



13 June 2014

Dear Shareholders

On behalf of the Board of Reckon Limited (“the Company”), I am pleased to invite you to attend a Special General Meeting of the Company’s shareholders on 22 July 2014 at 10:00am at Level 12, 65 Berry Street, North Sydney.

The Special General Meeting will be convened to consider a special resolution to approve a selective share buy-back by the Company of 14,828,304 shares currently owned by Intuit Inc (“Intuit”) at a price of \$1.85 per share, for total consideration of \$27.4 million. The Company will fund the selective buy-back from debt facilities.

Enclosed are the Notice of Meeting, Explanatory Memorandum, an Independent Expert’s Report, proxy form, and voting instructions for the Special General Meeting.

**The Independent Expert has concluded, in its opinion, that the proposed selective share buy-back is fair and reasonable to non-Intuit Inc shareholders.**

The Board unanimously recommends shareholders vote in favour of the proposal, as it is expected to deliver earnings per share accretion, remove an overhang and also remove a competitor from the share register.

For further details on the proposed resolution please refer to the Notice of Meeting and Explanatory Memorandum.

Yours sincerely

A handwritten signature in black ink, appearing to be 'John Thame', written over a horizontal line.

John Thame  
Chairman

# NOTICE OF SPECIAL GENERAL MEETING OF RECKON LIMITED

## ABN 14 003 348 730

Notice is hereby given that a Special General Meeting of Reckon Limited (the Company) will be held on 22 July 2014 at Level 12, 65 Berry Street, North Sydney, NSW, 2060 at 10:00am.

## 1. Business

### 1.1. Selective share buy-back

#### Resolution 1

To consider and, if thought fit, to pass the following as a special resolution:

“That, in accordance with section 257D of the Corporations Act and ASX Listing Rule 10.1 and for all other purposes, approval is given for:

- (a) the terms of the buy-back agreement entered into on 12 June 2014 between the Company and Intuit Inc and details of which are set out in the Explanatory Memorandum accompanying this Notice of Special General Meeting;

and

- (b) the Company to conduct a selective share buy-back of 14,828,304 fully paid ordinary shares from Intuit Inc upon the terms of, and subject to, the conditions set out in the selective buy-back agreement.”

### 1.2. Independent Expert’s Report

**Grant Thornton Corporate Finance Pty Limited has prepared an Independent Expert’s Report on the proposed transaction and has concluded that, in its opinion, the proposed transaction is fair and reasonable to all shareholders entitled to vote on the resolution.**

A copy of the Independent Expert’s Report is available on the Company’s website at <http://www.reckon.com.au/aboutus/ASXAnnouncements.aspx> and is also available to shareholders in hard copy, at no cost, on request.

### 1.3. Voting restrictions

The Company is required under the Corporations Act and the ASX Listing Rules to disregard any votes cast on the proposed resolution by or on behalf of Intuit Inc and any associate of Intuit Inc. The Company is required under the ASX Listing Rules to notify shareholders of this voting exclusion.

In accordance with the ASX Listing Rules, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Chairman of the meeting intends to vote undirected proxies in favour of the selective share buy-back.

## **2. Voting Notes**

### **2.1. Voting Entitlement**

The Board has determined in accordance with the Company's Constitution, regulation 7.11.37 of the Corporations Regulations 2001 (Cth) and ASX Settlement Operating Rule 5.6.1 that a person's entitlement to vote at the Special General Meeting will be taken to be the entitlement for that person as set out in the Register of Members at 7:00pm (Sydney time) on 20 July 2014. Transactions registered after that time will, accordingly, be disregarded in determining which shareholders are entitled to attend and vote at the meeting.

### **2.2. Voting Restrictions**

The special resolution is subject to applicable voting restrictions as set out in the Notice of Meeting under the heading "Voting Restrictions".

Important information is set out below in relation to undirected proxies that you should read before completing your proxy form.

### **2.3. Methods of Voting**

Ordinary shareholders can vote in the following ways:

- By attending the meeting and voting either in person or, by attorney or, in the case of corporate shareholders, by corporate representative.
- By appointing a proxy to vote on their behalf using the proxy form enclosed with this Notice or online at Computershare's website: [www.investorvote.com.au](http://www.investorvote.com.au).

### **2.4. Attending the Meeting**

If you attend the meeting, please bring your personalised proxy form with you. The bar code at the top of the form will help you to register. If you do not bring your form with you, you will still be able to attend the meeting but representatives from Computershare will need to verify your identity. You will be able to register from 9:30am on the day of the meeting.

## 2.5. Corporate Shareholders

Corporate shareholders who wish to appoint a representative to attend the meeting on their behalf must provide that person with a properly executed letter or other document confirming that they are authorised to act as the company's representative.

The authorisation may be effective either for this meeting only or for all meetings of the Company. Shareholders can download and fill out the "Appointment of Corporate Representative" form from the Computershare website: [www.investorcentre.com](http://www.investorcentre.com).

The form is available by clicking on the "Downloadable Forms" tab on the information menu.

## 2.6. Voting by Proxy

If you are entitled to attend and vote at the meeting, you can appoint a proxy to attend and vote on your behalf.

A proxy need not be a shareholder of the Company and may be an individual or a body corporate.

A personalised proxy form is included with this Notice.

If you are entitled to cast two or more votes, you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If you do not specify a proportion or number, each proxy may exercise half of the votes. If you require a second proxy form, please contact Computershare Investor Services Pty Limited on 1300 855 080 (within Australia) or +61 3 9415 4000 (outside Australia).

If you appoint a proxy, the Company encourages you to direct your proxy on how to vote by marking the appropriate box on the proxy form.

## 2.7. Lodging Your Proxy Form

You can lodge your completed proxy form by:

- Mailing it to Computershare using the reply paid envelope.
- Posting it to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria, 3001 Australia.
- Lodging it online at Computershare's website: [www.investorvote.com.au](http://www.investorvote.com.au) and logging in using the control number found on the front of your accompanying proxy form:

(Note: you will be taken to have signed your proxy form if you lodge it in accordance with the instructions on the website).

- Faxing it to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

- Intermediary Online subscribers (Institutions / Custodians) may lodge their proxy instruction online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com).

Your completed Special General Meeting proxy form (and any necessary supporting documentation) must be lodged online or received by Computershare no later than 10:00am (Sydney time) on 20 July 2014, being 48 hours before the commencement of the Special General Meeting.

If the proxy form is signed by an attorney, the original power of attorney under which the proxy form was signed (or a certified copy) must also be received by Computershare by 10:00am (Sydney time) on 20 July 2014 unless it has been previously provided to Computershare.

If you appoint a proxy, you may still attend the meeting. However, your proxy's rights to speak and vote are suspended while you are present. Accordingly, you will be asked to revoke your proxy if you register at the meeting.

## **2.8. Undirected and Directed Proxies**

Where permitted to do so, the Chairman of the meeting will vote all available proxies on, and in favour of, the motion.

If you appoint a proxy, the Company encourages you to clearly instruct your proxy how to vote by marking the appropriate box on the proxy form.

## **2.9. Questions from Shareholders**

Shareholders will have the opportunity to ask questions regarding resolution 1.

## **2.10. Results of the Meeting**

Voting results will be announced on the Australian Securities Exchange (ASX) as soon as practicable after the meeting and also made available on the Company's website: <http://www.reckon.com.au/aboutus/ASXAnnouncements.aspx>

## **2.11. Board Recommendation**

The Board unanimously recommends that shareholders vote in favour of the selective buy-back.

The Chairman of the meeting intends to vote all available proxies in favour of the selective buy-back.

**By order of the Board.**



\_\_\_\_\_  
John Thame  
Chairman, Independent Non-Executive Director  
13 June 2014

# Explanatory Memorandum

## Important Dates

Date to determine entitlement to vote	7:00pm (Sydney time) on 20 July 2014
Closing date for lodgement of proxy forms	10:00am (Sydney time) on 20 July 2014
Special General Meeting	10:00am (Sydney time) on 22 July 2014
Expected payment of selective share buy-back funds to Intuit Inc and cancellation of shares (assuming approved)	25 July 2014

### 1. OVERVIEW

#### 1.1. Background to the selective share buy-back

Under the terms of a licensing agreement between Intuit Inc and Reckon Limited (“the Company”), the Company was permitted to localise, manufacture, sell and support desktop and hosted versions of small business accounting and personal finance software products in Australia and New Zealand using the Intuit owned QuickBooks and Quicken brands.

On 10 February 2014 the Company’s licensing agreement with Intuit Inc was formally terminated.

This termination came about as a consequence of protracted talks between the Company and Intuit Inc on how best to accommodate the parties’ respective strategies to move small business accounting and personal finance software from the desktop into the cloud environment.

As a result of the termination of the licensing agreement the Company has been granted a 100 year royalty free licence to the latest version of the source code for the desktop and hosted versions of QuickBooks and Quicken products, provided it does not use the brand names owned by Intuit Inc.

In parallel with the gradual parting of the ways from Intuit, the Company’s business had also diversified from its traditional business in the small business accounting and personal finance software market to include practice management solutions for professional accounting firms; as well as company registration and secretarial software services; expense management, cost recovery and scan solutions; and document management solutions.

The company is thus well positioned to enjoy business as usual in the desktop and hosted market for the small business accounting and personal finance software, but is also free to pursue its ambitions to develop, sell and support these solutions in the cloud environment, including internationally. The Company also remains positioned to pursue revenue streams in its other product markets.

Intuit Inc, similarly is free to sell its own cloud solutions (not desktop presently) in the Company's markets.

Intuit Inc is the beneficial owner of 14,828,304 shares in the Company (recorded on the share register as shares held by Intuit Ventures Inc).

This is effectively an overhang of shares held by a competitor.

This anomaly prompted the Board of the Company to approach Intuit Inc to discuss how best to deal with this overhang. The outcome of this approach was an agreement entered into between the Company and Intuit Inc to buy back the shares, conditional upon approval by shareholders of the Company.

The price agreed between Intuit Inc and the Company was a negotiated outcome and is not indicative of the Company's estimation of the fair market value of the shares.

As a result of the selective buy-back the earnings per share is expected to increase by approximately 7.59% from \$0.1403 per share to \$0.1510 per share, based upon results as at 31 December 2013.

Accordingly shareholders not associated with Intuit Inc, are now invited to approve the selective buy-back of the shares owned by Intuit Inc.

## **1.2. Summary of the share buy-back agreement with Intuit Inc**

The Company and Intuit Inc entered into a selective buy-back agreement on 12 June 2014 under which the Company has agreed to buy back 14,828,304 shares (approximately an 11.45% stake in the Company) at the selective share buy-back price of \$1.85 per share for a total of \$27,432,362.40, subject to shareholder approval of the selective share buy-back in accordance with section 257D of the Corporations Act and ASX Listing Rule 10.1.

In conjunction with the proposed share buy-back, the Company now suspends its on-market buy-back.

The Directors consider that the selective share buy-back is in the best interests of the Company and those shareholders entitled to vote on the proposed resolution at the Special General Meeting.

## **1.3. Process for the selective share buy-back**

If shareholder approval is given for the selective share buy-back:

- total funds of \$27,432,362.40 will be drawn down from debt facilities and will be paid to Intuit Inc; and
- the shares bought back from Intuit Inc will be cancelled pursuant to section 257H of the Corporations Act. This will reduce the total shares on issue from 126,913,066 to 112,084,762.

#### **1.4. Benefits of the selective share buy-back**

The Directors consider that the selective share buy-back is in the best interests of the Company as a whole and is fair and reasonable to shareholders.

As set out in the *Summary of Opinion* section of the covering letter to the Independent Expert Report, the increase in earnings per share ("EPS"), the removal of a potential overhang, and the removal of a competitor from the register are considered advantages to doing the selective buy-back and in the opinion of the Directors, in the best interests of the Company as a whole.

For the same reasons, the selective buy-back also presents a better alternative to an on market buy-back.

Specifically, the EPS is expected to increase as set out below in paragraph 2.1.

The Independent Expert also concludes that the price to be paid by the Company to Intuit Inc is fair and reasonable to non-associated shareholders.

#### **1.5. Possible disadvantages of the selective share buy-back**

As set out in the *Summary of Opinion* section of the covering letter to the Independent Expert Report, the Independent Expert notes that as a consequence of the selective buy-back, the pro forma book value per share as at 31 December 2013 will decrease and the net debt position of the Company will increase.

However, the Independent Expert concludes that the book value per share is not a central measure of value for the Company and is unlikely to have a substantial impact on the Company or its creditors.

The Independent Expert also notes that the increased indebtedness will not impact the Company's ability to fund its growth plans or repay its liabilities as and when they fall due.

#### **1.6. What happens if the selective share buy-back does not proceed**

If the selective share buy-back is not approved by shareholders, the shares owned by Intuit Inc will not be cancelled and Intuit Inc will retain an 11.45% stake in the Company.

#### **1.7. Approvals required**

In order for the selective share buy-back proposal to proceed, shareholders eligible to vote must approve the proposed resolution by a 75% majority of votes cast.

The Company is required under the Corporations Act and the ASX Listing Rules to disregard any votes cast on the proposed resolution by or on behalf of Intuit Inc. The Company is required under the ASX Listing Rules to notify shareholders of this voting exclusion.

## 1.8. Independent Expert's Report

As required by the ASX Listing Rules and as recommended in ASIC Regulatory Guide 110, the Company has appointed Grant Thornton Corporate Finance Pty Limited ("Grant Thornton") to prepare an independent expert's report to consider whether the selective share buy-back is fair and reasonable to non-Intuit Inc shareholders. **Grant Thornton has concluded that, in its opinion, the selective share buy-back is fair and reasonable to those shareholders. The independent expert's report is enclosed with the Notice of Special General Meeting.**

Grant Thornton has given, and has not withdrawn, its consent to the inclusion of its report in the Notice of Special General Meeting in the form and the context in which it appears.

## 1.9. Directors' Recommendation

The Company's Directors consider that the selective share buy-back is in the best interests of shareholders. The Board unanimously recommends that you vote in favour of the resolution to approve the selective share buy-back.

## 2. FINANCIAL EFFECT OF THE SELECTIVE SHARE BUY BACK ON THE COMPANY

### 2.1. Expected improvement in EPS

As set out in the *Summary of Opinion* section of the covering letter to the Independent Expert Report, as a result of the selective buy-back and cancellation of the Intuit Inc shares, the EPS is expected to increase as set out below.

	Before the selective buy-back		Pro forma after the selective buy-back
Underlying net profit after tax (A\$'000)	\$17,812	Net profit after tax (net of increased borrowing costs) (A\$'000)	\$16,925
Number of shares outstanding ('000)	126,913	Number of shares outstanding ('000)	112,085
EPS	\$0.1403 per share	EPS	\$0.1510 per share
Change in EPS	\$0.0107 per share, up 7.59%		

## **2.2. Gearing and leverage and debt impact**

As a consequence of the selective buy-back the gross debt of the Company will increase from \$17.5 million to \$45.0 million having regard to the balance sheet as at 31 December 2013.

The leverage ratio and the gearing ratio of the Company will be 1.27 times and 16.6% respectively, based on gross debt. These are ratios which the independent expert deems to be conservative.

This debt level will not have a material impact on the growth plans of the Company or its ability to pay liabilities as and when they fall due, in the opinion of the Directors.

