



Reckon®

2017 | Annual Report

# Reckon Limited Annual Report

ABN 14 003 348 730

For the Financial Year Ended 31 December 2017

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# Message from the Group CEO

2017 turned out to be a very important year for Reckon Limited, its shareholders, clients and employees.

The board has been grappling for several years with the challenge of unlocking value from a diverse portfolio of businesses.

Our original mission was to pursue a strategy of building or acquiring a range of businesses to best serve small businesses and accountants. We considered ourselves leaders in offering integrated solutions for businesses and accountants.

We started in the small to medium sized business accounting software market under the then QuickBooks brands and later under the independent Reckon Accounts and Reckon One brands. We also expanded the business to include practice management software under the Reckon APS brand, acquired in 2004 and Reckon Elite acquired in 2006. The logical extension of this acquisition meant that we then acquired a corporate services business known as Reckon Espreon in 2008. This also included the Reckon Billback cost recovery and expense management business, later supplemented by the nQueue acquisition in 2009. This was followed by the acquisition of document management businesses under the Reckon Virtual Cabinet business in 2012 and Smartvault in 2016.

Over the years in various guises we ran four distinct businesses that were logically and strategically integrated: a Business Group; Accountant Practice Management Group (including Corporate Services); a Document Management Group and a Legal Practice Management Group.

Overall we considered the strategy to be successful and this was evidently perceived by the market in the same way. However, roughly since the time we pursued our own cloud based small business accounting solution in the Business Group we sensed that the market perhaps began undervaluing the overall business. This was possibly a result of an over focus on the competitive landscape for the Business Group in isolation from the other Groups as well as possibly ignoring the value derived from ongoing desktop businesses. It was apparent that the valuation of the whole was less than the sum of the parts.

We embarked on a different strategy to unlock value.

Thus effective 4 August 2017 we de-merged the Document Management business via an in-specie distribution of shares to Reckon shareholders in a newly listed entity, GetBusy Plc, on the AIM market of the LSE.

And as announced on 16 November 2017, we concluded the sale of the Accountant Practice Management Group to MYOB. As at the writing of this Annual Report the sale remains conditional upon regulatory approvals from the Australian Consumer and Competition Commission and the New Zealand Commerce Commission.

The return to shareholders from these transactions, assuming the Accountant Practice Management Group sale becomes unconditional, is not insignificant:

Group	Standalone Valuation
Document Management Group De-merger	\$32m
Accountant Practice Management Group Sale (subject to ACCC and NZCC)	\$180m

The market value of the Group prior to these transactions being announced was \$150 million. These businesses represented roughly 50% of the Group.

On the assumption that the Accountant Practice Management Group sale becomes unconditional, the focus of the company will be on its Business and Legal Groups to pursue growth in the online small business accounting software market as well as to pursue opportunities in the legal market, particularly in Scan solutions.

Specifically, in the Business Group, we have positioned Reckon One to cater for micro businesses with an easy to use product at a very competitive price point. Our Reckon Accounts Hosted product continues to grow strongly as we transition desktop customers to the cloud.

In the Legal Group, the Scan solution is generating a large proportion of new business revenue with potential for opportunities outside its traditional legal market. We are also transitioning this business to a subscription revenue model.

All in all we are confident that our strategies are bearing fruit and we will continue to serve our shareholders, clients and employees.

Shareholders are encouraged to keep an eye on the ASX announcement platform to keep up to date with developments in the Accountant Practice Management Group sale process.



**Clive Rabie**  
Group CEO

## Message from the Chairman

2017 was indeed an important year and we are very proud of the corporate transactions that were implemented and we eagerly await the finalisation of the sale of the Accountant Practice Management Group.

That said, sight should not be lost of the performance of the company in 2017. We have been operating in an extremely competitive market as vendors move more and more into the cloud.

In that context it is pleasing to report that for 2017 we managed to deliver solid results.

In the Business Group we have continued to sustain revenue in the mature desktop market while at the same time we have grown well in the online/cloud market. We continue to improve the quality of our revenue with a healthy portion of revenue derived from subscription sales. Subscription revenue was up 7% on the prior year.

In the Accountant Practice Management Group, putting its sale aside for a moment, we still provide leading solutions to professional firms and have been successfully winning new customers and selling additional modules to existing customers.

The Document Management Group that was de-merged effective 4 August 2017 only contributed 7 months of performance to the overall group and its excellent performance for the seven months of 2017 positioned it well for its independent existence on the AIM exchange of the LSE.

In the Legal Practice Management Group, results were modest because the generation of new business signed in 2017 was down on a very strong 2016. The business has generated more than 50% of new revenue in 2017 from the newly developed Scan product.

Overall I am pleased to present this annual report to shareholders and wish to thank them, our employees, partners and our clients for their ongoing support.



**Ian Ferrier**  
Chairman

# Directors' Report

The Directors of Reckon Limited submit these financial statements for the financial year ended 31 December 2017

## Ian Ferrier AM FCA

Independent Non-Executive Director, Independent Non-Executive Chairman

Ian Ferrier is a Fellow of the Institute of Chartered Accountants in Australia. He has extensive experience in company corporate recovery and turn around practice. He is also a director of a number of private and public companies. Ian is Chairman of Goodman Group Limited (since 2003) and a director of Energy One Limited. He has significant experience in property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and aviation and service industries. Ian joined the board on 17 August 2004. Ian is Chairman of the board.

## Greg Wilkinson

Founder, Independent Non-Executive Deputy Chairman

Greg Wilkinson has over 30 years experience in the computer software industry. Greg entered the industry in the early 1980s in London where he managed Caxton Software, which became one of the UK's leading software publishers. Greg co-founded Reckon in 1987 and was the Chief Executive Officer until February 2006. He was appointed to the position of Deputy Chairman in February 2006 and became a member of the board of the listed entity on 19 July 1999. He was appointed to the Audit & Risk Committee in February 2010 and Remuneration Committee in December 2011. He is also an investor and mentor to a number of cloud based start-up companies.

## Christopher Woodforde B Comm LLB

Independent Non-Executive Director

Chris Woodforde has an extensive background as a legal practitioner in New South Wales, South Asia and the United Kingdom spanning over 30 years. Over that time he has held a wide range of senior legal and consulting positions. He occupied senior positions in Microsoft from 1994 to 2008, including as Director of Legal and Corporate Affairs in Australia and New Zealand. More recently he has acted as a consultant and senior contributor in legal and commercial capacities for a range of clients. He has been and remains a mentor to, and investor in, private initiatives in the information and communications technology market. Chris' breadth of experience brings a unique mix of legal, commercial and management skills in South Asia, the United Kingdom, Australia and New Zealand well suited to information technology companies. Chris was appointed Chairman of the Audit & Risk Committee and the Remuneration Committee on 1 January 2016. Resigned on 27 July 2017.

## Clive Rabie

Group Chief Executive Officer

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

## Myron Zlotnick LLM, GCertAppFin

General Counsel and Company Secretary

Myron Zlotnick has over 20 years experience as a legal practitioner, general and corporate counsel, and as a director of companies in the information, communications and technology sector.

# Review of Operations and Statement of Principal Activities

## Summary

At the beginning of 2017 the business was structured as follows:

**2017**

Business Group

Legal Practice Management Group

Accountant Practice Management Group

Document Management Group

On 4 August 2017 the business was structured as follows:

**4 August 2017**

Business Group

Legal Practice Management Group

Accountant Practice Management Group

**Document Management Group de-merged, listed separately on the AIM Exchange**

On 16 November 2017, the company executed an agreement to sell the Accountant Practice Management Group (not including the Legal Group) to MYOB. This transaction is still conditional on approval from the ACCC and the NZCC. Assuming the transaction becomes unconditional in 2018, the business will be structured as follows:

**2018**

Business Group

Legal Practice Management Group

**Accountant Practice Management Group (sold to MYOB and when approved by ACCC and NZCC)**

**Document Management Group de-merged, listed separately on the AIM Exchange**

# Directors' Report (continued)

The Business Group undertakes the development, sales and support of business accounting software for small to larger sized businesses and personal wealth management software branded as Reckon One and Reckon Accounts Hosted (cloud products), Reckon Accounts Business, and Reckon Accounts Personal respectively.

