web enquiries, please send an email to web.queries@computershare.com.au.

Alternatively, email your full name and address of the securityholder to shareholders@reckon.com.au to receive the Annual Report, corporate and statutory notices electronically.