The interest payable will increase from \$0.7 million to \$2.0 million having regard to the profit and loss as at 31 December 2013. The interest cover ratio will be approximately 12.47 times.

## **2.3. Impact on control**

The selective buy-back transaction is not a change of control transaction. The selective buy-back and cancellation of the Intuit Inc shares will not trigger any of the non-associated shareholders to acquire a controlling interest in the Company.

## **2.4. Material financial impact**

Apart from the increase in debt levels set out in 2.2, the Company does not expect the selective buy-back to have a material impact on the financial position of the Company.

For further detail of the Pro forma statement of financial position of the Company refer to section 5.1 of the Independent Expert Report.

In the opinion of the Directors, available debt facilities, cash on hand and anticipated cash flow from operations will be sufficient to fund the Company's growth plans and repay its liabilities as and when they fall due.

## **3. SOURCE OF FUNDING FOR THE SELECTIVE SHARE BUY BACK**

### **3.1. Debt financing for the Selective Share Buy-back**

Debt funding for the selective share buy-back is expected to be drawn from a \$53.9 million debt facility with National Australia Bank. As at 31 December 2013, the Company's debt facility was drawn to approximately \$19.2 million.

## **4. SUMMARY OF THE BUY BACK AGREEMENT**

### **4.1. Shares and consideration**

Under the buy-back agreement, the Company has agreed to buy back 14,828,304 shares subject to non-Intuit Inc shareholder approval. The shares will be bought back at the selective buy-back price of \$1.85 per share for a total consideration of \$27,432,362.40.

At the date of the Notice of Special General Meeting, the shares proposed to be bought back represent approximately 11.45% of the Company's issued capital.

The total consideration will be paid by the Company in cash upon completion of the selective share buy-back. This is expected to take place 2 business days after the Special General Meeting.

In addition, under the terms of the buy-back agreement Intuit Inc has waived its rights to any dividends paid after the date of the agreement unless the agreement is terminated before the buy-back is completed for any reason other than a default by Intuit.

### **4.2. Conditions precedent**

Completion of the buy-back agreement remains subject to the selective share buy-back being approved by a special resolution of the shareholders of the Company (other than Intuit Inc and its associates) as required under the Corporations Act and the ASX Listing Rules.

If the conditions precedent are satisfied, completion of the selective share buy-back is expected to occur on or around 25 July 2014.

If the conditions precedent are not satisfied by 31 August 2014, the buy-back agreement may be terminated.

### **4.3. Effect of the buy-back agreement**

Pursuant to section 257H of the Corporations Act:

- all rights attaching to shares subject to the buy-back agreement will be suspended upon the buy-back agreement coming into effect (which will occur if and when shareholder approval is given). This means that in respect of those shares, Intuit Inc will be unable to vote or receive any dividends that were declared after that time;
- the Company is prohibited from disposing of the shares once they are bought back; and
- immediately after the registration of the transfer of the shares to the Company, those shares will be cancelled.

#### 4.4. Inspection of the buy-back agreement

A copy of the selective buy-back agreement is available for inspection by shareholders at the registered office of the Company.

#### 4.5. Proposed timetable

The indicative timetable for the selective share buy-back is:

Date of Special General Meeting	10:00am (Sydney time) on 22 July 2014
Expected completion of Selective Share Buy-back	25 July 2014

### 5. OTHER LEGAL AND COMPLIANCE MATTERS

#### 5.1. Financial Statements

The Company's audited financial statements are available to any shareholder at the Company's website, <http://www.reckon.com.au/aboutus/AnnualReports.aspx>.

#### 5.2. Legislative requirements

The buy-back is a selective share buy-back. Under section 257A of the Corporations Act, the Company may only buy back its own shares if:

- the buy-back does not materially prejudice the Company's ability to pay its creditors; and
- the Company follows the procedures set out in the Corporations Act.

Section 257D of the Corporations Act requires that the terms of the buy-back agreement be approved by a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person whose shares are proposed to be bought back or by their associates.

Accordingly, the proposed resolution is a special resolution and neither Intuit Inc nor any of its associates are permitted to vote on the proposed resolution.

As Intuit Inc is a substantial shareholder of the Company, approval by shareholders under Listing Rule 10.1 is also required. The Directors consider that the proposed selective share buy-back will not materially prejudice the Company's ability to pay its creditors.

### 5.3. Share price information

The Company's closing share price on 12 June 2014, being the last trading day immediately prior to the Company's lodging the Notice of Special General Meeting was \$2.15.

The volume weighted average price (VWAP) in the one month period immediately prior to the announcement of the selective buy back on 12 June 2014 was approximately \$2.07.

Key share price trading data at various dates is set out below.

#### RKN Share trading data (\$ per share)

<b>Period, prior to 11 June 2014</b>	<b>Low</b>	<b>High</b>	<b>VWAP</b>
1 month prior to announcement of selective buy-back	\$2.00	\$2.17	\$2.07
5 days prior to announcement of selective buy-back	\$2.08	\$2.17	\$2.13

### 5.4. Other information

There is no other information known to the Company that is material to the decision as to how to vote on the proposed resolution that has not previously been disclosed to shareholders. No Director or associate of a Director is participating in the selective share buy-back.



Grant Thornton

An instinct for growth™

# Reckon Limited

Independent Expert's Report and Financial Services Guide

11 June 2014



**Grant Thornton**

An instinct for growth™

The Independent Directors  
Reckon Limited  
Level 12  
65 Berry Street  
North Sydney NSW 2000

11 June 2014

Dear Directors

## **Independent Expert's Report and Financial Services Guide**

### **Introduction**

Reckon Limited ("RKN" or "the Company") is a leading provider of accounting and practice management software solutions for small to large enterprises predominately based in Australia and New Zealand but with growing operations in the UK and the US. RKN is listed on the Australian Securities Exchange ("ASX") and had a market capitalisation of approximately A\$271 million as at 6 June 2014.

In 1993, RKN entered a licencing agreement with Intuit Inc. ("Intuit") for the localisation, republishing and distribution of QuickBooks and Quicken Desktop software in Australia and New Zealand.

In 2001, Intuit Ventures Inc., a wholly owned subsidiary of Intuit, purchased a minority interest in RKN to further align the interests of the parties. As at the date of this report, Intuit holds an 11.7% interest ("Intuit Interest") in the issued capital of RKN (i.e. 14,828,304 Shares in RKN).

RKN announced in 2012 that it had entered into a notice period with Intuit, at the end of which, on 10 February 2014, the licencing agreement with Intuit was terminated. As a result of the termination of the licencing agreement and willingness of Intuit to realise its investment in RKN, the Company and Intuit will enter into an agreement ("Selective Buyback Agreement") to undertake a buyback of the Intuit Interest.

Under the terms of the Selective Buyback Agreement, RKN will purchase and Intuit will sell the Intuit Interest ("Proposed Buyback"), at a fixed price of \$1.85 per share ("Buyback Price"), which represents a 13.0% discount to the 5 day volume weighted average price ("VWAP") of RKN of \$2.13 as at 6 June 2014.

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If the Proposed Buyback is completed:

- Total funds of approximately \$27.5 million will be drawn down from debt facilities to finance the Proposed Buyback, including any associated transaction costs; and,
- The shares bought back from Intuit will be cancelled, reducing the total number of outstanding shares in RKN from 126,913,066 to 112,084,762.

### Scope of the report

The Directors of RKN have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the Proposed Buyback is fair and reasonable to the shareholders of the Company not associated with Intuit ("Non-Associated Shareholders") for the purposes of satisfy the requirements under Chapter 2J of the Corporations Act and Chapter 10 of the ASX Listing Rules.

### Summary of opinion

**Grant Thornton Corporate Finance has concluded that the Proposed Buyback is FAIR AND REASONABLE to the Non-Associated Shareholders.**

### *Fairness assessment*

In considering whether the Proposed Buyback is fair to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared the Buyback Price of \$1.85 per share with the fair market value per RKN share on a minority basis before the Proposed Buyback. As discussed in Section 2, we do not consider the Proposed Buyback a change of control transaction.

The following table summarises our fairness assessment:

	Low	Mid-point	High
Fairness assessment	\$	\$	\$
Buyback Price per share	1.85	1.85	1.85
Fair market value of RKN Shares on a minority basis	2.05	2.10	2.15
Premium/(Discount)	(0.20)	(0.25)	(0.30)
Premium/(Discount) %	(10%)	(12%)	(14%)

*Source: GTCF Calculations*

The Buyback Price per share is below the fair market value per RKN Shares on a minority basis before the Proposed Buyback. Accordingly, the financial benefit to be provided to Intuit is less than the consideration payable.

Based on the above, we have concluded that the Proposed Buyback is **FAIR** to the Non-Associated Shareholders.

Our assessment of the fair market value per RKN Share on a minority basis before the Proposed Buyback is based on our assessment of the quoted price of listed securities as outlined in Section 7 of this Report.

We note that our valuation assessment of the fair market value of RKN Shares is based on the trading prices on the ASX up to 6 June 2014. Given the Buyback Price is fixed at A\$1.85, should the trading prices of RKN reduce materially between the date the IER is dispatched to the Non-Associated Shareholders and the date of the Non-Associated Shareholders' meeting, we will consider the requirement to issue a supplementary IER in accordance with ASIC RG111.

However, we note that based on the current trading prices, the Buyback Price is at a substantial discount to RKN Shares trading prices.

### ***Reasonableness assessment***

ASIC RG111 establishes that an offer is reasonable if it is fair. Given that our assessment of the Proposed Buyback is fair it is also reasonable. However, we have also considered the following advantages, disadvantages and other factors.

### **Advantages**

#### *Increased earnings per share ("EPS")*

As a result of the Proposed Buyback and cancellation of the Intuit Interest, the EPS is expected to increase as set out below.

Pro forma change in EPS		FY13 Audited
<b>Before the Proposed Buyback</b>		
Underlying net profit after tax	A\$('000)	17,812
Number of shares outstanding	('000)	126,913
EPS	\$/share	0.1403
<b>Pro forma after the Proposed Buyback</b>		
Net profit after tax <sup>1</sup>	A\$('000)	16,925
Number of shares outstanding	('000)	112,085
EPS	\$/share	0.1510
<b>Change in EPS</b>	<b>\$/share</b>	<b>0.0107</b>
	<b>%</b>	<b>+7.59%</b>

<sup>1</sup>Net of increased borrowing costs

Source: *Computershare, Capital IQ and GTCF calculations*

As a result of the Proposed Buyback, RKN will effectively swap shareholders' equity (i.e. the Intuit Interest to be bought back) with external debt. The change in EPS is driven by the differential between the cost of equity funding and the cost of debt. We note that the cost of equity funding for a company such as RKN typically ranges between 12% and 15% whilst the cost of debt is expected to be materially lower. We note that in the annual report for the year ending 31 December 2013, RKN weighted average cost of debt was 4.6%.

#### *Removal of a key competitor from the share register of the Company*

As a result of the Proposed Buyback, Intuit will no longer have any ownership and voting interest in RKN. This is beneficial to the Non-associated Shareholders given that as a result of the termination

of the licencing agreement, Intuit can potentially become one of the key competitors of the Company in certain revenue segments.

*Removal of potential overhang*

Given the termination of the licencing agreement was announced in 2012 and it was effective from 10 February 2014, the investors may have an expectation that Intuit may seek to sell its interest in the market, creating an overhang<sup>1</sup>. The Proposed Buyback will allow the removal of this potential overhang in relation to the Intuit Interest in an orderly manner without adverse consequence for the trading price.

**Disadvantages**

*Reduction in net assets ("book value")*

If the Proposed Buyback is completed, as a result of the increased debt to purchase back Intuit Interest, the pro forma book value per share as at 31 December 2013 will decrease from \$0.38 to \$0.18. However, given RKN's competitive advantages are mainly intangible assets related and intangible assets are amortised over time creating a potential discrepancy between market value and book value, the book value per share is not a central measure of value for the Company and the above reduction in the book value per share is unlikely to have a substantial impact on RKN or its creditors.

*Increased borrowing*

If the Proposed Buyback is completed, we note the following:

- The gross debt of the Company will increase from \$17.5 million to \$45.0 million having regard to the balance sheet as at 31 December 2013. However, we note that the leverage ratio<sup>2</sup> and the gearing ratio<sup>3</sup> of the Company will still be a conservative 1.27 times and 16.6% respectively.
- The interest payable will increase from \$0.7 million to \$2.0 million<sup>4</sup> having regard to the profit and loss as at 31 December 2013. However the interest cover ratio<sup>5</sup> will still be approximately 12.47 times.

In relation to the above, we also note the following:

- Management of RKN believe that Proposed Buyback will not impact RKN's ability to fund its growth plans or repay its liabilities as and when they fall due.
- Based on the pro forma balance of borrowings as at 31 December 2013, RKN will have a total of \$6.0 million in unused debt facilities.

---

<sup>1</sup> When the market expects the sale of a large parcel of shares from significant shareholder/s, there will be downward pressure on the market price of the shares (an 'overhang') to reflect; 1) A relative reduction in the depth of the market for existing free float shares if the parcel of shares to be sold is from a non-free float source. 2) A lack of liquidity in the stock for non-associated shareholders whilst the parcel of shares is being sold.

<sup>2</sup> Gross borrowings divided by EBITDA.

<sup>3</sup> Gross borrowings divided by Market Capitalisation.

<sup>4</sup> Based on the interest of \$0.7 million included in the latest annual report plus interest calculated on the additional debt to buyback the Intuit Interest at an interest rate of 4.6% based on the weighted average interest rate for the Bill facility in FY13.

<sup>5</sup> EBIT divided by interest expenses.

## **Other factors**

### *Alternative transactions*

The Directors are of the opinion that the Proposed Buyback represents the best possible transaction for the Non-Associated Shareholders based on the current market conditions. Alternative methods of disposal could have been pursued by Intuit including a block trade or on-market sell-down, however these alternative methods may or may not have provided the same benefit to Non-associated Shareholders due to the following:

- Block trade alternative – if Intuit decides to sell its interest under a block trade transaction to institutional investors, there will be no-benefits for the Non-Associated Shareholders given the number of shares on issue will not reduce.
- Market sell-down – if Intuit decides to sell its interest on the market over a period of time, it may depress the share price and create a larger overhang effect if the sale is completed over an extended period of time.

### *No detriment for the Creditors*

In our opinion, the Proposed Buyback is not detrimental for the creditors of the Company due to the following:

- Whilst the borrowing of the Company will increase, the leverage ratio of the Company will still be at 1.27x, which we consider conservative.
- Management of RKN believe that Proposed Buyback will not impact RKN's ability to fund its growth plans or repay its liabilities as and when they fall due.

### *Director's recommendation*

As set out in the Notice of Meeting and Explanatory Memorandum, at the date of this report, the Directors of RKN have recommended that Non-Associated Shareholders vote in favour of the Proposed Buyback.

### *Transaction costs*

Management of RKN estimate that the total costs associated with the Proposed Buyback will be approximately \$110,000. We note, however, that these costs are not contingent on the shareholders' approval of the Proposed Buyback and should be treated as sunk costs. These costs are one off and are not material to the financial results of the Company.