The Legal Practice Management Group supplies software solutions to legal firms and corporations for revenue management, expense management, print solutions, business process automation, business intelligence, document service automation, scan and document management under the Reckon nQueue and Reckon Billback brands.

The Document Management Group (de-merged effective 4 August 2017) undertook the development, sales and support of document management solutions under the Reckon Virtual Cabinet and SmartVault brands.

The Accountant Practice Management Group (sold to MYOB Group conditional on ACCC and NZCC approval) undertakes the development, sales and support of practice management, compliance and efficiency tools for professional accounting firms under the Reckon APS and Reckon Elite brands. This business also supplies corporate services such as company registration, company secretarial tools and supply of relevant content under the Reckon Docs brand.

All Groups are supported by shared services teams which include IT, development, finance, marketing, logistics, legal and human resources.

## Business Group

The Business Group distributes and supports a range of programs under the Reckon brand. These programs are generally used by small to larger businesses in Australia and New Zealand and more recently in the United Kingdom. Alongside cloud, hosted and desktop accounting software the range includes a payroll and point of sale solution, as well as personal finance software.

A key focus in the Business Group is to grow the Reckon One cloud based business accounting software. Reckon One cloud based accounting software 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 (which includes payments and receipts, budgets and reporting); Invoices; Payroll; BankData (automatic bank statement import into accounts and reconciliation); Projects (manage revenue, costs and forecasts by project); Time & Billing (timesheets and expenses); Inventory and an open API for third party applications. The company has released a cloud based POS product, Single Touch Payroll (as mandated by the ATO) and an Inventory module via an API relationship with a third party.

Users can select which modules they need and only pay for those they use, making Reckon One a very cost-effective solution for small businesses.

One of the fastest growing products in the Reckon Accounts suite remains Reckon Accounts Hosted, a convenient secure online accounting software solution that very closely mimics the Reckon Accounts business range desktop package.

Reckon Accounts products include: (1) Reckon BankData, a bank feed solution which allows connections with banks and other financial institutions to download bank transaction information directly into accounting software; and (2) Reckon GovConnect, an SBR-enabled solution for lodging reports to government agencies such as the ATO.

The Company has implemented a new provisioning and payment portal to make the customer sign on process more efficient.

The Company is also engaged in entering partnerships with suppliers who can meet the strategic demands of small business for diverse needs such as small business loans and business or HR documentation. Since 2017 the Company has also partnered in the “Fintech” space to bring small business loans to its customer base.

## **Legal Practice Management Group**

The Legal Practice Management Group, under the Reckon nQueue and Reckon Billback brands, comprises cost recovery, expense management, and scan solutions that assist law firms and commercial and government clients by enhancing the automation and processing of any operational and administrative expenses, including print, copy, scan, telephone, online searches, emails, court fees, car services, credit card charges, courier costs and more. These solutions can be embedded directly into multi-function devices or reside on tablet computers or terminals to provide clients with the knowledge required to run their businesses more profitably.

A key focus of this Group is to reposition itself from a cost recovery provider to become a workflow expert in the areas of Print Management, Uniform Advanced Scanning and Cost Recovery. It is also pursuing a wider channel sales network including manufacturers of multi-purpose office machines.

## **Accountant Practice Management Group (Sold to MYOB subject to ACCC and NZCC approval)**

The Accountant Practice Management Group develops, distributes and supports the Reckon APS suite of solutions for professional service firms in Australia, New Zealand and, via a reseller arrangement, in the United Kingdom. For professional accountants these solutions include tax and accounts production. It also delivers a wide range of complementary applications for practice management.

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

All of the above modules are available in a hosted version called APS Private Cloud. Cloud based technology timesheets and time cost reports could be included in later offerings.

Sync Direct is a cloud based system that allows accountants to upload financial transaction data from virtually any source and automatically enter it into their practice management system for accounts and tax return preparation purposes. It is an extremely beneficial tool for professional accounting firms as it creates a "single ledger" experience for them without being required to use the same software as their clients.

The Reckon Elite product suite includes tax return preparation tools, practice management tools and related solutions mostly used by accountants and tax agents. Reckon Elite is predominantly used in small to medium sized accounting firms compared to Reckon APS which is used by larger firms.

The Reckon Docs corporate services business comprises technology for the registration and compliance management of companies and other business structures through an easy to use web based ordering system. This business provides clients with an online company registration service available 24/7; documentation and services for the establishment of a range of entities, especially trusts for self-managed superannuation funds; constitution updates and domain name registrations; and other documentation for human resources needs.

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

Reckon Docs also offer a desktop utility called Reckon Docs Desktop (RDD) that is a simple and convenient desktop application for company registration, searches, and ASIC compliance management. This product is also integrated into the Practice Management suite of APS, known as ACR.

## **Document Management Group (Until 4 August 2017)**

Prior to its de-merger from the Reckon Group effective on 4 August 2017, the Document Management Group provided software and support services for accountants, lawyers and businesses for document management and document portal solutions.

# Directors' Report (continued)

The Document Management Group operated under the Virtual Cabinet and SmartVault brands in Australia, New Zealand, USA and United Kingdom.

The Virtual Cabinet solution enables companies to control all documents in a secure document management system. Virtual Cabinet document management fully integrated with back office systems and has the ability to link all forms of electronic files back to client records. Linked with the document portal it also provides a secure and audit trailed method to send documents (with digital signatures if required) to selected recipients, and provides an efficient method for professionals to collaborate with their clients.

The SmartVault solution is a secure cloud based online document management system with a portal for workflow and client collaboration. It is a "lighter" cloud based version of the document management processes similar to what Virtual Cabinet provides on the desktop at the enterprise level.

## Results of Operations

### Results Headlines (IFRS) for Continuing Operations (Business Group & Legal Practice Management Group)

	2017 Result	2016 Result	% Change	Amount Change
<b>Restated</b>				
Revenue from continuing operations	\$48.9 million	\$49.7 million	Down 1%	\$0.8 million
EBITDA from continuing operations	\$15.9 million	\$16.9 million	Down 6%	\$1.0 million
NPAT attributable to owners of the parent from continuing operations	\$2.2 million	\$4.5 million	Down 50%	\$2.2 million

### Results Headlines (IFRS) for Discontinuing Operations (Accountant Practice Management Group to 31 December 2017 & Document Management Group to 31 July 2017)

	2017 Result	2016 Result	% Change	Amount Change
<b>Restated</b>				
Revenue from discontinued operations	\$41.4 million	\$48.1 million	Down 14%*	\$6.7 million*
EBITDA from discontinued operations	\$15.7 million	\$18.4 million	Down 15%*	\$2.7 million*
NPAT attributable to owners of the parent from discontinued operations	\$5.4 million	\$6.5 million	Down 17%*	\$1.1 million*

\* In the discontinued operations, the Document Management Division was only owned for 7 months in 2017 compared to 12 months in 2016, and profits were further impacted by \$1.6m of sale costs (\$1.1m after tax).

## Revenue

The results reveal underlying revenue growth in constant currency of 1%. The quality of revenue has improved over the last few years by the growth in online/cloud products, and with the subscription component of revenue in 2017 now at 75% of total revenue, growing at 6% over the prior year.

In addition, strategies of re-investing for future growth targeted at cloud technology and expanding markets in the Business Group resulted in cloud revenue growth in the Business Group of 18%. Online/cloud revenue presently represents 36% of Business Group revenue.

