Reckon

Appendix 4E

Preliminary Final Report

Financial Year Ended – 31 December 2013

11 February 2014

Results for Announcement to the Market

Trading Results

	2013 Result	2012 Result	% Change	Amount Change
Revenue	$98.1million	$96.8 million	1% increase	$1.3 million
Group EBITDA	$35.3 million	$34.0 million	4% increase	$1.3 million
Group NPAT	$18.2 million	$17.8 million	2% increase	$0.4million
EPS	13.9 cents per share	13.4 cents per share	4% increase	0.5 cents per share

Dividends

The Board has declared a final dividend of 4.75 cents per share (2012: final dividend of 4.75 cents per share). The dividend will be franked to 90%.

The final dividend will be paid to shareholders recorded on the Company's Register as at record date of 21 February 2014 (see following announcement).

Net tangible assets

The net tangible assets per security as at 31 December 2013 is negative 23.5 cents per share (2012: negative 18.3 cents per share).

Acquisitions and disposals

The company acquired Business Driven Systems (Australia) Pty Ltd, which includes the intellectual property for the SyncDirect technology, for $1.75 million effective 1 October 2013. SyncDirect allows the transfer of data from a multitude of accounting systems (including cloud products) to enable accountants to seamlessly access client data via their practice management solution.

The investment in Connect2Field Holdings Pty Ltd was sold during the year, contributing $1.4m to EBITDA for the year.

Share Buy Back

On 10 February 2014 the board of directors resolved to keep in place an on-market share buy-back of not more than 10% of the shares in the company. During the year 2.6 million shares were purchased at an average price of $2.15 per share.

Audit

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

Commentary

Business Division

- Despite replacing the brand under which these products have traded for more than 20 years, Reckon Accounts direct unit sales grew by 4%. The revenue growth was hampered by modest price increases in 2013 due to the rebranding exercise, as well as the ongoing move towards a subscription model.
- The retail channel continued to decline, although retail now only represents 3% of Business Division revenue.
- Reckon One, has been launched, but does not begin generating revenue until 2014. Substantial costs have been incurred and expensed in 2013 in pre launch marketing and infrastructure set up costs.
- ReckonDocs revenue grew by 5%.
- The changing nature of the business means that more development costs were capitalised in 2013 than in 2012.
- Overheads were higher due to the Reckon One investment noted above, as well as marketing costs on the rebranding exercise and building our IT Infrastructure to support an online business.

Professional Division

- Revenue growth for the APS Australia and New Zealand businesses was 2%. The transition towards a subscription model has seen the recurring revenue component increase by 11%, offsetting a 21% reduction in upfront revenue.
- Albeit that there is a short term impact on revenue, the move towards a subscription model, will put this division in a much more sustainable position in future.
- It is also expected to reduce the purchasing barriers for potential customers, as they will no longer be required to make a substantial investment upfront to implement APS in future.
- The United Kingdom business was sold in 2012, and has generated a royalty stream of $0.5m in 2013.

Virtual Cabinet Division

- This division was acquired effective 1 July 2012, and so was only included in the consolidated results for the second half of 2012. The results in the second half of 2013 compared to comparative period in 2012, has shown revenue growth of 34% and EBITDA growth of 113%.

nQueue Billback Division

- The nQueueBillback division finished the year with the strongest 4th quarter in its history, offsetting some of the impact of a weak first half of 2013.
- The development team has focussed on developing a scan solution for the legal market to complement the existing cost recovery offering; this product is market ready and early indications are promising.

Clive Rabie
Director, Group CEO
11 February 2014