### ***Reasonableness conclusion***

**Based on the qualitative factors identified above, it is our opinion that the Proposed Buyback is REASONABLE to the Non-Associated Shareholders.**

*Overall Conclusion*

Based on the above, Grant Thornton Corporate Finance has concluded that the Proposed Buyback is **FAIR AND REASONABLE** to the Non-Associated Shareholders for the purposes of Chapter 2J of the Corporations Act and Chapter 10 of the ASX Listing Rules.

**Finalisation of the Selective Buyback Agreement**

Grant Thornton Corporate Finance has prepared this Report based on the final executable Selective Buyback Agreement provided by RKN. Should the executed agreement vary materially from the agreement provided to us, we reserve the right to revise our assessment of the Proposed Buyback.

**Other matters**

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to approve the Proposed Buyback is a matter for each RKN Shareholder based on their own views of value of RKN and expectations about future market conditions, RKN performance, risk profile and investment strategy. If RKN Shareholders are in doubt about the action they should take in relation to the Proposed Buyback, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



ANDREA DE CIAN  
Director



LIZ SMITH  
Director

## 1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by RKN to provide general financial product advice in the form of an independent expert’s report in relation to the Proposed Buyback. This report is included in the Company’s Notice of Meeting and Explanatory Memorandum.

## 2 Financial Services Guide

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

## 3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

## 4 Remuneration

When providing the Report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from RKN a fixed fee of \$50,000 plus GST, which is based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

## 5 Independence

Grant Thornton Corporate Finance is required to be independent of RKN in order to provide this report. The guidelines for independence in the preparation of independent expert’s reports are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments

Commission (“ASIC”). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

*“Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with RKN (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the transaction.*

*Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.*

*Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.*

*Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 “Independence of expert” issued by the ASIC.”*

## **6 Complaints process**

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West  
Melbourne, VIC 8007  
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

## **7 Compensation arrangements**

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.



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## 1 Overview of the Proposed Buyback

### 1.1 Background information

Reckon Limited (“RKN” or the “Company”) is an Australian public company which is listed on the ASX. RKN is a leading provider of accounting and practice management software solutions for small to large enterprises in Australia and New Zealand.

In 1993, RKN entered a licencing agreement with Intuit Inc. (“Intuit”) for the localisation, republishing and distribution of QuickBooks and Quicken Desktop software in Australia and New Zealand.

In 2001, Intuit Ventures Inc., a wholly owned subsidiary of Intuit, purchased a minority interest in RKN to further align the interests of the parties. As at the date of this report, Intuit holds an 11.7% interest (“Intuit Interest”) in the issued capital of RKN (i.e. 14,828 304 Shares in RKN).

As a result of a gradual divergence in their respective online ambitions, RKN announced in 2012 that it had entered into a notice period with Intuit, at the end of which, on 10 February 2014, the licencing agreement with Intuit was terminated.

As the interests of RKN and Intuit are no longer aligned given the termination of the licencing agreement, the Company and Intuit intend to enter into an agreement (“Selective Buyback Agreement”) to undertake a buyback of the Intuit Interest as outlined in Section 1.2.

### 1.2 Proposed Buyback

Under the terms of the Selective Buyback Agreement, RKN will purchase and Intuit will sell the Intuit Interest (“Proposed Buyback”), at a fixed price of \$1.85 per share (“Buyback Price”), which represents a 13.0% discount to the 5 day volume weighted average price (“VWAP”) of RKN of \$2.13 as at 6 June 2014.

The Proposed Buyback is subject to:

- Lodgement of the documents required under Sections 257D(3) and 257E of the Corporations Act with the Australian Securities & Investments Commission (“ASIC”) at least 14 days prior to the Selective Buyback Agreement becoming unconditional; and,
- Compliance with all other requirements prescribed under the Corporations Act, or required under the ASX Listing Rules, in relation to the share buyback, as set out in Section 2 of this Report.

If the above conditions are not satisfied by 31 August 2014, then at the option of either party, the Selective Buyback Agreement may be terminated and the Proposed Buyback will not be executed.

If the conditions are satisfied and the Proposed Buyback is completed:

- Total funds of approximately \$27.5 million will be drawn down from debt facilities to finance the Proposed Buyback, including any associated transaction costs; and,
- The shares bought back from Intuit will be cancelled, reducing the number of outstanding shares in RKN from 126,913,066 to 112,084,762.

## **2 Scope of the report**

### Chapter 2J of the Corporations Act (“Chapter 2J”)

Division 2 of Chapter 2J states that a company may buy back its own shares if the buy-back does not materially prejudice the company's ability to pay its creditors and the company follows the procedures laid down in Division 2.

The procedures laid down by Division 2 require that, under Section 257D of the Corporations Act (“Section 257D”), a selective reduction such as the Proposed Buyback be approved by either a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the reduction, or by their associates; or alternatively a resolution agreed to, at a general meeting, by all ordinary shareholders.

Section 257D further prescribes that the company must include with the notice of meeting, a statement setting out all information known to the company that is material to the decision on how to vote on the resolution unless it is unreasonable to require the company to do so because the company had previously disclosed the information to its shareholders.

ASIC Regulatory Guide 110 – Share buy-backs (“RG110”) provides that if a company proposes to buy back a significant percentage of shares or the holdings of a major shareholder, it should consider providing an independent expert's report with a valuation of the shares to satisfy the information requirements.

### Chapter 10 of the ASX Listing Rules – Transactions with persons in a position of influence

Chapter 10 of the ASX Listing Rules requires the approval from the non-associated shareholders of a company if the company proposes to acquire or dispose of a substantial asset from a related party or a substantial holder.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is equal to 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX.

Under ASX Listing Rule 10.1.3, a person is a substantial holder if the person or person's associates have a relevant interest or had a relevant interest at any time in the 6 months before the transaction, in a least 10% of the total votes attached to the voting securities.

In regards to the Proposed Buyback, we note that Intuit is a substantial holder and the buyback of the Intuit Interest constitutes the acquisition of a substantial asset.

ASX Listing Rule 10.10.2 requires that the Notice of Meeting and Explanatory Memorandum be accompanied by a voting exclusion statement and a report from an independent expert stating whether the transaction is fair and reasonable to the shareholders of RKN not associated with Intuit (“Non-Associated Shareholders”).

Accordingly, the Independent Directors of RKN have requested Grant Thornton Corporate Finance to prepare an independent expert's report stating, whether in its opinion, the Proposed Buyback is fair and reasonable to the Non-Associated Shareholders.



## 2.1 Basis of assessment

In preparing our report, Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly Regulatory Guide 111 – Content of expert reports (“RG111”) and Regulatory Guide 110 – Share Buy-backs (“RG110”).

In considering our approach to the fairness assessment, we note the following:

- The shares bought back from Intuit will be cancelled in accordance with the Corporations Act requirements.
- Intuit only holds an 11.7% interest in the issued capital of the Company which is below the 20% takeover threshold interest.
- The substance of the regulatory framework in relation to selective buybacks is to ensure that the Non-Associated Shareholders will not be economically and/or financially disadvantaged by not being able to participate in the buyback.
- The buyback and cancellation of the Intuit Interest will not trigger any of the Non-Associated Shareholders to acquire a controlling interest in RKN.

Accordingly, Grant Thornton Corporate Finance has concluded that the Proposed Buyback is not a change of control transaction. In our fairness assessment, we have compared the Buyback Price of \$1.85 per share with the fair market value per RKN share on a minority basis before the Proposed Buyback.

In considering whether the Proposed Buyback is reasonable to the Non-Associated Shareholders, we have considered a number of factors, including:

- Whether the Proposed Buyback is fair.
- The financial impact on RKN if the Proposed Buyback proceeds.
- The likely impact of the Proposed Buyback on creditors.
- The impact of the Proposed Buyback on ownership interests and control of RKN.
- The implications to RKN and the Non-Associated Shareholders if the Proposed Buyback is not approved.
- Other likely advantages and disadvantages associated with the Proposed Buyback as required by RG111.
- Other costs and risks associated with the Proposed Buyback that could potentially affect the Non-Associated Shareholders of RKN.



## **2.2 Independence**

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Buyback with reference to the ASIC Regulatory Guide 112 - Independence of Expert's Reports ("RG112").

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Buyback other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Buyback.

## **2.3 Consent and other matters**

Our report is to be read in conjunction with the Notice of Meeting and Explanatory Memorandum dated on or around 11 June 2014 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Buyback.

This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Meeting and Explanatory Statement.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Buyback to the Non-Associated Shareholders as a whole. We have not considered the potential impact of the Proposed Buyback on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Buyback on individual shareholders.




The decision of whether or not to approve the Proposed Buyback is a matter for each RKN Shareholder based on their own views of value of RKN and expectations about future market conditions, RKN's performance, risk profile and investment strategy. If RKN Shareholders are in doubt about the action they should take in relation to the Proposed Buyback, they should seek their own professional advice.

### 3 Profile of the industry

Reckon operates in the software development and publishing industry, providing accounting and practice management software solutions for small to large enterprises in Australia and New Zealand. Accordingly, the following section aims to provide a brief overview of the abovementioned industry in the Australian market.

#### 3.1 Products and services

The software publishing industry provides software products that are primarily delivered through three main methods; desktop, hosted and cloud. RKN offers all three methods to its clients

	 Desktop	 Hosted	 Cloud
Accessibility	Programs and data are accessible offline via internal systems.	Software is accessible online via a <i>remote server</i> provided by a supplier.	Software is accessible on demand via an <i>internet browser</i> or a <i>phone 'App'</i> .
Software Installation	User installation is performed on the hardware of internal systems.	Installation is performed on the hardware of remote hosted servers, managed by the supplier.	Software installation is managed by the software providers.
Ownership	User licences the software.	User does not own the software.	User does not own the software.
Payments	The payments terms vary depending on the service providers and type of client. RKN's products are licenced to its clients. In some cases, clients may have a perpetual licence, whilst other users effectively rent the products on a subscription basis.		
Updates	Updates are either free and automatic or require additional purchase and installation.	Updates are included in annual renewal/subscription price.	Updates are included in annual renewal/subscription price.

Source: RKN website and GTCF analysis

Recently, there has been an increase in the popularity of cloud-based software over classic desktop-based software. Cloud-based software offers flexibility and convenience for users by allowing them to gain access to their accounting software anywhere and anytime. It is estimated that approximately 14% of small to medium enterprise (“SME”) businesses have already adopted cloud-based software to manage their accounts and 60% of other SME’s are considering adopting it over the next 2-3 years<sup>6</sup>.

#### 3.2 Industry trends

Recent changes in technology have allowed for dramatic changes in the software publishing industry, such as the shift to cloud-computed. Some of the key drivers of change in the industry include:

- *Mobile technology*: the popularity of mobile devices such as smartphones and tablets stimulates the development of software that can run on these devices.
- *High speed internet*: The provision of high speed internet access stimulates the development of software that is more highly internet intensive such as software for mobile devices and software with cloud capabilities.

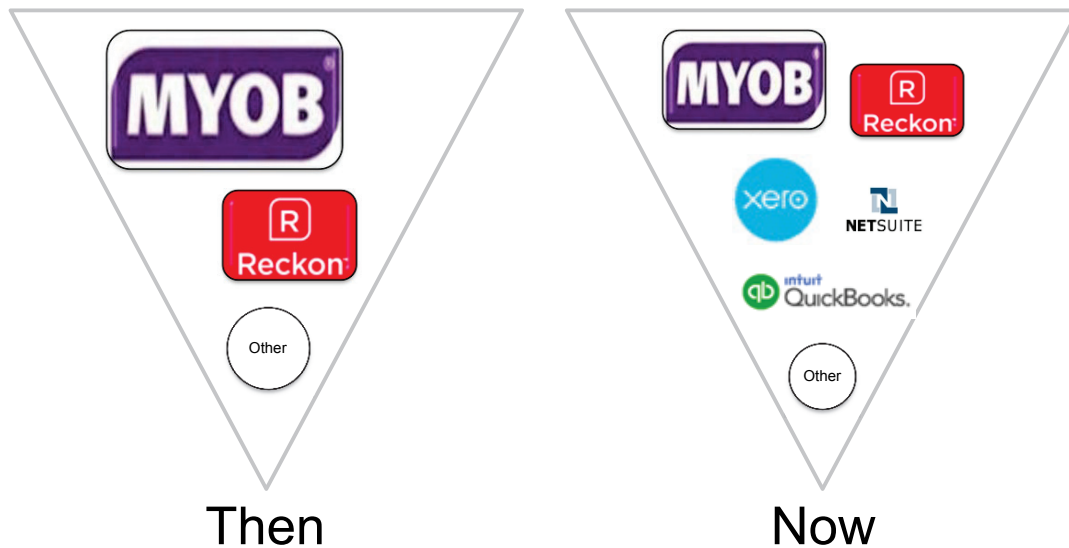
<sup>6</sup> National research committed by CCH, *Cloud computing – a matter of survival for the accounting industry?*, April 2013.



- *Popularity of software as a service (“SaaS”)*: SaaS is a software delivery model in which software is licensed on a subscription basis and is centrally provided by software vendors.
- *New entrants*: from effectively a duopoly market with only two large players, namely MYOB and Reckon, the addition of new participants such as Xero, Intuit and other competitors has created a substantially less concentrated market. Refer to section 3.3 for more details.

### 3.3 Key players

As noted above, historically the software publishing industry for accounting and practice management software in Australia and New Zealand has been dominated by MYOB and Reckon. However, the dynamic of the market has changed dramatically over the past few years due to the above noted industry trends and the penetration of international competitors into the market.

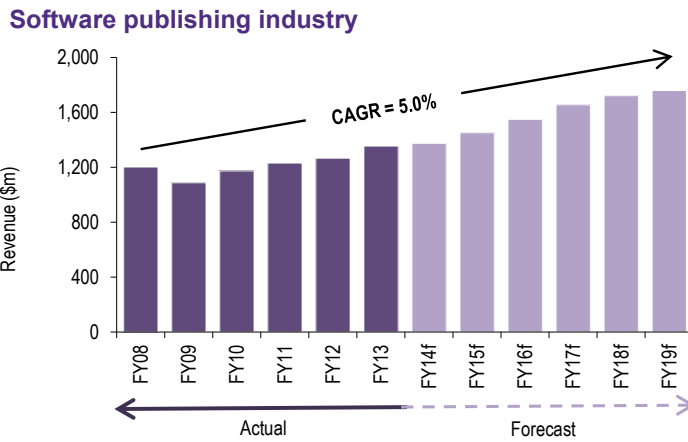


Note: For a description of key competitors and comparable companies, refer to Appendix C  
Source: GTCF analysis

The recent advances in technology, specifically the application of cloud computing, has stimulated the competition in the industry from new entrants with aggressive growth strategies which have proven to be highly successful. For instance, Xero, a New Zealand based company, has grown from a \$170 million market capitalisation in May 2011 to approximately a \$4 billion market capitalisation at the date of this report<sup>7</sup>.

<sup>7</sup> Capital IQ and GTCF calculations.

**3.4 Historical performance and outlook**



The software publishing industry revenue increased from approximately \$1.2 billion in FY08 to \$1.4 billion in FY13, at a compounded annual growth rate (“CAGR”) of 2.4% per annum during the five year period between 2008 and 2013. Notably, in FY09, market revenue declined by 10% as a result of the Global Financial Crisis (“GFC”), which substantially reduced business and consumer spending on software and therefore imposed a negative impact on the industry’s revenue.