Modest revenue growth is offset by the quality of the revenue being recurring and providing a sustainable source of income for the business.

The future focus will be on attempting to migrate “non-paying” desktop customers in the Business Group using legacy products to move to hosted or cloud products.

Pursuing further strategic partnerships with industry bodies, niche industry groups and educational institutions is also planned as a source of revenue for online/cloud products.

And the Legal Practice Management Group has generated more than 50% of new revenue from its new Scan product. Scan solutions also opens up the addressable market, ie: not just legal firms. As the whole of business moves to subscription revenue, the Legal Practice Management Group is also beginning to implement this revenue model.

## **EBITDA**

Underlying EBITDA growth in constant currency was 1%. However, underlying expenditure on development costs was reduced by 19% for the period, thereby substantially improving cash flow. Future development costs will be focused on online/cloud technology and API relationships.

## **Dividends**

The de-merger of the Document Management Group returned a dividend in specie of an effective \$0.23 per share.

The Board intends to declare a special dividend in the second half of 2018 if the sale of the Accountant Practice Management Group is approved by the ACCC and NZCC, and hence does not intend to declare a final dividend for 2017. The final dividend for 2016 was \$0.03 per share.

## **Significant Changes in State of Affairs**

### **De-merger of Document Management Business**

Effective on 4 August 2017 the Document Management business was de-merged from the Reckon Group as an independent company with shares admitted to trading on the AIM Market of the London Stock Exchange (AIM), known as GetBusy Plc (GetBusy).

Full details of this process were announced to the market at all relevant times in 2017.

The de-merger was implemented through the declaration of a dividend by way of an in-specie distribution of GetBusy shares to Reckon shareholders. The dividend from retained earnings was based on an estimated net asset value of the de-merged business to be \$26 million at the time of the de-merger.

Eligible Reckon shareholders received one GetBusy share for every Reckon share held. This represented a deemed value of \$0.23 per Reckon share.

This was a strategic decision to place Reckon in a strong position to focus on its strategy in the Business and - at the time - its Practice Management segment and to obtain the benefit of improved cash flow by the removal of the development capital and new market costs of the Document Management segment.

The Document Management segment would in turn be freed up to pursue an independent strategy to develop new global market leading document management offerings, building on the existing customer base of the Virtual Cabinet and SmartVault businesses.

# Directors' Report (continued)

As a result a complex and diverse business portfolio was also simplified with a base set to unlock shareholder value.

The plan is for Reckon to take advantage of investment in cloud based products and focus on domestic activities while the Document Management segment will focus on overseas activities where the bulk of the potential market is.

## Sale of Accountant Practice Management Group

As an extension of this strategy to unlock shareholder value on 16 November 2017 Reckon sold its Accountant Practice Management Group business to MYOB Group Limited.

The transaction included the sale of the assets comprising the Reckon APS Practice Management business, the Reckon Elite Practice Management business, and the Reckon Docs Corporate Services business.

The sale will complete as an all cash sale for \$180 million.

Completion of the transaction is conditional on regulatory approval from both the ACCC and NZCC.

Reckon intends to use the proceeds – net of exit costs and tax - to repay the majority of its debt and then pay a special dividend to shareholders.

This is expected to occur in the second half of 2018.

## Future Developments, Business Strategies and Prospects for Future Financial Years

On the assumption that the sale of the Accountant Practice Management Group will complete, Reckon will narrow its focus on its Business and Legal Practice Management Groups to pursue growth in the online small business accounting software market as well as pursue opportunities in the legal market, particularly in scan and print solutions.

It is also intended to add value to the continuing businesses by focusing on continuing to convert a higher proportion of revenue to subscription and cloud.

Reckon will also pursue a strategy to invest in technology that is complementary to Reckon One.

Success in pursuing strategic ambitions is subject to certain risks. In general terms the businesses will always be subject to domestic macro-economic pressures to the extent that these may or may not impact the confidence of small to medium sized businesses. The markets in which we operate are vigorously competitive and subject to disruption and price pressure. The competitive landscape does show the emergence of disruptive operators in the cloud market, but the scale of yet to be acquired customers in all groups is large. Ambitions to expand overseas and product development carry execution risks. Furthermore, operationally, any business of this nature is subject to service interruption, infrastructure failure or data breaches.

The main risk arising from the Company and Group's financial instruments are currency risk, credit risk, equity price risk, liquidity risk and interest rate risk. See note 27 to the Financial Statements for further detail of these risks.

## Matters Since the End of the Financial Year

Refer to "Significant Changes in State of Affairs" above where the detail is set out of the sale of the Accountant Practice Management Group executed in November 2017, but expected to complete in 2018, subject to ACCC and NZCC approval.

Other than this, no matter or circumstance has arisen since the end of the year that has significantly affected, or may significantly affect the Company's operations in future financial years; or the results of those operations in future financial years; or the Company's state of affairs in future financial years.

# Remuneration Report (Audited)

## 1 Persons Covered by this Report

The Remuneration Report sets out, in accordance with section 300A of the Corporations Act: (i) the Company's governance relating to remuneration, (ii) the policy for determining the nature and amount or value of remuneration of key management personnel; (iii) the various components or framework of that remuneration; (iv) the prescribed details relating to the amount or value paid to key management personnel, as well as a description of any performance conditions; (v) the relationship between the policy and the performance of the Company.

Key management personnel (KMP) are the non-executive directors, the executive directors and employees who have authority and responsibility for planning, directing and controlling the activities of the consolidated entity. On that basis, the following roles/individuals are addressed in this report:

### Non-executive Directors

- Mr Ian Ferrier, independent non-executive director since 17 August 2004
  - Chairman of the Board since 1 July 2015
- Mr Greg Wilkinson, director since 19 July 1999
  - Deputy Chairman since 1 February 2006
  - Risk and Audit Committee member since 1 February 2010
  - Remuneration Committee member since 1 December 2011
- Mr Chris Woodforde, Independent non-executive director since 1 July 2015
  - Remuneration Committee Chair since 1 January 2016
  - Risk and Audit Committee Chairman since 1 January 2016.
  - Resigned effective 27 July 2017.

### Senior Executives Classified as KMP

- Mr Clive Rabie
  - Chief Operating Officer from 1 January 2001
  - Executive Director since 1 January 2005
  - Group Chief Executive Officer from 22 February 2006
- Mr Chris Hagglund
  - Group Chief Financial Officer (CFO) since 1 October 2004
- Mr Myron Zlotnick
  - General Counsel and Company Secretary since 1 October 2002
- Mr Sam Allert
  - MD ANZ since 1 October 2012
- Mr Daniel Rabie
  - Chief Operating Officer since 27 July 2015.
  - Resigned effective 31 July 2017.

# Remuneration Report (Audited) (continued)

## 2 Context of KMP Remuneration

The Board has spent considerable energy considering and adapting its approach to remuneration based upon external stakeholder feedback. In turn this is balanced with internal idiosyncrasies of the business that are taken into account in order to motivate, retain and attract senior executives.

Perceived high fixed remuneration relative to the market should be considered against the fact that fixed remuneration was set with reference to measures which the board felt were reasonable. The Board asks that shareholders consider that when the Company's market value is lower than at the time when fixed remuneration was determined, any pay cut would present a material and unacceptable risk of loss of KMP, and is not a practical solution. The Board has virtually frozen fixed pay or provided only modest increases except where remuneration was below market levels required to retain KMP or to provide compensation commensurate with responsibility. It should also be noted that several of the KMP have been employed for many years and were instrumental in the implementation of significant strategies to guide the Company through adversity in the early 2000's and stewarded the Company through recent challenges of transition from Intuit Inc. and the de-merger and sale of businesses with significant returns to shareholders.

In light of the de-merger of the Document Management business in August 2017 and the announcement of the sale of the Accountant Practice Management Group subject to ACCC and NZCC approval sometime in 2018, fixed remuneration will be adjusted to conform to the size of the remaining business.

Similarly it should be noted that for 2019 a new long term incentive (LTI) scheme will also be implemented to meet the demands of the size of the remaining business.

Historical concerns regarding the design and implementation of the LTI scheme have been addressed and the Board considers the plan in place for 2017 to be appropriate to meet the needs of the Company, the KMPs and the market. This is consistent with what was implemented in 2016 set out in great detail in the 2016 Remuneration Report and which was evidently well accepted by the market.

At the time of the writing of this report, the Company was in the process of working towards the completion of the sale of the Accountant Practice Management business to MYOB Group Limited. If the sale is completed, the size of the remaining business means that new foundations for remuneration may need to be implemented. This will have to be agreed with affected KMP and will be reported in the 2018 Remuneration Report.

## 3 Overview of Reckon's Remuneration Governance Framework & Strategy

The Company seeks input regarding the governance of KMP remuneration from a wide range of sources, including:

- Remuneration Committee Members,
- External remuneration consultants (ERCs),
- Stakeholder groups including proxy advisors, and
- Company management to understand roles and issues facing the Company.

The following outlines Reckon's remuneration governance framework.

### 3.1 Remuneration Committee

Authority for remuneration matters rests with the Remuneration Committee which reports to the board and makes recommendations regarding remuneration to the board which has ultimate responsibility for signing off on remuneration policies, practices and outcomes.

The Remuneration Committee was comprised of three non-executive directors:

- Mr Chris Woodforde (independent) as the Chair of the Committee, resigned effective 27 July 2017
- Mr Ian Ferrier (independent, Chairman of the Board)
- Mr Greg Wilkinson (independent, Deputy Chairman of the Board).

The Remuneration Committee operated substantially in accordance with the aims and aspirations of Principle 8 of the ASX Corporate Governance Principles and Recommendations ("ASX Principles and Recommendations"), including that the majority of the committee should be composed of independent non-executive directors.

The role and responsibilities of the committee are outlined in the Reckon Remuneration Committee Charter (the Charter), available on the Company Website. The role of the Remuneration Committee is to ensure that appropriate remuneration policies are in place which are designed to meet the needs of the Company and to enhance corporate and individual performance. That is, the development, maintenance and application of the Remuneration Governance Framework for the purposes of making recommendations to the Board regarding KMP remuneration matters, as well as advising the Board on procedures that must be undertaken in relation to the governance of remuneration, and communicating such matters to the market (such as the calculation of grants of incentives, review of performance conditions and receipt of independent advice, etc.).

Under the Charter, the Remuneration Committee is to be composed of at least three non-executive members with the majority being independent directors. This is not presently the case as Mr Chris Woodforde resigned effective 27 July 2017 and has not yet been replaced. A new non-executive member will be appointed to the remuneration committee during 2018.

The charter of the Remuneration Committee is available on the company's website at <https://www.reckon.com/au/investors/governance/>.

### 3.2 Trading Policy

The Trading Policy of the Company is available on the Company website. It contains the standard references to insider trading restrictions that are a legal requirement under the Corporations Act, as well as conditions associated with good corporate governance. To this end the policy specifies trading windows during which officers of the Company may trade in the securities of the Company, and that officers must seek permission from the Chairman of the Company before so doing. It also requires officers to notify the Company Secretary of the transaction once completed, and prohibits trading at all other times unless an exception provided by the Chairman following an assessment of the circumstances (e.g. financial hardship). Trading windows arise during the six week period commencing 24 hours after each of the following events:

- The announcement to the ASX of the company's half-year results
- The announcement to the ASX of the annual results and
- After the general meeting.

Officers generally includes directors and Senior Executives of the Company.

The policy also restricts employees from short-term trading or from hedging etc. and gives the Board the power to suspend all dealing in Company securities by employees at any time, should it be appropriate.

Prior to presenting full year results, equity plan participants are required to confirm that they have not entered into any transactions which would contravene the Company's trading policy.

# Remuneration Report (Audited) (continued)

## 3.3 Executive Remuneration Policy

The following outlines the policy that applies to executive KMP (and does not apply to non-executive directors):

- Remuneration should be composed of:
  - Base Package (inclusive of superannuation, allowances, benefits and any applicable fringe benefits tax (FBT) as well as any salary sacrifice arrangements)
  - Short term incentive (STI) which provides a reward for performance against annual objectives and
  - Long term incentive (LTI) which provides an equity-based reward for performance against indicators of shareholder benefit or value creation, over a three year period and
  - In total the sum of the elements will constitute a total remuneration package (TRP)
- Both internal relativities and external market factors should be considered
- TRPs ought to be structured with reference to market practices and the circumstances of the Company at the time
- That the Base Package policy mid-points should be set with reference to P50 (the median or the middle) of the relevant market practice
- That TRPs at Target (being the Base Package plus incentive awards intended to be paid for targeted levels of performance) should be set between P50 and P75 (the upper quartile, the point at which 75% of the sample lies below) of the relevant market practice so as to create a strong incentive to achieve targeted objectives in both the short and long term
- Remuneration will be managed within a range so as to allow for the recognition of individual differences such as the calibre of the incumbent and the competency with which they fulfil a role (a range of +/- 20% is used, in line with common market practices)
- Exceptions will be managed separately such as when particular talent needs to be retained or there are individuals with unique expertise that need to be acquired (“Red circle” exceptions) and
- Termination benefits will generally be limited to the default amount that may be provided for without shareholder approval, as allowed for under the Corporations Act.

Generally, remuneration structures are driven by the budget setting process and cost to company.

Market capitalisation is one of the factors that influences external assessments of the appropriateness of remuneration; it is understood that external groups tend to see it as the primary indication of the size and status of the Company, and the field in which the Company is competing for talent. While Reckon does not subscribe to this view exclusively and instead considers a broad range of factors that drive competition for talent in different parts of the Company, it is acknowledged that it must be a consideration when communicating with stakeholders.

The Company will also take into account the impact of corporate transactions on incentives designed to retain talent for the longer term.

## 3.4 Non-executive Director Remuneration Policy

The Non-executive Director Remuneration Policy applies to non-executive directors (NEDs) of the Company in their capacity as directors and as members of committees, and may be summarised as follows:

- Remuneration may be composed of:
  - Board fees inclusive of superannuation
  - Other benefits (if appropriate) and
  - Equity (if appropriate at the time, currently not applicable)

- Committee fees do not form part of the NED remuneration policy because at present the workload of the Board is shared equitably amongst its members
- Remuneration will be managed within the aggregate fee limit (AFL) or fee pool approved by shareholders of the Company – currently \$400,000 in accordance with shareholder approval in 2005
- Termination benefits will not be paid to NEDs by the Company
- A policy level of Board Fees (being the fees paid for membership of the Board, inclusive of superannuation) will be set with reference to the P50 (median or middle) of the market of comparable ASX listed companies.

During the FY17 reporting period the following fees were applicable:

Function	Role	Fee Including Super
Main Board	Chair	\$125,652
	Member*	\$113,059
Audit & Risk Committee	Chair	n/a
	Member	n/a
Nomination & Remuneration Committee	Chair	n/a
	Member	n/a
Other Committee	Chair	n/a
	Member	n/a

\*Average (annualised for Christopher Woodforde)

As at the commencement of FY18 the following fees apply:

Function	Role	Fee Including Super
Main Board	Chair	\$125,652
	Member*	\$120,176
Audit & Risk Committee	Chair	n/a
	Member	n/a
Nomination & Remuneration Committee	Chair	n/a
	Member	n/a
Other Committee	Chair	n/a
	Member	n/a

\*One other non-executive director, Greg Wilkinson.