The software publishing industry is regarded as a growing industry. Current forecasts see industry revenue increase to \$1.8 billion by FY19. This CAGR of approximately 5.0% pa from FY08 to FY19 is significantly higher than the forecast CAGR of Australian GDP for the same period which is 2.5% pa.

The growth in cloud-based software and related services is believed to be the main driver for the forecast industry growth over the next few years.



## 4 Profile of RKN

Founded in 1987, RKN is an Australian publicly listed company (ASX:RKN), which has grown to become a leading provider of accounting and practice management software solutions for small to large enterprises in Australia and New Zealand.

### 4.1 Corporate history

Set out below is a brief overview of the history of the Company:

Year	Comments
1987	RKN was founded.
1993	RKN entered a licencing agreement with Intuit for the localisation, republishing and distribution of QuickBooks and Quicken Desktop software in Australia and New Zealand. Quicken was subsequently launched in Australia in 1993 and QuickBooks was launched in 1994.
1999	RKN listed on the ASX.
2001	Intuit purchased a minority interest in RKN to further align the interests of the two parties.
2003	RKN acquired Advanced Professional Solutions (“APS”) which includes the “Advance” suite of products which are distributed under the brand Reckon APS.
2006	RKN acquired the “Elite” business from Elite Practice Solutions Pty Limited. This business currently operates under the brand Reckon Elite.
2008	RKN acquired the Corporate Services (known as Reckon Docs now) and Cost Recovery business of Espreon Limited. This business currently operates under the brand nQueue Billback. nQueue Billback in the US was formed as a result of a joint venture between RKN and nQueue Inc.
2009	RKN launched Hosted services for Quickbooks product range.
2010	RKN and Intuit altered the terms of the licencing agreement to allow for the distribution of QuickBooks Hosted in addition to Quickbooks and Quicken Desktop. By omission, the new agreement allowed for both parties to pursue their own online (cloud based) strategies internationally. The agreement also included a clause stating that ‘at any time after termination of the licence, RKN has the ability to continue to offer and enhance the then latest version of the products’.
2012	RKN entered a notice period with Intuit, at the end of which, on 10 February 2014, the licensing agreement with Intuit was terminated. As a result of the termination of the agreement, under the aforementioned termination clause, RKN effectively received royalty free rights to continue selling and independently developing the latest version of the products covered under the licencing agreement. This came at the expense of relinquishing brand rights and allowing Intuit the right to distribute the products in Australia and New Zealand in competition with RKN. However, we note that Intuit is prevented from competing in the desktop and hosted sectors for 42 months from March 2012 (i.e. August 2015). Intuit is free to compete in the cloud market.
2012	RKN acquired Linden House Software Limited (“Linden House”) who produced Virtual Cabinet. We note that initially RKN only acquired a 50% interest in Linden House. However the terms of the transaction includes a put and call option for the remaining 50%. The product is now distributed as Virtual Cabinet in the UK and as Reckon VirtualCabinet in other countries.  RKN completed the rebranding of Quicken products to Reckon Accounts Personal.
2013	RKN complete the rebranding of QuickBooks products to Reckon Accounts Business.
2014	RKN release Reckon One, a cloud accounting software solution.

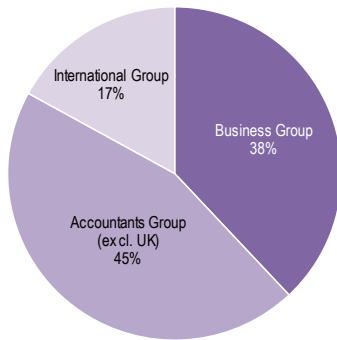
Source: ASX Announcements for RKN



### 4.2 Business overview

RKN currently operates under three primary divisions; the business group, the accountants group and the international group. The divisions make up the following portion of Total Revenue and EBITDA.

**FY13 breakdown of Total Revenue by Division**  
(Total Revenue for FY13 was \$98.1 million)



**FY13 breakdown of EBITDA by Division**  
(EBITDA for FY13 was \$35.3 million)



Source: RKN Results Presentation for year end 31 December 2013 and Management

Note: the FY13 numbers have been restated predominately due to the reallocation of Reckon Docs and Reckon Elite businesses from the Business Group to the Accountants Group in FY14.

#### 4.2.1 The business group

The business group is responsible for the Reckon Accounts Business and Personal product range as well as the new Reckon One product.

The Reckon Accounts Business product range currently has over 600,000 registered business users through its desktop and hosted accounting solutions:

- The Reckon Accounts Business and Personal desktop solutions, which have historically been RKN’s flagship products, include standard business, payroll and point-of-sale packages along with personal accounting and financial management packages.
- Reckon Accounts Hosted offers an identical solution to the top of the range version of the Reckon Accounts desktop package, but is run through a RKN hosted system.
- Reckon Accounts Hosted Version 2, an improvement on Version 1, is due for release in 2014. The improvements include stability, speed and printing enhancement.

The newest addition to RKN’s product range is Reckon One; a cloud accounting software solution which was launched on 11 February 2014. Reckon One is based on a “designed by you” concept that allows users to tailor the solution to their needs by choosing modules their business will use. The current modules available are: Core (receipts, payments and budgeting), Invoices, BankData (process bank feeds) and Projects (revenue, cost and progress management). Further modules which are under development include Pay (mobile payment solution) Time & Billing (timesheets), Payroll, GovConnect (BAS lodgement), Inventory and an open Application Program Interface (API) for integration with third party applications. These Reckon One modules and a UK version of Reckon One are currently scheduled for release in 2014.



Going forward, RKN plan on growing sales of Reckon One by leveraging off the existing RKN network and creating smaller low cost offices in various countries to localise and promote the product. In the short to medium term, RKN will be targeting the UK and South East Asia markets for distribution of Reckon One.

#### 4.2.2 The accountants group

The accountants group is responsible for the Reckon APS, Reckon Elite and Reckon Docs products. Currently, the accountants group services over 7,000 accounting practices through this product range.

The Reckon APS product suite, which is targeted towards large professional accounting firms, comprises multiple integrated modules which are critical for the management of large accounting firms, such as; Practice Management, Business Intelligence and Reporting, Document and E-mail Management, Taxation, Client Accounting, Client Relationship Management, Resource Planning, Superannuation, Corporate Secretarial, Workpaper Management, SyncDirect and other modules.

The Reckon Elite product suite, which is targeted towards smaller professional accounting firms, includes several modules which are vital to the operations of smaller accounting firms, such as; Practice Management, Time/cost Management, Tax Return Preparation, Financial Reporting and other related modules.

The Reckon Docs corporate services and compliance suite offers services for the registration and compliance management of companies and other business structures. The product suite is accessible via both desktop or web based ordering and is utilised by both professional practices and other businesses.

#### 4.2.3 The international group

The international group is responsible for the Reckon VirtualCabinet and nQueue Billback products.

Reckon VirtualCabinet is a document management system that enables companies to control all documents in a secure and audit trailed system. Growth of the Reckon VirtualCabinet sales is expected to be driven by continued customer acquisition in the UK in addition to an expansion of the product distribution network to Australia and New Zealand through RKNs existing distribution network.

nQueue Billback is a revenue management, expense management, print solutions, business process automation, business intelligence, document service automation, scan and document management system. RKN recently released several updates to the nQueue Billback software in 2013. nQueue Billback has developed a Scan solution that is complementary to the existing suite of products.

The software and related services of Reckon VirtualCabinet and nQueue Billback are currently provided in Australia, New Zealand, the UK and the USA, with reseller arrangements in other parts of the world.



### 4.3 Financial information

#### 4.3.1 Financial performance

Set out below are the consolidated statements of profit or loss of RKN for the year ended 31 December 2011 (“FY11”), 31 December 2012 (“FY12”) and 31 December 2013 (“FY13”).

Consolidated Statements of Profit or Loss Reckon Ltd.	FY11 Audited A\$('000)	FY12 Audited A\$('000)	FY13 Audited A\$('000)
<b>Total Revenue</b>	<b>91,272</b>	<b>96,765</b>	<b>98,125</b>
Revenue Growth %	1.1%	6.0%	1.4%
<b>Expenses</b>			
Product and Selling Costings	(14,617)	(17,109)	(17,992)
Royalties	(4,783)	(5,322)	(5,202)
Employee Benefit Expense	(27,349)	(28,520)	(29,037)
Expenses of Share Based Payments	(702)	(304)	(405)
Premises and Establishment Expenses	(2,261)	(2,146)	(2,365)
Marketing Expenses	(2,197)	(2,175)	(2,695)
Depreciation and Amortization	(9,108)	(9,824)	(10,729)
Telecommunications	(958)	(907)	(839)
Legal and Professional Expenses	(707)	(798)	(694)
Finance Costs	(168)	(311)	(705)
Other Operating Income/expense	(4,397)	(4,745)	(4,549)
Profit/(Loss) on Sale of Investment in Joint Venture Entity	-	-	1,414
Business Acquisition Costs	-	(173)	-
Estimated Sub Lease Rent Shortfall	(1,796)	(492)	(438)
<b>Earnings before Taxes</b>	<b>22,229</b>	<b>23,939</b>	<b>23,889</b>
EBT Margin Growth %	-0.8%	7.7%	-0.2%
Provision for Income Tax	(5,536)	(6,172)	(5,728)
<b>Net Profit after Tax</b>	<b>16,693</b>	<b>17,767</b>	<b>18,161</b>
NPAT Margin Growth %	-3.2%	6.4%	2.2%

Source: Audited Financial Reports, Capital IQ and GTCF calculations

We note the following in relation to the statements of profit or loss:

- Revenue has been substantially stable over the last 3 year period which is representative of the diversified and contractual nature of the services provided and client base of RKN. In FY12, revenue growth was partially attributable to the acquisition and consolidation of Linden House.
- Product and selling costs, royalties and employee benefits expenses have grown in line with revenue growth over the period FY11 to FY13. Subsequent to 11 February 2014, since the termination of the licencing agreement between RKN and Intuit, royalties will no longer be paid to Intuit.
- Growth in depreciation & amortisation is predominantly a result of growth in the balance of capitalised development costs. This is discussed further in Section 4.3.2.
- Profit on sale of investment in joint venture (“JV”) resulted in FY13 from the sale of Connect2Field Holdings Pty Ltd.
- Business acquisition costs in FY12 relate to the acquisition of Linden House.



- Estimated sub lease rent shortfall expenses are recognised based on the change in the level of provisions for surplus premises which was recorded upon relocation of the offices from Pyrmont to North Sydney in FY11.
- The overall results have also been impacted by the following:
  - The termination and transition of the licencing agreement with Intuit.
  - The deliberate decision of RKN to move to a sustainable subscription model business.
  - The launch and set-up of Reckon One.

#### 4.3.2 Financial position

Set out below are the consolidated statements of financial position of RKN as at 31 December 2011, 31 December 2012 and 31 December 2013.

Consolidated Statements of Financial Position Reckon Ltd.	31-Dec-11 Audited A\$('000)	31-Dec-12 Audited A\$('000)	31-Dec-13 Audited A\$('000)
<b>Current Assets</b>			
Cash and Cash Equivalents	4,703	1,926	2,573
Trade and Other Receivables	6,730	8,795	10,998
Inventories	1,181	1,244	1,746
Other Current Assets	1,763	2,695	2,291
<b>Total Current Assets</b>	<b>14,377</b>	<b>14,660</b>	<b>17,608</b>
<b>Non-Current Assets</b>			
Receivables	777	1,391	1,194
Other Financial Assets	6,257	56	56
Investment in Joint Venture Entity	-	660	-
Property, Plant and Equipment	3,401	3,415	3,279
Deferred Tax Assets	86	141	127
Intangible Assets	45,966	68,032	77,848
Other Non-current Assets	-	-	599
<b>Total Non-Current Assets</b>	<b>56,487</b>	<b>73,695</b>	<b>83,103</b>
<b>Total Assets</b>	<b>70,864</b>	<b>88,355</b>	<b>100,711</b>
<b>Current Liabilities</b>			
Trade and Other Payables	4,184	4,922	4,731
Borrowings	-	10,994	58
Tax Liabilities	2,365	1,119	1,131
Provisions	4,788	3,341	3,471
Other Deferred Revenues	6,295	8,674	9,285
<b>Total Current Liabilities</b>	<b>17,632</b>	<b>29,050</b>	<b>18,676</b>
<b>Non-Current Liabilities</b>			
Borrowings	-	136	17,433
Other Financial Liabilities	-	10,608	11,658
Deferred Tax Liabilities	1,089	2,949	4,107
Provisions	1,647	1,194	722
<b>Total Non-Current Liabilities</b>	<b>2,736</b>	<b>14,887</b>	<b>33,920</b>
<b>Total Liabilities</b>	<b>20,368</b>	<b>43,937</b>	<b>52,596</b>
<b>Equity</b>			
Issued Capital	15,752	16,878	16,818
Reserves	(2,080)	(14,839)	(17,641)
Retained Earnings	36,621	42,379	48,938
<b>Equity attributable to Owners of the Parent</b>	<b>50,293</b>	<b>44,418</b>	<b>48,115</b>
Equity attributable to Non-Controlling Interest	203	-	-
<b>Total Equity</b>	<b>50,496</b>	<b>44,418</b>	<b>48,115</b>

Source: Audited Financial Reports, Capital IQ and GTCF calculations



We note the following in relation to the statements of financial position:

- In each of the above periods, RKN has had an excess of current liabilities over current assets. In relation to the deficit, we note:
  - Included in current liabilities is deferred revenue. Deferred revenue is recorded based on the balance of maintenance and support services which RKN is liable to provide on certain products. The recognition and settlement of the deferred revenues is recorded in the profit or loss over the contract period as the services are performed.
  - As at 31 December 2012, RKN's debt facility was recorded as a current liability as the facility covered a period of 18 months expiring on 31 December 2013. This facility was subsequently renewed for an additional 3 year period and was reclassified to a non-current liability.
- Other financial assets of \$6.3 million as at 31 December 2011 primarily relate to quoted shares held in Melbourne IT Limited. These shares were sold in FY12 for \$6.4 million.
- In FY12, RKN acquired a 30% interest in Connect2Field Holdings Pty Ltd which was recorded as an Investment in JV. As previously noted, RKN's sold its interest in Connect2Field Holdings Pty Ltd in FY13 to record a profit on sale of investment in JV.
- Growth in Intangible Assets is primarily a result of capitalised Development costs and Goodwill on acquisition as shown below.

Intangibles Assets Reckon Ltd.	31-Dec-11 Audited A\$('000)	31-Dec-12 Audited A\$('000)	31-Dec-13 Audited A\$('000)
Intellectual Property – At Cost	12,596	14,984	17,045
Accumulated Amortisation	(8,987)	(10,005)	(10,757)
Total Intellectual Property	3,609	4,979	6,288
Development Costs – At Cost	38,131	49,119	62,456
Accumulated Amortisation	(23,549)	(31,174)	(39,706)
Total Development Costs	14,582	17,945	22,750
Goodwill – At Cost	27,775	45,108	48,810
Total Intangible Assets	45,966	68,032	77,848

Source: Audited Financial Reports

- The increase in intellectual property, development costs and goodwill in 2012 was chiefly a result of RKN's acquisition of Linden House. Through this transaction, RKN acquired \$2.4 million in Intellectual Property, \$1.0 million in Development Costs and \$17.2 million in Goodwill.
- A significant portion of the development costs incurred in FY13 relate to the development of Reckon One.
- Other financial liabilities in 2012 and 2013 relate to the effective deferred consideration and redemption price of option instruments issued in respect of the acquisition of Linden House.