### 3.5 Short Term Incentive (STI) Policy

Currently the short term incentive policy of the Company is that an annual component of executive remuneration should be at-risk tested over a single financial year, and allow the Company to modulate the cost of employment to align with individual and Company performance while motivating value creation for shareholders. In addition:

- STI should be settled in part or whole in the form of cash, and if appropriate at the time, a portion may be specified as being settled in the form of equity

# Remuneration Report (Audited) (continued)

- The target cash component of the STI at target should have a weighting in the remuneration mix that is no greater than the sum of LTI at target and any equity component of the STI at target, to ensure that executives are focused on long term value creation via equity ownership
- If part of the STI is to be settled in the form of equity:
  - STI deferral is to apply to contribute to the long term alignment of executives and shareholders, and to facilitate retention of senior executive talent, and
  - For FY17, approximately one third to one half of any STI award will be settled provided the incumbent has remained employed for 12 months following the end of the STI Measurement Period in order to receive the full award.

See below regarding the treatment of those executives for whom it is not reasonable to provide share-based equity due to the tax consequences that apply when the participant owns a material share of the Company's issued capital.

## 3.6 Long Term Incentive (LTI) Policy

Currently the long term incentive policy of the Company is that an annual component of remuneration of executives should be at-risk and based on equity in the Company to ensure that executives hold a stake in the Company, to align their interests with those of shareholders, and that executives share risk with shareholders.

Further:

- The LTI should be based on Performance Rights that vest based on assessment of performance against objectives
- The Measurement Period should be three years
- There should be two measures of long term performance, one which best reflects internal measures of performance and one which best reflects external measures of performance
- The measure that has strongest alignment with shareholders is total shareholder return (TSR), however it is recognised that absolute TSR is influenced by overall economic movements. Therefore the TSR component of LTI is based on relative TSR which removes broad market movements from assessments of the Company's TSR performance, and avoids windfall gains from broad market movements. Vesting only when the performance of the Company meets or exceeds the performance of the broader market
- Senior Executives are faced with significant and long term business development and project based challenges. Therefore the LTI should also be linked to the achievement of earnings growth objectives that will lead to value creation for shareholders, and the earnings per share (EPS) growth measure is considered the best measure of long term performance and value creation from an internal perspective, by the Board and by many stakeholders
- Reckon is fortunate to have KMP, including the CEO, who are already strongly aligned with shareholders due to personal acquisition and ownership of shares. When an executive owns a substantial portion of the Company's issued capital, they are ineligible for employee share scheme (ESS) tax treatment, and the consequences of participating in the plan are punitive. In order to address this there is a separate plan which is effectively the same as the Rights LTI plan but allows for the LTI instrument to be replaced with Share Appreciation Rights (SARs) which are settled in cash, when this circumstance arises. Such payments are treated the same way as a cash STI in terms of tax. This treatment also applies to any deferred component of STI that would otherwise be awarded in the form of share-based rights. Whilst it is recognised that the settling of incentive rights in the form of cash is unusual, it is trusted that shareholders understand the need to do so in these limited cases
- The SAR plan operates in a similar way to an option, in that the participant only receives a benefit to the extent of growth in value over the market value of a share at the time of calculation/granting. This requires that they be valued differently, as their value is not the whole value of a Company share.

### 3.7 Variable Executive Remuneration – The Short Term Incentive (STI)

Short Term Incentive (STI)	
Aspect	Plan, Offers and Comments
Purpose	The STI Plan's purpose is to give effect to an element of Senior Executive Remuneration. This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for Senior Executives to deliver and outperform annual business plans that will lead to sustainable superior returns for shareholders. Target-based STI's are also intended to modulate the cost to the Company of employing Senior Executives, such that risk is shared with the executives themselves and the cost to the Company is reduced in periods of poor performance.
Measurement Period	The Company's financial year i.e. from 1 January to the following 31 December.
Award Opportunities	<p><b>FY17 Offers</b></p> <p>The CEO was offered a target-based STI equivalent to roughly 24% of the Base Package for target performance, with a stretch opportunity of up to 110% of the target.</p> <p>Other Senior Executives who are KMP were offered a target-based STI equivalent to between 10% and 19% of the Base Package for target performance with a stretch opportunity of up to 110% of the target.</p> <p><b>Comments</b></p> <p>The incentive levels offered in FY17 were consistent with the proportional opportunities (proportional to Base Package) offered in previous years.</p> <p><b>FY18 Offer</b></p> <p>Given the potential change to the size of the business when the sale of the Accountant Practice Management Group completes sometime in 2018, subject to ACCC and NZCC approval, the Board has decided not to put any LTI plans in place for 2018 and will re-assess this after completion of the transaction.</p>

# Remuneration Report (Audited) (continued)

Key Performance Indicators (KPIs), Weighting and Performance Goals	<p><b>FY17 Offers</b></p> <p>KPIs may vary to some extent between participants and reflect the nature of their roles, while creating shared objectives where appropriate. KPIs used for FY17 included:</p> <ul style="list-style-type: none"> <li>• Revenue</li> <li>• EBITDA</li> <li>• EPS</li> </ul> <p>Weightings are applied to the KPIs selected for each participant to reflect the relative importance of each KPI. Information on this aspect and specific KPIs is given in detail elsewhere in this report.</p> <p><b>Comments</b></p> <p>The Board selected KPIs that were identified as having the strongest links with long term value creation for shareholders at the Company level, and those objectives over which individuals had most control that would also be expected to contribute to long term value creation and sustainability for shareholders within a 12 month period, as well as KPIs to recognise individual role related objectives and business plans for FY17.</p> <p><b>FY18 Offers</b></p> <p>Given the potential change to the size of the business when the sale of the Accountant Practice Management Group completes sometime in 2018, subject to ACCC and NZCC approval, the Board has decided not to put any LTI plans in place for 2018 and will re-assess this after completion of the transaction.</p>
Award Determination and Payment	<p>Calculations are performed following the end of the Measurement Period and the audit of Company accounts.</p> <p>Payments are in cash with PAYG tax deducted, paid following the completion of the Measurement Period and completed audited full year accounts. A portion of the STI (between one third and one half) is only paid a year later provided the KMP is still employed.</p> <p>Performance was determined following audit sign-off of the FY17 accounts.</p>
Change of Control	<p>The Board has discretion to terminate the STI for the Measurement Period and make pro-rata awards having regard to performance or make pro-rata awards based on performance and allow the plan to continue for the Measurement Period or make no interim awards and allow the Plan to continue for the Measurement Period.</p>
Plan Gate and Board Discretion	<p>If the Company's overall performance during the Measurement Period is substantially lower than expectations and resulted in significant loss of value for shareholders the Board may abandon the STI Plan for the Measurement Period or adjust STI payouts downward. The Board also has discretion to increase payouts, however, it has been determined that such discretion will only be applied in future when it would be substantially inappropriate not to do so, due to an anomaly during the Measurement Period, or because of exceptional circumstances, which would be explained in detail as part of the Remuneration Report.</p>
Fraud, Gross Misconduct etc	<p>If the Board forms the view that a Participant has committed fraud, defalcation or gross misconduct in relation to the Company then all entitlements in relation to the Measurement Period will be forfeited by that participant.</p>
Clawback and Malus	<p>A clawback policy is in place for cases of material misstatement or misconduct. The Remuneration Committee has the power to withdraw offers that have not vested or to clawback short-term incentives paid in the case of serious misconduct or material misstatement in the financial statements respectively.</p>

### 3.8 Variable Executive Remuneration – Long Term Incentive (LTI) – Performance Rights Plan

Long Term Incentive (LTI)	
Aspect	Plan, Offers and Comments
Purpose	<p>The LTI Plan's purpose is to give effect to an element of Senior Executive remuneration. This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for Senior Executives to deliver Company performance that will lead to sustainable superior returns for shareholders. Other purposes of the LTI Plan is to act as a retention mechanism so as to maintain a stable team of performance focused Senior Executives, to create alignment with the interests and experiences of shareholders and to modulate the cost to the Company of employing executives such that in periods of poor performance the cost is lesser (applies to non-market measures under AASB2). Currently the Company operates two performance rights plans, one which is settled in the form of Company shares (equity-based Rights), and one which is settled in the form of cash, but based on growth/change in the Company's share price (SARs), similar to an option (necessary to avoid potentially adverse tax treatment of certain executive KMP due to personal shareholdings).</p>
Measurement Period	Three years.
Form of Equity	<p>LTI is in the form of Performance Rights, which are either rights to:</p> <ul style="list-style-type: none"> <li>• ordinary Company shares, under the regular LTI plan,</li> <li>• or to a cash value equivalent to growth in the market value of a share in respect of each vested Performance Right, since the date of grant/calculation, under the share appreciation rights plan (SARs),</li> </ul> <p>both of which vest subject to the satisfaction of conditions related to long term performance and/or service on an identical basis i.e. the form of equity has no bearing on the setting of vesting conditions etc.</p> <p>There is no entitlement to dividends during the Measurement Period.</p>
LTI Value	<p>The Board retains discretion to determine the value of LTI to be offered each year, subject to shareholder approval in relation to Directors, when the Rights are to be settled in the form of a new issue of Company shares. The Board may also seek shareholder approval for grants to Directors in other circumstances, at its discretion.</p> <p><b>FY17 Offers</b></p> <p>In relation to the Group CEO, Performance Rights with a target/maximum value equivalent to 11% of the cash Base Package when target vesting applies.</p> <p>For other Senior Executives (direct reports to the MD/CEO, executive KMP) the LTI granted was equivalent to between 17% and 31% of Base Packages when target vesting applies. A stretch level is not available for performance that exceeds the targets.</p> <p>For the SAR plan, the value of a Right is determined by the Black-Scholes option model, ignoring vesting conditions. For FY17 (for the KPI period FY17 to FY19) the grant of rights was determined by an absolute number of shares only based on the Remuneration Committee's intention to provide a meaningful retention incentive for the 3 year period during which the transitional issues mentioned above will be faced by management.</p>

# Remuneration Report (Audited) (continued)

Measurement Period

The Measurement Period will be three years unless otherwise determined by the Board.

## **FY17 Offers**

Under the offers made during FY17, no rights will vest until the completion of the third year following the making of the offer. The Board will also consider vesting of 2017 offers taking account of the impact of the Sale of the Accountant Practice Management Group, subject to ACCC and NZCC approval of the transaction.

## **Comments**

Three year Measurement Periods combined with annual grants will produce overlapping cycles that will promote a focus on producing long term sustainable performance/value improvement and mitigates the risk of manipulation and short-termism.

## **FY18 Offers**

Given the potential change to the business when the sale of the Accountant Practice Management Group completes sometime in 2018, subject to ACCC and NZCC approval, the Board has decided not to put any LTI plans in place for 2018 and will re-assess this after completion of the transaction.

Vesting Conditions

The Board has discretion to set vesting conditions for each offer. Performance Rights that do not vest will lapse. The vesting conditions are TSR relative to the ASX 300, with a 50% weighting, and EPS Growth relative to target, with a 50% weighting. Adjustment of the TSR vesting scale will occur to remove any vesting at below-market (index) performance.

## **FY17 Offers**

Except as indicated below, a participant must remain employed by the Company during the Measurement Period and the performance conditions must be satisfied for Rights to vest.

The vesting scales are:

Performance Level	Annualised EPS Growth	Vesting
Below Threshold	< Budget	0%
Threshold	= Budget	75%
Between Threshold and Target	> Budget, <110% of Budget	Pro-rata
Target	110% of Budget	100%

Performance Level	Relative TSR of the Company as % of the S&P ASX 300 Accumulation Index	Vesting
Below Threshold	< Index	0%
Threshold	=Index (100%)	75%
Between Threshold and Target	>100%, <110%	Pro-rata
Target	110% of Index	100%

**FY18 Offers**

Given the potential change to the business when the sale of the Accountant Practice Management Group completes sometime in 2018, subject to ACCC and NZCC approval, the Board has decided not to put any LTI plans in place for 2018 and will re-assess this after completion of the transaction.

**Comments**

The Board of Reckon recognises that it is important that shareholders understand why the LTI vesting conditions selected are appropriate to the circumstances of the Company, and therefore seeks to be transparent in this regard.

A form of total shareholder returns (TSR) was selected as it recognises the total returns (share price movement and dividends assuming they are reinvested into company shares) that accrue to shareholders over the Measurement Period. This measure creates the most direct alignment between the experience of shareholders and the scaling of rewards realised by Senior Executives.

Relative TSR has been selected to ensure that participants do not receive windfall gains from broad market movements unrelated to the performance of the Senior Executives (which is the key feature that has led many companies to use relative TSR). Relative TSR achieves this by modulating the required TSR outcome of the Company based on indicators of overall market movements, and assessing performance in excess of broad market movements unrelated to the activities of the Company.

While ranked TSR was considered, it was not possible to identify a comparator group of companies that was statistically robust enough to be meaningful and the Board was concerned that this would undermine the link between executive performance and reward outcomes. In addition the comparator group used until very recently is no longer appropriate as several entities have failed or are no longer listed on the ASX. TSR relative to a robust indicator of market movements/performance will therefore apply to future grants of LTI.

The relative TSR vesting scale requires that the Company deliver a TSR to shareholders that is at least as good or better than the market over the Measurement Period before any vesting may occur. Full vesting becomes available when the TSR of the Company reaches 100% of the TSR of the index over the Measurement Period. The Target of 110% of the index is considered by the Board to be challenging, but achievable, should the Board's assumptions in making that assessment prevail. While, under such a TSR LTI approach, the market indicator is generic, the vesting scale reflects the expectations of the Board, management, shareholders and other stakeholders given the particular circumstances of the Company, relative to the broader market. This new measure is, in the view of the Board and based on advice, likely to better align the outcomes of the LTI plan with Company performance and shareholder interests than selecting a tailored but largely irrelevant comparator group of companies to which a generic vesting scale is then applied, which is the approach adopted by the vast majority of companies that use ranked TSR.

Based on advice received by the Board from its independent remuneration advisor in 2016, it is understood to be good practice to have both an external (TSR) and internal measure of long-term Company performance in relation to the LTI. The internal measures that will most clearly align with shareholder value creation at this stage will be the achievement of the earnings growth targets specified by the Board in consideration of business plans and economic circumstances each year. Therefore earnings per share growth (EPSG) is used as the second condition.

Retesting

The Plan Rules do not contemplate retesting and therefore retesting is not a feature of the Company's current LTI offers.