#### 4.4 Capital structure

As at the date of this report, RKN has the following securities on issue:

- 126,913,066 fully paid ordinary shares (“Shares”) including 857,764 Shares which are held in trust for performance rights until satisfaction of the vesting conditions.
- 1,536,869 unlisted appreciation rights.

A discussion on RKN’s Shares is set out in Section 6. Further details on the performance rights and appreciation rights and their attached vesting conditions can be found in RKN’s annual report.

Set out below is the top twenty shareholders of RKN as at 6 June 2014.

Top shareholders as at 6 June 2014		Before Proposed Buy back	
		Units	% of Units
1	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	15,742,607	12.4%
2	INTUIT VENTURES INC	14,828,304	11.7%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,775,422	10.6%
4	NATIONAL NOMINEES LIMITED	12,344,409	10.0%
5	GREGORY JOHN WILKINSON <sup>2</sup>	6,147,800	4.8%
6	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,917,944	4.0%
7	MR CLIVE RABIE + MRS KERRY ROSE RABIE <RABIE EXEC SUPER FUND A/C> <sup>1</sup>	4,735,611	3.7%
8	DJZ INVESTMENTS PTY LIMITED <sup>1</sup>	4,690,000	3.7%
9	AUST EXECUTOR TRUSTEES SA LTD <TEA CUSTODIANS LIMITED>	4,550,418	2.9%
10	CITICORP NOMINEES PTY LIMITED	3,523,172	2.1%
11	BNP PARIBAS NOMS PTY LTD <DRP>	2,500,908	2.0%
12	MR STEPHEN JAMES RICKWOOD	1,601,062	1.5%
13	MR CLIVE ALAN RABIE <sup>1</sup>	1,332,389	1.3%
14	RAWFORM PTY LTD <THE RECKON SOFTWARE S/F A/C> <sup>2</sup>	1,302,200	1.1%
15	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,122,198	1.0%
16	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIIC A/C>	975,324	0.8%
17	MR PHILIP ROSS HAYMAN	968,636	0.8%
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	919,490	0.7%
19	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	866,557	0.7%
20	RECKON AUSTRALIA PTY LTD <RECKON LTD PSP A/C>	857,764	0.7%
<b>Top 20 Shareholders (Total)</b>		<b>97,702,215</b>	<b>76.3%</b>
<b>Remaining Shareholders</b>		<b>29,210,851</b>	<b>23.7%</b>
<b>Total Shares Outstanding</b>		<b>126,913,066</b>	<b>100.0%</b>

<sup>1</sup>Entity is owned or controlled by Mr. Clive Alan Rabie

<sup>2</sup>Entity is owned or controlled by Mr. Gregory John Wilkinson

Source: *Computershare*

## 5 Pro forma effect of the Proposed Buyback

If the Proposed Buyback is executed, total funds of \$27,432,362.40 will be paid to Intuit to buy back 14,828,304 Shares in RKN which will subsequently be cancelled. Management estimate that transaction costs of circa \$110,000 will also be incurred in conjunction with the Proposed Buyback.

### 5.1 Effect on financial position

Set out below is the consolidated statements of financial position of RKN as at 31 December 2013, and the corresponding pro forma statement of financial position after the Proposed Buyback, as prepared by Management.

Consolidated Statements of Financial Position Reckon Ltd.	31-Dec-13 Audited A\$('000)	31-Dec-13 Pro forma A\$('000)
<b>Current Assets</b>		
Cash and Cash Equivalents	2,573	2,573
Trade and Other Receivables	10,998	10,998
Inventories	1,746	1,746
Other Current Assets	2,291	2,291
<b>Total Current Assets</b>	<b>17,608</b>	<b>17,608</b>
<b>Non-Current Assets</b>		
Receivables	1,194	1,194
Other Financial Assets	56	56
Investment in Joint Venture Entity	-	-
Property, Plant and Equipment	3,279	3,279
Deferred Tax Assets	127	127
Intangible Assets	77,848	77,848
Other Non-current Assets	599	599
<b>Total Non-Current Assets</b>	<b>83,103</b>	<b>83,103</b>
<b>Total Assets</b>	<b>100,711</b>	<b>100,711</b>
<b>Current Liabilities</b>		
Trade and Other Payables	4,731	4,731
Borrowings	58	58
Tax Liabilities	1,131	1,131
Provisions	3,471	3,471
Other Deferred Revenues	9,285	9,285
<b>Total Current Liabilities</b>	<b>18,676</b>	<b>18,676</b>
<b>Non-Current Liabilities</b>		
Borrowings	17,433	44,975
Other Financial Liabilities	11,658	11,658
Deferred Tax Liabilities	4,107	4,107
Provisions	722	722
<b>Total Non-Current Liabilities</b>	<b>33,920</b>	<b>61,462</b>
<b>Total Liabilities</b>	<b>52,596</b>	<b>80,138</b>
<b>Equity</b>		
Issued Capital	16,818	16,818
Reserves	(17,641)	(45,183)
Retained Earnings	48,938	48,938
<b>Total Equity</b>	<b>48,115</b>	<b>20,573</b>

Source: Audited Financial Report for year end 31 December 2013 and Management



## 5.2 Effect on capital structure

As a result of the Proposed Buyback and subsequent cancellation of RKN Shares, the number of outstanding shares in RKN will be reduced from 126,913,066 to 112,084,762, as set out below.

Top shareholders		Shares outstanding before the Proposed Buyback		Pro forma shares outstanding after the Proposed Buyback	
Rank	Name	Units	% of Units	Units	% of Units
1	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	15,742,607	12.4%	15,742,607	14.0%
2	INTUIT VENTURES INC	14,828,304	11.7%	na	na
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,775,422	10.6%	13,775,422	12.3%
4	NATIONAL NOMINEES LIMITED	12,344,409	10.0%	12,344,409	11.0%
5	GREGORY JOHN WILKINSON <sup>2</sup>	6,147,800	4.8%	6,147,800	5.5%
6	AUST EXECUTOR TRUSTEES SA LTD <TEA CUSTODIANS LIMITED>	4,917,944	4.0%	4,917,944	4.4%
7	MR CLIVE RABIE + MRS KERRY ROSE RABIE <RABIE EXEC SUPER FUND A/C> <sup>1</sup>	4,735,611	3.7%	4,735,611	4.2%
8	DJZ INVESTMENTS PTY LIMITED <sup>1</sup>	4,690,000	3.7%	4,690,000	4.2%
9	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,550,418	2.9%	4,550,418	4.1%
10	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	3,523,172	2.1%	3,523,172	3.1%
11	BNP PARIBAS NOMS PTY LTD <DRP>	2,500,908	2.0%	2,500,908	2.2%
12	CITICORP NOMINEES PTY LIMITED	1,601,062	1.5%	1,601,062	1.4%
13	MR STEPHEN JAMES RICKWOOD	1,332,389	1.3%	1,332,389	1.2%
14	MR CLIVE ALAN RABIE <sup>1</sup>	1,302,200	1.1%	1,302,200	1.2%
15	RAWFORM PTY LTD <THE RECKON SOFTWARE S/F A/C> <sup>2</sup>	1,122,198	1.0%	1,122,198	1.0%
16	MR PHILIP ROSS HAYMAN	975,324	0.8%	975,324	0.9%
17	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIIC A/C>	968,636	0.8%	968,636	0.9%
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	919,490	0.7%	919,490	0.8%
19	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	866,557	0.7%	866,557	0.8%
20	RECKON AUSTRALIA PTY LTD <RECKON LTD PSP A/C>	857,764	0.7%	857,764	0.8%
<b>Top 20 Shareholders (Total)</b>		<b>97,702,215</b>	<b>76.3%</b>	<b>82,873,911</b>	<b>73.9%</b>
<b>Remaining Shareholders</b>		<b>29,210,851</b>	<b>23.7%</b>	<b>29,210,851</b>	<b>26.1%</b>
<b>Total Shares Outstanding</b>		<b>126,913,066</b>	<b>100.0%</b>	<b>112,084,762</b>	<b>100.0%</b>

<sup>1</sup>Entity is owned or controlled by Mr. Clive Alan Rabie

<sup>2</sup>Entity is owned or controlled by Mr. Gregory John Wilkinson

Source: Computershare and GTCF calculations

## **6 Valuation methodologies**

### **6.1 Introduction**

In accordance with our adopted valuation approach as set out in section 2.1, our fairness assessment involves comparing the fair market value of RKN shares on a minority basis with the price at which the Proposed Buyback will take place.

Fair market value is commonly defined as:

*“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”*

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

### **6.2 Valuation methodologies**

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, capital reductions, schemes of arrangement, takeovers and prospectuses. The indicated methodologies include:

- The discounted cash flow method and the estimated realisable value of any surplus assets.
- The application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- The amount that would be available for distribution to security holders on an orderly realisation of assets;
- The quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix B to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.



### **6.3 Selected valuation methods**

With regards to our assessment of the fair market value of RKN Shares on a minority basis, we note that in the absence of a takeover or other share offers, the trading share price represents the value at which minority shareholders could realise their portfolio investment. Accordingly, Grant Thornton Corporate Finance has selected the quoted price of listed securities as the primary approach to assess the fair market value of RKN Shares.

The quoted price of listed securities method is based on the Efficient Market Hypothesis (“EMH”) which states that the share price at any point in time reflects all publicly available information and will change when new information becomes publicly available. With regards to this, we note that RKN complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of RKN.

As a cross check to our primary valuation methodology, we have assessed the reasonableness of the equity value implied by our assessment of the market value of quoted securities, by comparing the implied ‘Enterprise Value (“EV”) to EBITDA’ multiple (“EBITDA multiple”) to the EBITDA multiple of listed comparable companies and completed comparable transactions.

This method only provides an indicative market value of RKN as the EBITDA multiple may vary significantly between the different listed comparable companies due to a variety of factors including size, geographic segmentation, historic and forecast financial performance and other factors.

## 7 Valuation Assessment of RKN Shares

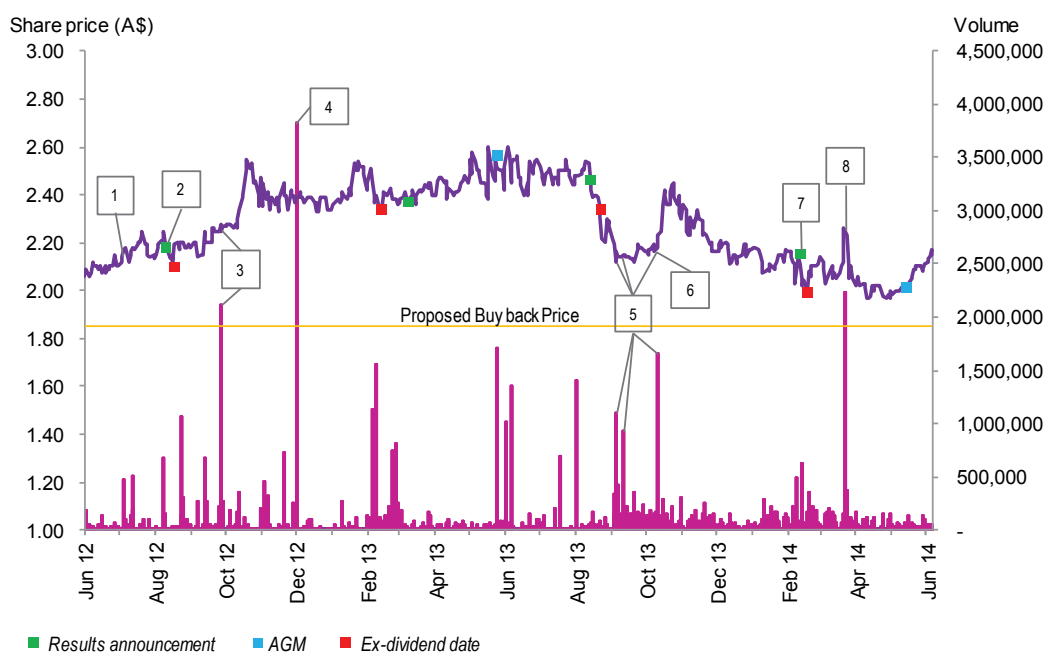
In our assessment of the fair market value of RKN Shares on a minority basis, we have had regard to the trading prices of the listed securities quoted on the ASX.

In accordance with the guidance in RG111, we have considered the depth of the market for the listed securities, volatility of the market price, and whether or not the market value is likely to represent the underlying value of RKN.

### 7.1 Quoted securities

#### 7.1.1 Share price and market analysis

Our analysis of the daily movements in RKN's share price and volumes for the period from June 2012 to June 2014, compared with the Proposed Buyback Price, is set out below:



Source: ASX and Capital IQ

#	Date	Comment
1	July 2012	RKN acquired Linden House on 3 July 2012.
2	August 2012	RKN reached an agreement with nQueue Inc. on 7 August 2012 for the acquisition of the remaining 26% of nQueue Billback LLC and 25% of nQueue Billback Limited. The acquisition was completed on 31 August 2012.
3	September 2012	Perpetual Limited and subsidiaries ("Perpetual") purchased 2,099,038 Shares on the 26th of September 2012 to bring their total holdings to 13,808,144 Shares (10.68% of Shares outstanding).
4	November 2012	Perpetual continued to increase their holdings. 2,000,891 Shares were purchased on the 30th of November 2012 to bring their total holdings to 16,496,080 Shares (12.74% of Shares outstanding).
5	September and October 2013	RKN performed on market Share buybacks on the 4th and 10th of September and the 10th of October. A total of 2,574,949 Shares were repurchased at an average price of \$2.14/Share.
6	October 2013	RKN announced the acquisition of SyncDirect on 10 October 2013, giving RKN the ability to extend its cloud computing capability.
7	February 2014	RKN's agreement with Intuit is terminated on the 11 <sup>th</sup> of February 2014.



#	Date	Comment
8	March 2014	RKN was added to the S&P/ASX 300 Index effective after market close on 21 March 2014. Rebalancing of the index to include RKN resulted in a temporary increase in demand/volume as certain portfolio managers also rebalance their portfolio to include RKN.

Source: ASX and Capital IQ

The monthly share price performance of RKN since July 2013 and the weekly share price performance of RKN over the last 12 weeks is summarised below.