# Remuneration Report (Audited) (continued)

Plan Gate and Board Discretion	<p>A gate applies to the TSR component of the LTI such that no vesting will occur if the Company's TSR is not positive. If the movement of the index is low over the Measurement Period, at less than 5%, then the Board will exercise its discretion to limit vesting to the threshold level, or an even lesser level.</p> <p>The Board has the power to exercise discretion to decline to allow an award to vest, for example in the circumstances of a "bad leaver".</p>
Amount Payable for Performance Rights	<p>No amount is payable for Performance Rights.</p> <p>The value of Rights is included in assessments of remuneration and policy.</p>
Exercise of Vested Performance Rights	<p>Under the plan rules, vested Performance Rights will be available to be exercised, subject to the payment of any Exercise Price, until the last exercise date. Exercised Rights will be satisfied in the form of ordinary Company shares, except where the participant necessarily participates in the cash Rights (SAR) plan to address the tax issues faced by them as significant shareholders in the Company (see earlier discussion of this aspect).</p> <p>No amount is payable by participants to exercise vested Performance Rights.</p>
Dealing Restrictions on Shares	<p>Shares that result from the exercise and vesting of Performance Rights will be subject to dealing restrictions as per the Company's trading policy applicable to officers of the Company.</p>
Cessation of Employment During a Measurement Period	<p>In the event of cessation of employment due to dismissal for cause all unvested Performance Rights are forfeited.</p> <p>In the event of cessation of employment due to resignation or dismissal all unvested Performance Rights are forfeited.</p>
Change of Control of the Company	<p>The Board retains discretion under the rules of the plans to over-rule the automatic vesting of incentives in the event of "capital events" such as takeovers or restructures.</p>
Clawback and Malus	<p>A clawback policy is in place for cases of material misstatement or misconduct.</p>

In previous years the Company also operated a Retention Rights scheme which allowed for vesting based on service only. On 24 May 2011 the Remuneration Committee approved and recommended to the Board an extension to the long term incentive plan by adding a long term retention incentive. The genesis of the idea to extend the plan and offer additional performance shares was to provide a reward and an incentive for senior level employees who have a long employment history and good performance record (i.e. beyond the KMP).

It was also intended that these performance shares could be used to provide an incentive for employees with potential for a longer term contribution to the success of the company to participate in the growth of equity value of the company. Part of the company's success as an organisation is premised on human domain expertise and the consistency and longevity of service of KMP and other senior employees. The offer of these additional performance shares is designed to encourage and reward employees to commit to longevity as well as to complement other traditional forms of executive remuneration. By rewarding those employees who commit to the company over a very long period and thereby providing stability as the business grows and matures, the board believes long term shareholder benefits will result for shareholders.

The long term retention incentives are offered to selected employees with the principal vesting condition that participants must remain employed for the term specified (typically 7-10 years). The shares offered remain at risk of forfeiture until the relevant period of service has been satisfied. There is no entitlement to dividends during the relevant period of service.

It is the Remuneration Committee's belief that the addition of these performance shares has added to the balance and overall mix of remuneration to the applicable employees in a positive way. If the exacting service requirements are not satisfied then any costs incurred under AASB 2 will be recouped and any forfeited shares will be available for reallocation or to fund other employee equity entitlements.

However no grants were made to KMP under that plan during FY17, and in response to feedback from some shareholders and stakeholders, the Board does not contemplate making further grants such as this to executive KMP again unless exceptional circumstances arise. This legacy arrangement is being grandfathered and is phasing out, with the final tranche vesting at the end of FY20.

### **3.9 Securities Holding Policy**

The Board currently sees a securities holding policy as unnecessary since executives receive a significant component of remuneration in the form of equity and that a number of key executives already hold significant numbers of shares, voluntarily. Given that the outcome is effectively already being achieved, it was determined that such a policy was currently unnecessary.

### **3.10 Clawback Policy**

Reckon has adopted a clawback policy which is activated in cases of material misstatements in the Company's financial reports, or in cases of misconduct by executives.

# Remuneration Report (Audited) (continued)

## 4 Remuneration Records for FY17 – Statutory Disclosures

### 4.1 Senior Executive Remuneration

The following table outlines the remuneration received by Senior Executives of the Company during FY17 prepared according to statutory disclosure requirements and applicable accounting standards:

Name	Role(s)	Year	Salary	Superannuation Contributions	Other Benefits	Base Package		STI*		LTI**		Total Remuneration Package (TRP)
						Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	
Mr Clive Rabie	Group CEO	2016	\$786,250	\$35,000	\$0	\$821,250	76%	\$297,580	27%	(\$32,351)	-3%	\$1,086,479
	Group CEO	2017	\$848,190	\$30,000	\$0	\$878,190	65%	\$319,256	24%	\$148,375***	11%	\$1,345,821
Mr Chris Haggglund	Group CFO	2016	\$452,275	\$35,000	\$0	\$487,275	71%	\$137,395	20%	\$65,329	9%	\$689,999
	Group CFO	2017	\$476,143	\$29,200	\$0	\$505,343	64%	\$146,320	19%	\$133,552	17%	\$785,215
Mr Myron Zlotnick	General Counsel/ CoSec	2016	\$360,000	\$34,200	\$0	\$394,200	72%	\$91,497	18%	\$62,998	11%	\$548,695
	General Counsel/ CoSec	2017	\$371,932	\$29,933	\$0	\$401,865	64%	\$96,366	15%	\$125,209	20%	\$623,440
Mr Sam Allert	MD ANZ	2016	\$408,000	\$30,000	\$5,632	\$443,632	76%	\$91,639	16%	\$50,855	9%	\$586,126
	MD ANZ	2017	\$428,020	\$27,500	\$4,288	\$459,808	69%	\$99,571	15%	\$105,187	16%	\$664,566
Mr Daniel Rabie****	COO	2016	\$250,000	\$23,750	\$0	\$273,750	80%	\$28,950	8%	\$41,518	12%	\$344,218
	COO	2017	\$160,510	\$15,146	\$0	\$175,656	59%	\$29,919	10%	\$93,948	31%	\$299,523
<b>TOTALS</b>		<b>2016</b>	<b>\$2,256,525</b>	<b>\$157,950</b>	<b>\$5,632</b>	<b>\$2,420,107</b>		<b>\$647,061</b>		<b>\$188,349</b>		<b>\$3,255,517</b>
		<b>2017</b>	<b>\$2,284,795</b>	<b>\$131,779</b>	<b>\$4,288</b>	<b>\$2,420,862</b>		<b>\$691,432</b>		<b>\$606,271</b>		<b>\$3,718,565</b>

\* Note that the STI value reported in this table is the STI that was paid during the reporting period, being the award earned during the previous period. Incentive outcomes for the current and previous period are outlined elsewhere in this report.

\*\* Note that the LTI value reported in this table is the amortised accounting charge of all grants that have not lapsed or vested as at the start of the reporting period. Where a market based measure of performance is used such as TSR, no adjustments can be made to reflect actual LTI vesting. However in relation to non-market conditions, such as EPS, adjustments must be made to ensure the accounting charge matches the vesting. It is anticipated that if the sale of the Accountants Group completes, then the LTI share will vest, and hence the accrual is higher in 2017.

\*\*\* Some settled by cash and some by shares.

\*\*\*\* Resigned effective 31 July 2017.

Both target and awarded values of STI and LTI remuneration are outlined in the relevant sections of the Remuneration Report to assist shareholders to obtain a more complete understanding of remuneration as it relates to senior executives.

No termination benefits were paid in FY17.

Given the potential change to the business when the sale of the Accountant Practice Management Group

completes sometime in 2018, subject to ACCC and NZCC approval, the Board has decided to suspend its assessment of any vesting of LTI offers for the period 2015 to 2017 pending the completion of the sale of the Accountant Practice Management, which is subject to ACCC and NZCC approval. When the transaction is completed, the Board will reassess the impact of the transaction on the business and assess any vesting in accordance with the Plan Rules.

## 4.2 Non-executive Director Remuneration

Non-executive director fees are managed within the current annual fees limit (AFL or fee pool) of \$400,000 which was approved by shareholders at the 2008 AGM.