Share price history	Share Price			Average weekly volume ('000)
	High \$	Low \$	Close \$	
<b>Month ended</b>				
Jul 2013	2.55	2.35	2.48	287
Aug 2013	2.54	2.18	2.27	539
Sep 2013	2.27	2.09	2.16	1,312
Oct 2013	2.46	2.15	2.30	1,028
Nov 2013	2.37	2.15	2.16	490
Dec 2013	2.25	2.07	2.17	236
Jan 2014	2.22	2.07	2.16	553
Feb 2014	2.16	1.97	2.14	831
Mar 2014	2.29	2.00	2.02	1,053
Apr 2014	2.09	1.95	1.97	290
May 2014	2.11	1.97	2.11	259
6 Jun 2014	2.17	2.09	2.15	203
<b>Week ended</b>				
21 Feb 2014	2.10	1.97	2.10	1,066
28 Mar 2014	2.29	2.03	2.05	654
4 Apr 2014	2.09	2.02	2.02	288
11 Apr 2014	2.05	1.97	1.97	363
18 Apr 2014	2.04	1.95	2.02	233
25 Apr 2014	2.01	1.97	1.98	242
2 May 2014	2.01	1.96	1.99	375
9 May 2014	2.02	1.98	2.00	236
16 May 2014	2.03	2.00	2.03	294
23 May 2014	2.10	2.01	2.10	224
30 May 2014	2.11	2.05	2.11	324
6 Jun 2014	2.17	2.09	2.15	203

Source: Capital IQ and GTCF calculations



Further detailed below is the trading volume of RKN Shares as a percentage of Shares outstanding.

Share price liquidity	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Volume traded as % of total shares	Volume traded as % of free float shares
<b>Month ended</b>					
Jul 2013	1,320	2.49	3,288	1.0%	1.5%
Aug 2013	2,373	2.42	5,746	1.8%	2.6%
Sep 2013	5,512	2.14	11,808	4.3%	6.1%
Oct 2013	4,729	2.25	10,648	3.7%	5.3%
Nov 2013	2,058	2.26	4,648	1.6%	2.3%
Dec 2013	1,037	2.16	2,241	0.8%	1.2%
Jan 2014	2,434	2.12	5,170	1.9%	2.7%
Feb 2014	3,325	2.06	6,862	2.6%	3.7%
Mar 2014	4,423	2.16	9,556	3.5%	5.0%
Apr 2014	1,276	2.00	2,547	1.0%	1.4%
May 2014	1,139	2.04	2,322	0.9%	1.3%
6 Jun 2014	203	2.13	431	0.2%	0.2%
<b>Min</b>				<b>0.2%</b>	<b>0.2%</b>
<b>Average</b>				<b>2.0%</b>	<b>2.8%</b>
<b>Median</b>				<b>1.7%</b>	<b>2.5%</b>
<b>Max</b>				<b>4.3%</b>	<b>6.1%</b>

Source: Capital IQ and GTCF calculations

With regards to the above analysis, we note that:

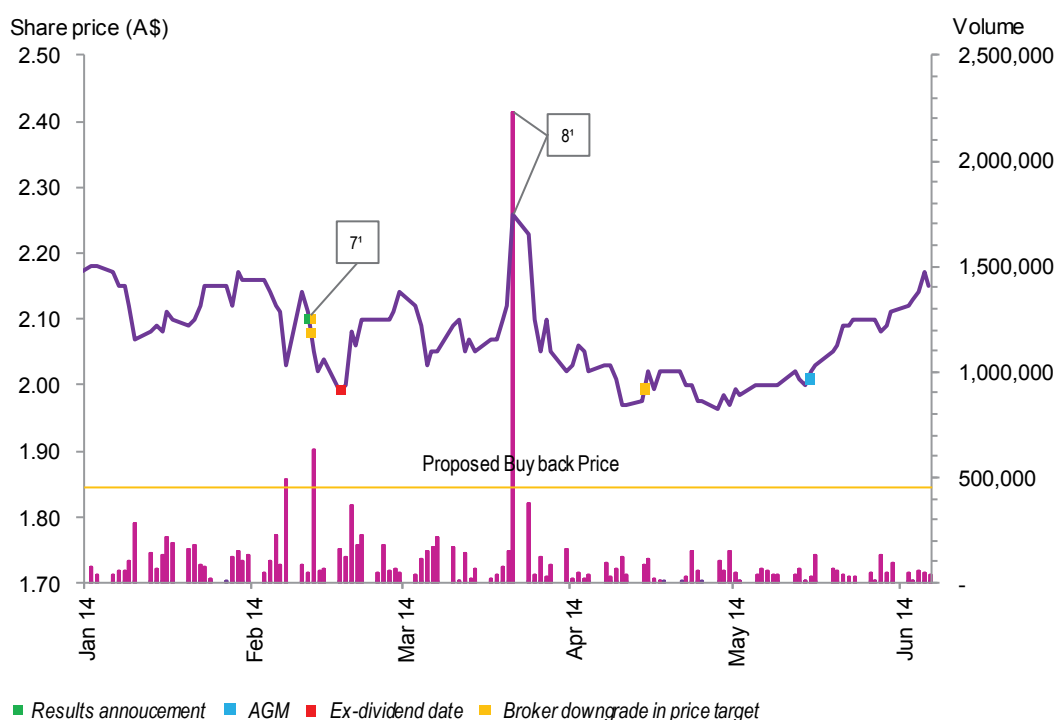
- The level of free float<sup>8</sup> Shares is approximately 70.5%.
- Since July 2013, 33.3% of the free float Shares were traded. Since December 2013, 14.4% of free float Shares were traded. This indicates the stock is relatively liquid.
- The stock is covered by seven investment analysts that provide analysis and updates to the market on a regular basis.
- In recent years, RKN has experienced significant fluctuation in daily trading volumes with daily volumes reaching as high as 3.8 million or 4.6% of free float Shares on the 30<sup>th</sup> of November 2012. With regards to these high volume days, we note:
  - Besides the following items, the periods of high daily trading volumes appear to have had a negligible impact on the market price, indicating significant depth in the market for RKN shares.
  - Over the period of September and October 2013, RKN executed on market share buybacks for a total of 2.6 million shares. Whilst this appears to have supported the share price when it was in a downward trend, we consider this to be due to what market participants interpret as ‘signalling’<sup>9</sup> by Management.
  - On the 21st of March 2014, RKN was added to the S&P/ASX 300 Index. On this date, the depth of the Shares was insufficient to meet demand, resulting in a temporary spike in the share price. However, we note that:

<sup>8</sup> Free float Shares excludes those owned by Company employees, individual insiders, related parties and other strategic investors (i.e. Intuit).

<sup>9</sup> Signalling is defined as ‘the action of management repurchasing shares to indicate to the market that the company’s shares are undervalued’.

- i) the share price adjusted back to pre-existing levels by market close on the 25th of March (only two trading days after the event) reflecting a high level of market efficiency,
- ii) as a result of being added to the index, the depth of the stock should improve going forward given the expected increase in the level of coverage and trading, particularly by index funds.

Set out below is a detailed analysis of RKN’s share price movement for the period January 2014 to June 2014.



<sup>1</sup> As noted in the previous graph.

Source: ASX, Capital IQ, Broker reports and GTCF calculations

Share price history	Share Price		Average weekly volume ('000)	Monthly VWAP (\$)
	High \$	Low \$		
<b>Month ended</b>				
Jan 2014	2.22	2.07	553	2.12
Feb 2014	2.16	1.97	831	2.06
Mar 2014	2.29	2.00	1,053	2.16
Apr 2014	2.09	1.95	290	2.00
May 2014	2.11	1.97	259	2.04
6 Jun 2014	2.17	2.09	203	2.13

Source:

Capital IQ and GTCF calculations



Based on the above chart and table, we note the following:

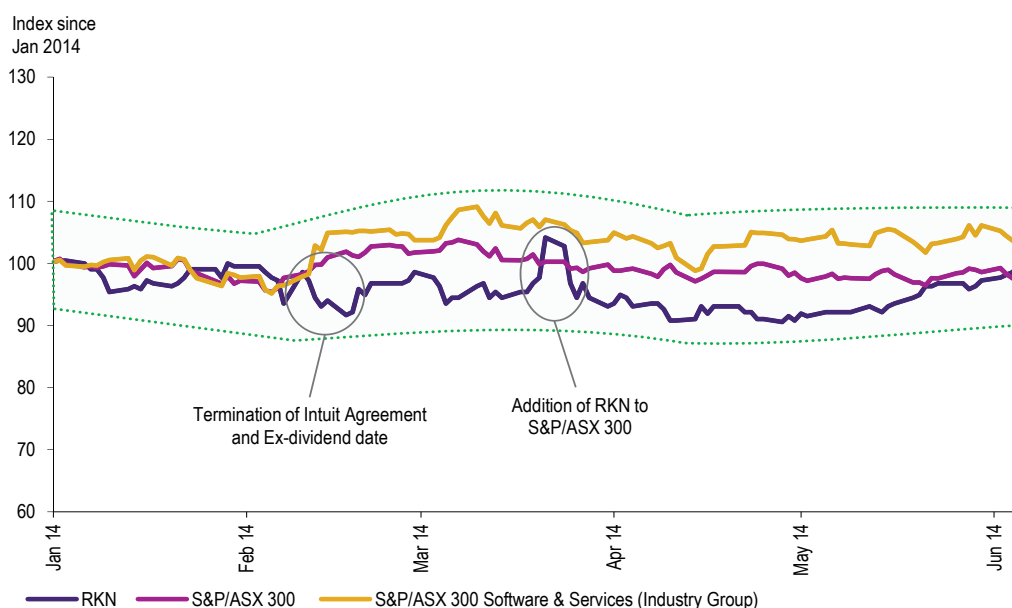
- The RKN Share price trended downwards to the end of April 2014 but has reversed and has been moving upwards since May 2014.
- The VWAP for the month of March 2014 was affected by the aforementioned addition to the S&P/ASX300 Index. The VWAP for March 2014 excluding the days affected by the addition to the index is \$2.06.
- The decline in the share price up to April 2014 is consistent with the change in brokers' forecasts, indicating that the share price is representative of investor sentiment. The change in broker forecasts is outlined in the below table.

Market sentiment analysis	Latest report Date	Previous target price <sup>1</sup> (\$)/Share	Current target price (\$)/Share	Change in target price %
Broker 1	11-Feb-14	2.22	2.08	-6%
Broker 2	11-Feb-14	2.65	2.15	-19%
Broker 3	11-Feb-14	2.56	2.37	-7%
Broker 4	11-Feb-14	1.90	2.17	14%
Broker 5	12-Feb-14	2.40	2.15	-10%
Broker 6	12-Feb-14	2.70	2.70	0%
Broker 7	15-Apr-14	2.60	2.20	-15%
<b>Average</b>		<b>2.43</b>	<b>2.26</b>	<b>-7%</b>
<b>Median</b>		<b>2.56</b>	<b>2.17</b>	<b>-15%</b>

<sup>1</sup> Report dates vary around previous results announcement date of 14 August 2013.

Source: Broker reports and GTCF calculations

- In relation to the brokers' forecasts above, we note that RKN is currently in a transition phase due to the recent termination of the Intuit licencing agreement and the recent development and launch of Reckon One. Accordingly, the market may have a conservative forecast on the future financial performance of RKN due to the inherent uncertainty on the level of take-up of Reckon One.
- The recent share price movements are relatively consistent with the movements in the S&P/ASX300 and other companies within the Software & Services industry group, as indicated in the following chart.



Source: Capital IQ and GTCF calculations

The relative divergence in share price from the index levels is mainly as a result of company specific factors such as the termination of the Intuit agreement, timing of dividend payments, and addition of the Company to a new index.

- Since the addition of RKN to the S&P/ASX300, the reported short positions held has averaged 1.4 million which is equal to approximately 1.1% of shares on issue. This compares to the average for ASX listed companies over the same period of approximately 1.6% of shares on issue.

Although RKN's reported short positions are slightly below the average, it has been relatively consistent since the addition the S&P/ASX300, which appears to indicate that the share price is not distorted by short positions or a lack thereof.

### 7.1.2 Conclusion on quoted securities

Based on the above analysis of the share price and market for RKN Shares, we conclude that there appears to be no indication that the share price does not appropriate reflect the fair market value of RKN shares on a minority basis. Set out below is a summary of the recent VWAP of RKN Shares.

	Low	High	VWAP
	\$/share	\$/share	\$/share
Prior to 06 Jun 2014			
5 day	2.09	2.17	2.13
10 day	2.05	2.17	2.10
1 month	1.98	2.17	2.06
2 month	1.95	2.17	2.02
3 month	1.95	2.29	2.11
4 month	1.95	2.29	2.09
5 month	1.95	2.29	2.10
6 month	1.95	2.29	2.10

Source: Capital IQ and GTCF calculations



Based on the analysis above, we have assessed the trading price of between \$2.05 and \$2.15 as representative of the current fair market value of RKN Shares on a minority basis.

The fair market value of RKN Shares on a minority basis implies an equity value between \$260.2m and \$272.9m on a minority basis as indicated below.

Implied Equity Value		Low	Mid-point	High
Assessed value per share	\$/share	2.05	2.10	2.15
Number of shares outstanding	('000)	126,913	126,913	126,913
Equity Value (on a minority basis)	A\$('000)	260,172	266,517	272,863

Source: *Computershare and GTCF calculations*

## 7.2 Valuation cross check

Prior to reaching a conclusion of the fair market value of RKN Shares on a minority basis, we have assessed the reasonableness of the equity value implied by our assessment of the market value of quoted securities, by comparing the EBITDA multiple implied by our valuation assessment to the EBITDA multiple of listed comparable companies and completed comparable transactions.

This method only provides an indicative market value of RKN as the EBITDA multiple may vary significantly between the different listed comparable companies due to a variety of factors including size, geographic segmentation, historic and forecast financial performance and other factors.

### 7.2.1 RKN's EBITDA multiple implied by our valuation assessment

Our valuation assessment of RKN based on the market value of quoted securities implies an EBITDA multiples as summarised below:

Valuation cross check	Low A\$('000)	Mid-point A\$('000)	High A\$('000)
Equity Value (on a minority basis)	260,172	266,517	272,863
Net Debt as at 31 December 2013	14,918	14,918	14,918
Enterprise Value (EV)	275,090	281,435	287,781
FY13 EBITDA	35,323	35,323	35,323
FY14 EBITDA <sup>1</sup>	39,694	39,694	39,694
FY15 EBITDA <sup>1</sup>	43,216	43,216	43,216
FY16 EBITDA <sup>1</sup>	45,452	45,452	45,452
FY13 Implied EBITDA multiple	7.8	8.0	8.1
FY14 Implied EBITDA multiple	6.9	7.1	7.3
FY15 Implied EBITDA multiple	6.4	6.5	6.7
FY16 Implied EBITDA multiple	6.1	6.2	6.3

<sup>1</sup>Consensus broker forecast

Source: *Computershare, Capital IQ, RKN 2013 Annual Report, Broker reports and GTCF calculations*



## 7.2.2 EBITDA multiple of listed comparable companies

Set out below are the EBITDA multiples of selected listed comparable companies. A brief description of the selected comparable companies is set out in Appendix C.

Company	Country	Market Capital (\$m)	LTM	FY2014	FY2015	FY2016
			EV/EBITDA Actual	EV/EBITDA Projected	EV/EBITDA Projected	EV/EBITDA Projected
Intuit Inc.	United States	22,719	13.7x	11.7x	10.7x	10.0x
Xero Limited.	New Zealand	3,724	NM <sup>1</sup>	NM <sup>1</sup>	NM <sup>1</sup>	NM <sup>1</sup>
Technology One Limited	Australia	846	19.2x	18.1x	16.0x	14.0x
Sage Group plc	United Kingdom	4,527	12.5x	12.2x	11.4x	10.8x
NetSuite Inc.	United States	5,974	NM <sup>1</sup>	NM <sup>2</sup>	NM <sup>2</sup>	NM <sup>2</sup>
SAP AG	Germany	65,897	11.3x	10.8x	9.9x	9.0x
Thomson Reuters Corporation	United States	30,938	11.8x	11.7x	10.5x	10.0x
Nuance Communications, Inc.	United States	5,392	NM <sup>2</sup>	13.2x	12.1x	11.6x
<b>Average<sup>3</sup></b>			<b>13.7x</b>	<b>12.9x</b>	<b>11.8x</b>	<b>10.9x</b>
<b>Median<sup>3</sup></b>			<b>12.5x</b>	<b>11.9x</b>	<b>11.0x</b>	<b>10.4x</b>

NM: Not Meaningful

<sup>1</sup> Company has historically or is forecast to have negative EBITDA.

<sup>2</sup> Company has historically or is forecast to be only marginally profitable at EBITDA level.

<sup>3</sup> Excluding items marked NM

Source: Capital IQ and GTCF calculations

In relation to the EBITDA multiple of the selected listed comparable companies, we note that:

- The selected comparable companies are engaged in the provision of integrated enterprise management software solutions, similar to RKN.
- The selected comparable companies are all active in the Australian market, similar to RKN.
- The trading multiples listed above have been calculated based on the market price for minority or portfolio share holdings and do not include a premium for control, similar to our valuation assessment of RKN Shares.
- Xero and NetSuite are both pursuing high growth strategies through the provision of cloud-based enterprise management software solutions. As a result, both companies are not profitable or generate limited profitability. As such, the trading multiples for these companies are not highly comparable and have been excluded from our assessment of the average and median EBITDA multiple.
- Nuance has only been marginally profitable over the last twelve months, but is expected to return to profitability from FY14 onwards. Accordingly, we have excluded the LTM trading multiple for Nuance from our assessment of the average and median EBITDA multiple.

We note that the historical and forecast average and median EBITDA multiples are higher than those implied by our valuation assessment. We believe the multiple differential is not unreasonable given the following factors:



- All of the selected companies are considerably larger than RKN. All else equal, larger companies tend to trade at higher multiples.
- Some of the selected companies are global leaders in their service offerings with strong market positioning and brand prominence. These companies are likely to be exposed to significantly less company specific risk than smaller competitors such as RKN.
- The selected comparable companies are significantly more internationally diversified than RKN. Companies with globally diversified operations tend to have less exposure to country specific risks including political risks, exchange rate risks and other macroeconomic risks, and will consequently trade at higher multiples.
- All the selected comparable companies excluding Sage Group and Thompson Reuters Corporation have historically and are forecast to achieve higher revenue growth than RKN.

Company	Country	Market Capital (A\$m)	FY2011	FY2012	LTM	FY2014	FY2015	FY2016
			Actual	Actual	Actual	Projected	Projected	Projected
Intuit Inc.	United States	22,719	1%	10%	15%	3%	8%	8%
Xero Limited.	New Zealand	3,724	184%	107%	262%	-1%	79%	88%
Technology One Limited	Australia	846	15%	8%	11%	1%	11%	10%
Sage Group plc	United Kingdom	4,527	4%	0%	-2%	1%	7%	5%
NetSuite Inc.	United States	5,974	22%	31%	43%	23%	28%	29%
SAP AG	Germany	65,897	14%	14%	3%	5%	7%	8%
Thomson Reuters Corporation	United States	30,938	6%	-5%	-5%	1%	2%	3%
Nuance Communications, Inc.	United States	5,392	18%	25%	13%	8%	6%	5%
<b>Low</b>			<b>1%</b>	<b>-5%</b>	<b>-5%</b>	<b>-1%</b>	<b>2%</b>	<b>3%</b>
<b>Average</b>			<b>33%</b>	<b>24%</b>	<b>43%</b>	<b>5%</b>	<b>18%</b>	<b>20%</b>
<b>Median</b>			<b>15%</b>	<b>12%</b>	<b>12%</b>	<b>2%</b>	<b>7%</b>	<b>8%</b>
<b>High</b>			<b>184%</b>	<b>107%</b>	<b>262%</b>	<b>23%</b>	<b>79%</b>	<b>88%</b>
Reckon Ltd.	Australia	265	1%	7%	1%	4%	6%	5%

- There are company specific risks associated with RKN as previously outlined in Section 4, such as the uncertainty surrounding the timing and extent of success of Reckon One, the magnitude of the decision to move to a subscription model business and the potential for loss of market share to Intuit. These company specific risks may reduce the EV of RKN and result in a lower multiple.

### 7.2.3 EBITDA multiple of comparable transactions

We have further considered the EBITDA multiples implied by recent transactions in the integrated enterprise management software sector as set out below. A brief description of the target companies is set out in Appendix D.



Date	Target Company	Country	Bidder Company	Stake %	Deal Value \$m	Deal Status	EBITDA Multiple X
Jun-12	IOB Folhamatic Group	Brazil	Sage Group plc	75%	193	Closed	NM
Aug-11	MYOB Holdings Pty Limited	Australia	Bain Capital Private Equity	100%	1,200 <sup>1</sup>	Closed	11.3
Jun-11	Mamut ASA	Norway	Visma AS	100%	163	Closed	13.6
May-11	Equitrac Corporation	United States	Nuance Communications, Inc.	100%	150	Closed	NM
Dec-10	Visma AS	Norway	Montagu Private Equity LLP; Kohlberg Kravis Roberts & Co.; HgCapital; HSBC Principal Investments	100%	1,849	Closed	12.5
Aug-10	TeamSystem S.r.l.	Italy	HgCapital; HgCapital Trust plc	100%	796	Closed	11.3
Oct-08	MYOB Holdings Pty Limited	Australia	Archer Capital Pty Ltd.; HarbourVest Partners, LLC	100%	448	Closed	5.2
Oct-07	Business Objects S.A.	France	SAP AG	100%	7,862	Closed	NM
<b>Average</b>							<b>10.8</b>
<b>Median</b>							<b>11.3</b>

NM: Not Meaningful

<sup>1</sup> Approximation - exact amount undisclosed.

<sup>2</sup> Company is forecast to experience significant EBITDA growth.

Source: Capital IQ and GTCF calculations

In relation to the EBITDA multiples implied by the above transactions, we note that:

- The target companies which are the subject of the above transactions are engaged in the provision of integrated enterprise management software solutions, similar to RKN.
- At the time of the transactions, IOB Folhamatic Group, Equitrac and Business Objects S.A. had achieved and were expected to continue to realise significant growth of their respective businesses. All else equal, high growth companies will trade at higher multiples than other companies. As such, the transaction multiples for these companies are not highly comparable and have been excluded from our assessment of the average and median EBITDA multiple.

We note that the historical and forecast average and median EBITDA multiples are higher than those implied by our valuation assessment. We believe the multiple differential is not unreasonable given the following factors:

- None of the above noted transactions have been completed recently and accordingly, they are not highly reflective of the current economic environment and may not reflect the transaction multiple demanded by a potential purchaser.
- The transaction multiples may incorporate various levels of control premium paid for by the acquirers. Evidence from studies indicates that premiums for control on successful takeovers have frequently been in the range of 20% to 40% and that the premiums vary significantly from transaction to transaction.
- The transaction multiples may reflect various synergies paid for by the acquirer which may be unique to the acquirers.



- The transaction multiples are calculated based on the historical EBITDA of the acquired companies which typically tends to provide higher multiple relative to forecast EBITDA multiples due to the growth expectations typically included into forecast financial performance.
- MYOB, Visma and TeamSystem are considerably larger than RKN. All else equal, larger companies tend to trade at higher multiples.
- Mamut, Visma and TeamSystem operate outside of Australia and have different exposure to country specific risks including political risks, exchange rate risks and other macroeconomic risks. Accordingly, these companies are less comparable than those which operate in similar macroeconomic environments, such as MYOB.
- The initial purchase of MYOB by Archer Capital in 2008 occurred at a time when market conditions were significantly different to the current market conditions.
- As previously noted, there are company specific risks associated with RKN as previously outlined in Section 4, such as the uncertainty surrounding the timing and extent of success of Reckon One, the magnitude of the decision to move to a subscription model business and the potential for loss of market share to Intuit. These company specific risks may reduce the EV of RKN and result in a lower multiple.

#### 7.2.4 Cross check conclusion

Based on the above analysis and discussion, we are of the opinion that our valuation assessment of RKN based on the trading price of quoted securities is reasonable.

**8 Evaluation of the fairness of the Proposed Buyback**

As set out in section 2, Grant Thornton Corporate Finance has assessed the fairness of the Proposed Buyback by comparing the Buyback Price of \$1.85 per share with the fair market value per RKN share on a minority basis before the Proposed Buyback.

As outlined below, based on our assessment of the fair market value of RKN Shares on a minority basis and the size of the Intuit Interest, we note that the value of consideration to be provided to Intuit is lower than the fair market value of the Intuit Interest.

Comparison of fair market value of Intuit Interest to consideration under Selective Buyback Agreement		Low	Mid-point	High
Assessed value per share	\$/share	2.05	2.10	2.15
Intuit Interest	('000) shares	14,828	14,828	14,828
Fair market value of Intuit Interest	A\$('000)	30,398	31,139	31,881
Buyback Price per share	\$/share	1.85	1.85	1.85
Total value of consideration	A\$('000)	27,432	27,432	27,432
Excess of fair market value over consideration	A\$('000)	2,966	3,707	4,448

Source: Computershare, Selective Buyback Agreement and GTCF calculations



## **9 Sources of information, disclaimer and consents**

### **9.1 Sources of information**

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Draft Notice of Meeting and Explanatory Memorandum.
- Final executable selective buyback agreement.
- NAB funding agreement.
- Annual reports of RKN for FY11, FY12 and FY13.
- Releases and announcements by RKN on the ASX.
- RKN website.
- Capital IQ.
- Broker's reports.
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from Management of RKN and its advisers.

### **9.2 Qualifications and independence**

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to RKN and all other parties involved in the Proposed Buyback with reference to the ASIC Regulatory Guide 112 "Independence of expert" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to RKN, its shareholders and all other parties involved in the Proposed Buyback.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with RKN or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Buyback.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Buyback, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Buyback. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.



### **9.3 Limitations and reliance on information**

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by RKN and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by RKN through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of RKN.

This report has been prepared to assist the directors of RKN in advising the RKN Shareholders in relation to the Proposed Buyback. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Buyback is fair and reasonable to the RKN Shareholders.

RKN has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by RKN, which RKN knew or should have known to be false and/or reliance on information, which was material information RKN had in its possession and which RKN knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. RKN will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

### **9.4 Consents**

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of General Meeting and Explanatory Memorandum to be sent to RKN Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.



**Appendix A – Glossary**

A\$ or \$	Australian dollar
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Book value	Net assets
CAGR	Compound annual growth rate
Chapter 2J	Chapter 2J of the Corporations Act
Company	Reckon Limited
Corporations Act	Corporations Act, 2001 (cth)
DCF	Discounted cash flow
EBITDA	Earnings before interest, tax, depreciation & amortisation
EBITDA multiple	EV to EBITDA multiple
EMH	Efficient Market Hypothesis
EPS	Earnings per share
EV	Enterprise Value
FSG	Financial Services Guide
FY/HY	Financial year/Half financial year
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
Intuit	Intuit Inc. and associated entities
JV	Joint Venture
Linden House	Linden House Software Limited
Management	Management of RKN
Non-Associated Shareholders	RKN Shareholders excluding Intuit
Perpetual	Perpetual Limited and subsidiaries
Resolution	Resolution as defined in the Notice of Meeting
RG110	ASIC Regulatory Statement 110 “Share Buy-backs”
RG111	ASIC Regulatory Statement 111 “Content of expert reports”
RG112	ASIC Regulatory Statement 112 “Independence of experts”
RKN	Reckon Limited
ROE	Return on equity
Shares	Fully paid ordinary shares in RKN
VWAP	Volume Weighted Average Price



## Appendix B – Valuation methodologies

### Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

### Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

### Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

### Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

### Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

### Appendix C – Comparable companies

Company	Description
Intuit Inc.	Intuit Inc. provides business and financial management solutions for small businesses, consumers, and accounting professionals in the United States, Canada, the United Kingdom, Australia, India, and Singapore. The company offers QuickBooks financial and business management software and services; QuickBooks technical support; financial supplies; Demandforce, which provides online marketing and customer communication solutions; payroll products and services; merchant services, including credit and debit card processing; electronic check conversion and automated clearing house services; Web-based transaction processing services for online merchants; and GoPayment mobile payment processing services. The company also provides TurboTax income tax preparation products and services for consumers and small businesses; Lacerte, ProSeries, and Intuit Tax Online professional tax products and services; and QuickBooks Premier Accountant Edition and the QuickBooks ProAdvisor Program for accounting professionals. In addition, it offers Quicken line of desktop software products to reconcile bank accounts, pay bills, record credit card, and other transactions, as well as to track investments, mortgages, and other assets and liabilities; and Mint personal finance service that shows various financial accounts in one online location. The company sells its products and services through various sales and distribution channels, including Websites, promotions, call centers, retail locations, and online stores, as well as through alliance partners, banks, credit unions, and securities and investment firms. The company was founded in 1983 and is headquartered in Mountain View, California.
Xero Limited.	Xero Limited provides a platform for online accounting and business services for small businesses and their advisors primarily in New Zealand, Australia, the United Kingdom, and the United States. It also offers a product for personal finance. The company has approximately 200,000 paying customers. The functions of the Xero application include online accounting, bank reconciliation, invoicing, financial reporting, payroll system, pay bills, online support, expense claims, inventory, multi-currency, fixed asset depreciation, and dashboard, as well as a range of add-ons. It has strategic alliance with KPMG and H&R Block, Inc. Xero Limited was founded in 2006 and is headquartered in Wellington, New Zealand.
TechnologyOne Limited	Technology One Limited develops, markets, sells, implements, and supports integrated enterprise business software solutions in Australia, New Zealand, the United Kingdom, and Malaysia. Its software solutions include TechnologyOne Financials that delivers enterprise-wide control and integration of financial information for strategic decision making; TechnologyOne Human Resource & Payroll, a human resource management system, which provides a road map for people management activities; TechnologyOne Supply Chain, an integrated solution for inventory control; TechnologyOne Business Intelligence, which provides various tools to deliver information to the right people at the right time; and TechnologyOne Enterprise Budgeting that enables organizations to create and manage budgets. The company also offers TechnologyOne Performance Planning, which delivers integrated strategic and operational planning processes; TechnologyOne Property & Rating that enables organizations to manage property, land, people, and address related information; TechnologyOne Student Management, which provides an online, real-time view of information to stakeholders of an educational institution; TechnologyOne Enterprise Asset Management, an integrated solution that optimizes asset management lifecycle; TechnologyOne Enterprise Content Management, which enables organizations to capture, store, manage, publish, and dispose information contained within its business documents; TechnologyOne Customer Relationship Management that manages external and internal stakeholder relationships; and TechnologyOne Mobile solutions, which empower the people working outside a traditional office. In addition, it provides custom software development services. The company serves the government, local government, financial services, education, health and community services, utilities, and managed services markets. Technology One Limited was founded in 1987 and is headquartered in Fortitude Valley, Australia.
Sage Group plc	The Sage Group plc provides business management software and services for small and medium sized businesses. It offers various solutions for accounting, enterprise resource planning, payroll, tax, practice management, accounts production, integrated customer relationship management, business intelligence, and payments. The company serves owners, book keepers, and finance directors. It operates primarily in Europe, the Americas, Africa, Australia, the Middle East, and Asia. The Sage Group plc was founded in 1981 and is headquartered in Newcastle upon Tyne, the United Kingdom.
NetSuite Inc.	NetSuite Inc. provides cloud-based financials/enterprise resource planning (ERP) and omnichannel commerce software suites in the United States and internationally. It offers NetSuite, a platform for financials/ERP, customer relationship management (CRM), professional services automation (PSA), and e-commerce capabilities that automates processes across departments; and NetSuite OneWorld to manage various companies or legal entities, with different currencies, taxation rules, and reporting requirements. The company also provides NetSuite CRM+ that provides sales force automation, marketing automation, customer support, and service management functionality; NetSuite OpenAir PSA, a PSA solution, which is used by professional services organizations, and provides a view into the services organization's performance and profitability with dashboards and reports; and SuiteCommerce solution for retail and B2B businesses. In addition, it offers NetSuite Retail Anywhere, a point-of-sale solution for retail businesses; TribeHR, a suite of HCM functionality; LightCMS, a Web-based software platform; add-on modules; NetSuite industry editions; and SuiteCloud Platform that allows customers, partners, and developers to meet specific company, vertical, and industry requirements for personalization, business processes, and best practices. The company sells its products directly through professionals to medium-sized businesses and divisions of companies; and indirectly through its relationships with channel partners. It serves various industries, including distribution and wholesale; professional, consulting, and other services; computer software; e-commerce and retail; manufacturing; computer and IT services; telecommunications services; financial services; healthcare services; and education. The company has a partnership with DocuSign, Inc. to



Company	Description
	offer SuiteApp, a digital transaction management solution. NetSuite Inc. was founded in 1998 and is headquartered in San Mateo, California.
SAP AG	SAP AG provides enterprise application software and software-related services worldwide. The company offers solutions covering various lines of businesses, including asset management; corporate strategy and sustainability; finance; human resources; information technology; manufacturing; marketing; procurement; research and development, and engineering; sales; service; and supply chain management on premise or through the cloud as software-as-a-service offerings. It also supports enterprises in various industries in consumer, discrete manufacturing, energy and natural resources, financial services, public services, and services industry sectors. In addition, the company provides SAP Business All-in-One solution, the SAP Business One application, and Edge solutions; SAP Business ByDesign and SuccessFactors HCM Suite; SAP Business One Cloud for small businesses and midsize companies; and SAP HANA, a subscription based enterprise cloud. Further, it offers SAP Business Suite software, which includes SAP Customer Relationship Management, SAP ERP, SAP Product Lifecycle Management, SAP Supplier Relationship Management, and SAP Supply Chain Management applications that facilitate to create a business process platform for companies; mobile solutions comprising enterprise mobility management, mobile apps, and SAP Mobile Platform; database and technology solutions, including application development and integration, and database solutions; and cloud solutions. Additionally, the company provides analytic solutions, such as business intelligence; enterprise performance management; governance, risk, and compliance; and predictive analytics solutions, which enable users to unlock the data they need. It also offers custom development, and maintenance and support services; and consulting and education services. The company, formerly known as SAP Aktiengesellschaft Systeme, Anwendungen, Produkte in der Datenverarbeitung, was founded in 1972 and is headquartered in Walldorf, Germany.
Thomson Reuters Corporation	Thomson Reuters Corporation provides intelligent information for businesses and professionals worldwide. The company sells electronic content and services to professionals, primarily on a subscription basis. It operates through four segments: Financial & Risk, Legal, Tax & Accounting, and Intellectual Property & Science. The Financial & Risk segment offers news, information, and analytics; enables transactions; and brings together communities that allow trading, investing, financial, and corporate professionals to connect. This segment also provides regulatory and operational risk management solutions. The Legal segment offers online and print information, decision support tools, and software and services to support legal, investigation, business, and government professionals. This segment's products and services comprise legal research solutions; software-based workflow solutions; compliance solutions; marketing, finance and operations software; and business development and legal process outsourcing services. The Tax & Accounting segment provides integrated tax compliance and accounting information, software, and services for professionals in accounting firms, corporations, law firms, and government. The Intellectual Property & Science segment offers intellectual property and scientific information, and decision support tools and services that enable governments, academia, publishers, corporations, and law firms to discover, develop, and deliver innovations. The company also operates Reuters, which provides real-time multimedia news and information services to newspapers, television and cable networks, radio stations, and Websites. The company was formerly known as The Thomson Corporation and changed its name to Thomson Reuters Corporation in April 2008. Thomson Reuters Corporation was incorporated in 1977 and is headquartered in New York, New York.

Source: Capital IQ



**Appendix D – Comparable transactions**

Target Company	Description
Business Objects S.A.	As of January 29, 2008, Business Objects S.A. was acquired by SAP AG. Business Objects S.A. provides business intelligence software and services worldwide. The company develops, markets, distributes, and provides solutions that enable organizations to track, understand, and manage enterprise performance within and beyond the enterprise. It offers enterprise information management tools and technologies that enable customers to extract and cleanse data from disparate sources, transform it, and load it into data marts and warehouses. The company also offers information discovery and delivery solutions that includes its business intelligence platform, which provides customers with the technology to enable them to support users inside and outside the organization, and includes the ability to deploy, control, and manage their deployments; reporting tools that facilitate accessing data, formatting it, and delivering it as information to users inside and outside the organization; and query and analysis products that allow end users to interact with business information and answer ad-hoc questions themselves without advanced knowledge of the underlying data sources and structures. In addition, it offers enterprise performance management tools that enable customers to perform 'what if' analysis; create capital plans and strategic forecasts; develop general budgeting, payroll planning, and sales planning; and manage financial consolidations and employee productivity. Business Objects SA serves the consumer packaged goods, communications, financial services, government, healthcare, and retail sectors. The company has strategic alliances with Accenture; International Business Machines Corporation; Microsoft Corporation; Oracle Corporation; Capgemini; Deloitte; Teradata; and Bearing Point. The company was incorporated in 1990 and is based in Levallois-Perret, France.
MYOB Holdings Pty Limited	MYOB Holdings Pty Limited develops and publishes software for small and medium enterprises in Australia and New Zealand. The company operates through three divisions: Business, Accountants, and Enterprise. It offers MYOB online accounting software, PC accounting software, and Mac accounting software for Mac users to manage invoicing, expenses, GST, inventory, and payroll; retail and point of sale software to manage sales, stock, and customers in one system; Website and hosting solutions; and various add-on solutions. The company also provides MYOB EXO Business, an integrated financial and business management system that support finance, customer relationship management, job and project costing, accountant's assistant, point of sale, fixed assets, serviceable units, and API and intercompany; and MYOB EXO Employer Services, a solution to control aspects of staff administration, such as managing HR records to capture time, plan rosters, and streamline payroll, as well as to manage and communicate with people. In addition, it offers MYOB Accountants Office and MYOB Accountants Enterprise accounting practices solutions, which include Practice Manager, a practice management solution for accounting practices; tax preparation, lodgment, and management software; Client Accounting, a general ledger and reporting system; Document Manager, a document and knowledge management system; and Corporate Compliance system. The company's accounting practices products also comprise other solutions, such as Profitoptimiser, a business advisory tool; Insolvency, a system designed for insolvency practitioners; CompanyDocs that provides quality documents; and PDF Manager that convert tax returns and MS Word documents, and MS Excel spreadsheets into secure PDF files, as well as client solutions that include BankLink that provides client transactional data. Further, it provides training and support services. The company was founded in 1991 and is headquartered in Glen Waverley, Australia.
TeamSystem S.r.l.	TeamSystem S.r.l. designs, develops, distributes, installs and services enterprise resource planning (ERP) and business management software, and related value-added services to micro, small, and medium businesses; and accountants, labor advisors, and lawyers in Italy. The company operates in three segments: Software and Services, Education, and Computer Aided Design/Computer Aided Manufacturing (CAD/CAM). It offers financial and tax management, procurement, logistics, production, sales, and distribution applications to facilitate customers to manage and develop their businesses and operations by automating and integrating business processes. The company's ERP software solutions include Gamma Enterprise, Gamma Sprint, Gamma Plus/Evolution, and Gymnasium System products, as well as customer-relationship management solutions for small and medium sized enterprises; Easyfatt management software for independent professionals and micro-sized enterprises; and GECOM Evolution Multi, GECOM Evolution Redditi, GECOM Evolution Paghe, Legal System, and Domustudio software solutions for professionals. TeamSystem S.r.l. distributes its software products directly, as well as through value added resellers. It also provides educational services, including professional training to accountants, labor advisors, lawyers, notaries, and business managers; organizes and provides seminars and conferences for the members of the senior management of large businesses, financial institutions, public administrations, and professional firms; and sells publications with content derived from the seminars and e-learning modules. In addition, the company sells and delivers CAD/CAM software products. Further, it provides assistance and maintenance support services. The company was founded in 1979 and is based in Pesaro, Italy. TeamSystem S.r.l. is a subsidiary of Titan Luxco 3 S.a.r.l.
Visma AS	Visma AS provides business software and services. The company operates through the Small and Medium Businesses (Visma Software SMB), Government and Large Accounts (Visma Software GLA), and Business Process Outsourcing (Visma BPO) segments. The Visma Software SMB segment provides cloud-based financial solutions, ERP and financial systems, cloud-based invoicing and payment solutions, HRM and payroll administration systems, solutions for artisans and other industries, customer collaboration for accounting practices, and business automation and practice management for accounting practices; CRM, cloud-based expense and project management, training, and invoicing, dunning, and debt collection services; and Web hosting, communication, and collaboration solutions to small to medium sized businesses. The Visma Software GLA segment offers mobile and cloud solutions for schools and childcare; mobile and dataflow solutions within healthcare; software solutions for large amounts of data; e-government solutions; IT solutions for BPM, document flow, and mobile; ERP and financial systems; supply and logistics software; HRM and payroll administration systems; ERP integrated with retail data solutions; retail store software, hardware, and IT infrastructure; retail POS, self-checkout, and service stations; digital signage and electronic shelf labels; mobile and



Target Company	Description
	<p>handheld units and applications; and retail security and environmental monitoring systems. It also provides software project delivery, system development and integration, application management, procurement administration and notification, and retail consultancy, installation, and training services. This segment serves large enterprises, government organizations, and retail businesses. The Visma BPO segment provides accounting, payroll, financial advisory, and online accounting services; and staffing, recruitment, and temp services. The company is headquartered in Oslo, Norway. Visma AS is a subsidiary of Archangel AS.</p>
Mamut ASA	<p>Mamut ASA provides integrated software solutions and Internet services for small and medium sized enterprises. The company offers Mamut One, an ERP Software and online services solution; Mamut Enterprise, a business software solution; Mamut Office, a total financial system; Mamut Point of Sale, a point of sale solution for small businesses; and Mamut CRM &amp; Sales, a customer and sales management system, which gives employees access to a view of various contacts, including records of previous conversations and correspondence, order and invoice history, and other relevant documents. It also provides Mamut Accounting software that streamlines routine tasks and provides analysis; Mamut Web, an e-commerce solution, which enables small businesses to make a Website and sell their products on the Internet; Mamut ServiceSuite Planning, an administrative program for mobile workers who need updated information available through the Internet, mobile phone, or PDA; Mamut ServiceSuite E-commerce that enables streamlined communication and interaction between wholesalers/manufacturers and their customers through an integrated extranet/e-commerce solution; and Mamut Bureau, a bookkeeping system; and Mamut Payroll, an HMRC accredited payroll system. In addition, the company offers Mamut Online Backup, which allows to undertake secure backup copies; Mamut Open Services, such as Mamut Asset Register, Mamut StartUp, Mamut Online Survey, Mamut Home Free, Mamut Web Free, and Mamut ServiceSuite Planning Free; Mamut AccountEdge, a small business accounting packages for Mac; and Mamut DO\$H Cashbook that allows users to keep an accurate set of books for their business. It has strategic partnerships with Microsoft, Symantec, WorldPay, The International Association of Accountants Innovation &amp; Technology Consultants, The Colchester Business Enterprise Agency, Qtac Payroll Products, PC World, Rentsoft, and Baker Tilly. The company was founded in 1994 and is headquartered in Oslo, Norway. As of July 4, 2011, Mamut ASA operates as a subsidiary of Visma AS.</p>
IOB Folhamatic Group	<p>IOB Folhamatic Group develops integrated accounting and business management software solutions for Brazilian businesses. It offers Electronic Invoice, which focuses on agility and security; Payroll, a tool for personnel management that automates electronic files, reports, and operations; Electronic Point Control, which integrates with Folhamatic's payroll system to streamline decision making process; Telecont system, which provides information about company's activities through management reports and graphs; E-fiscal software, which helps in tax filing process; Fatumatic, which allows for the daily control of clients' billing processes; Estmatic tool, which allows companies to manage and control the movement of their stock and production orders; and Finamatic, a financial management solution that presents positions and forecasts of accounts payable and receivable. The company also offers Venda Mais, a commercial automation tool that streamlines trade sales; IOB Mitrus, an electronic audit solution that validates and certifies the accounting and/or fiscal digital files that must be presented to the tax authorities; e-CRM Accounting, a relationship management accounting solution; and Admsoft, an accounting office administrator. In addition, it offers systems implementation, training, online backup, electronic document management, technical visits, and other services; and Online Curriculum Database, which helps in searching for professionals trained in the use of its systems. IOB's products and services serve professionals who need and depend on information and business solutions in the accounting, tax, labor, social security, corporate, legal, and public administration. The company was formerly known as Folhamatic Tecnologia em Sistemas Ltda and changed its name to IOB Folhamatic Group in February 2012. IOB Folhamatic Group was founded in 1990 and is based in Americana, Brazil. As of June 25, 2012, IOB Folhamatic Group operates as a subsidiary of Sage Group plc.</p>

Source: Capital IQ



Reckon Limited – Independent Expert's Report

**Lodge your vote:**

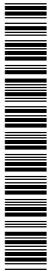
 **Online:**  
www.investorvote.com.au

 **By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) www.intermediaryonline.com

**For all enquiries call:**  
(within Australia) 1300 855 080  
(outside Australia) +61 3 9415 4000



— 000001 000 RKN  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

**www.investorvote.com.au**



**Cast your proxy vote**



**Review and update your securityholding details**

**Your secure access information is:**

**Control Number: 999999**

**SRN/HIN: I9999999999**

**PIN: 99999**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.



**For your vote to be effective it must be received by 10.00am (Sydney time) Sunday, 20 July 2014**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form →**

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Reckon Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Special General Meeting of Reckon Limited to be held at Level 12, 65 Berry Street, North Sydney, NSW, 2060, Tuesday 22 July at 10:00am (Sydney time) and at any adjournment or postponement of that meeting.

## STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

### Special business

1 Selective share buy-back

For	Against	Abstain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date / /

RKN

999999A

Computershare +