Remuneration received by non-executive directors in FY17 and FY16 is disclosed below:

Name	Role(s)	Year	Board Fees	Committee Fees	Superannuation	Other Benefits	Equity Grant	Termination Benefits	Total
Mr Ian Ferrier	Independent, Non-executive Chairman	2016	\$112,500	\$0	\$10,688	\$0	\$0	\$0	\$123,188
	Independent, Non-executive Chairman	2017	\$115,659	\$0	\$9,993	\$0	\$0	\$0	\$125,652
Mr Greg Wilkinson	Non-executive Director and Deputy Chairman	2016	\$107,500	\$0	\$10,212	\$0	\$0	\$0	\$117,712
	Non-executive Director and Deputy Chairman	2017	\$109,750	\$0	\$10,426	\$0	\$0	\$0	\$120,176
Mr Chris Woodforde*	Independent Non-executive Director	2016	\$95,000	\$0	\$9,025	\$0	\$0	\$0	\$104,025
	Independent Non-executive Director	2017*	\$56,438	\$0	\$5,362	\$0	\$0	\$0	\$61,800
<b>TOTALS</b>		<b>2016</b>	<b>\$315,000</b>	<b>\$0</b>	<b>\$29,925</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$344,925</b>
		<b>2017</b>	<b>\$281,847</b>	<b>\$0</b>	<b>\$25,781</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$307,628</b>

\*Resigned effective 27 July 2017.

# Remuneration Report (Audited) (continued)

## 5 Planned Executive Remuneration for FY17

The disclosures required under the Corporations Act and prepared in accordance with applicable accounting standards reflect an attempt to match remuneration with the services provided to earn that revenue whereas the table below provides information to users to understand remuneration offered to KMP to be earned in the current and future periods. For example the LTI disclosed is not reflective of the offer made in the year being reported on due to the requirements of AASB2. Therefore the following table is provided to ensure that shareholders have an accurate understanding of the Board's intention regarding the remuneration offered to executives during FY17, for target performance. It should be noted that the table presents target incentive opportunities for achieving a challenging but achievable target level of performance. In the case of STI, the maximum incentive may be up to 10% higher (i.e. 110% of the target) and no additional amount is available in relation to the LTI (i.e. target = maximum).

Position	Incumbent	Base Package Including Super	Fixed % TRP	STI			LTI			Total Remuneration Package at Target Performance
				Target % of Base Package	Target STI Amount	STI % TRP	Target % of Base Package	Target LTI Amount	LTI % TRP	
MD/CEO	Mr Clive Rabie	\$878,190	55%	37%	\$324,000	20%	44%	\$390,000	24%	\$1,592,190
Group CFO	Mr Chris Hagglund	\$505,343	64%	30%	\$151,500	19%	26%	\$130,000	17%	\$786,843
General Counsel/ CoSec	Mr Myron Zlotnick	\$401,865	64%	24%	\$98,000	16%	32%	\$130,000	21%	\$629,865
MD ANZ	Mr Sam Allert	\$455,520	66%	22%	\$100,000	15%	29%	\$130,000	19%	\$685,520
COO	Mr Daniel Rabie*	\$301,125	65%	12%	\$35,000	8%	43%	\$130,000	28%	\$466,125

\*Resigned effective 27 July 2017.

The incentives presented in the table above is the target level of STI and the target/maximum level of LTI offered for FY17, valued at the time of the grant. The target LTI is subject to the board's assessment of the impact of the sale of the Accountant Practice Management Group and will be revisited when the transaction is completed.

The intended value for STI and LTI will flow to participants when performance targets are achieved.

## 6 Actual/Realised Remuneration Relevant to FY17 Completion

The statutory disclosure requirements do not provide clear information on value obtained by KMP during the current year as the statutory information attempts to match the disclosed remuneration with when the services are provided. The following table outlines the non-deferred component of STI achieved during the financial year, and the LTI and/or any deferred STI that vested during the financial year in relation to the completion of the performance or vesting period at the end of the specified financial year:

Name	Role(s)	Year	Base Package Including Super		Non-deferred STI Awarded for the Financial Year		Deferred cash STI paid out for the FY		Grant Value of Previous Equity Grants that Vested for the FY*		Actual Total Remuneration Package (TRP)
			Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	
Mr Clive Rabie	MD/CEO	2016	\$821,250	72%	\$189,997	17%	\$129,259	11%	\$0	0%	\$1,140,506
	MD/CEO	2017	\$878,190	73%	\$188,963	16%	\$135,712	11%	\$0	0%	\$1,202,865
Mr Chris Hagglund	Group CFO	2016	\$487,275	73%	\$81,930	17%	\$64,390	13%	\$34,890	7%	\$668,485
	Group CFO	2017	\$505,343	77%	\$81,484	12%	\$70,369	11%	\$0	0%	\$657,196
Mr Myron Zlotnick	General Counsel/ CoSec	2016	\$394,200	77%	\$53,280	10%	\$43,086	11%	\$22,690	6%	\$513,256
	General Counsel/ CoSec	2017	\$401,865	80%	\$52,990	11%	\$45,237	9%	\$0	0%	\$500,092
Mr Sam Allert	MD ANZ	2016	\$443,632	79%	\$80,422	14%	\$19,149	4%	\$14,984	3%	\$558,187
	MD ANZ	2017	\$459,808	82%	\$79,984	14%	\$20,105	4%	\$0	0%	\$559,897
Mr Daniel Rabie**	COO	2016	\$273,750	90%	\$25,132	8%	\$4,787	2%	\$2,142	1%	\$305,811
	COO	2017	\$175,656	58%	\$12,500	4%	\$6,250	2%	\$107,430	36%	\$301,836
<b>TOTALS</b>		<b>2016</b>	<b>\$2,420,107</b>		<b>\$430,761</b>		<b>\$260,671</b>		<b>\$74,706</b>		<b>\$3,186,245</b>
		<b>2017</b>	<b>\$2,420,862</b>		<b>\$415,921</b>		<b>\$277,673</b>		<b>\$107,430</b>		<b>\$3,221,886</b>

\* This is the value as at grant of any equity that vested in relation to the completion of the specified financial year

\*\* Resigned effective 31 July 2017. Previous equity grants vested based upon the de-merger of the Document Management Group in August 2017 as a Qualifying Event under the Plan Rules. At exercise date the value of shares that vest can be calculated by reference to a VWAP based on 5 days trading price to the date of vesting, \$1.476

# Remuneration Report (Audited) (continued)

## 7 Performance Outcomes for FY17

### 7.1 Company Performance

The following highlights the major achievements, milestones and areas where value was created during FY17:

Most significant in relation to the financial position of the Company was the two “capital” transactions executed in 2017.

In the first place the Company de-merged its document management business into a separately listed entity on the AIM exchange of the LSE. This was implemented through the distribution of a dividend in specie to Reckon shareholders with an effective valuation of \$0.23 per Reckon share. The realised value of the de-merged business at the date of de-merger was roughly \$26 million.

Secondly, although still subject to ACCC and NZCC approval, in November 2017 the Company executed the sale of its Accountant Practice Management Group business to MYOB Group Limited in for \$180 million.

The Board considered these two events as excellent returns to shareholders at a time when the market perception of the business as a whole did not reflect true value. In the context of the approximate market value of the company at the time of these transactions being \$150 million, these are also excellent returns.

At the time of the writing of this Remuneration Report, the Board has yet to determine the impact of the two events on performance of the Company in the context of incentives in place for employees. Any decision in this regard will be suspended until the sale of the Accountant Practice Management Group is completed.

The Company has also made considerable progress in pursuing its strategic goals of re-investment for future growth and improving the quality of revenue.

The board views the implementation of these strategies as good outcomes for short term and long term planning.

Re-investment has been targeted at developing cloud technology and expanding markets. This has resulted in cloud revenue growth in the Business Group of 18%. Cloud revenue now represents 36% of Business Group revenue. It has also enabled the Legal Practice Management Group to generate more than 50% of new revenue from its newly developed Scan product.

In so far as improving the quality of revenue is concerned the strength of the Company has been substantially improved by the growth in cloud products, and with the subscription component of revenue in 2017 now at 75% of total revenue, growing at 6% over the prior year.

The following outlines the performance of the Company over the FY17 period and the previous 4 financial years in accordance with the requirements of the Corporations Act:

Date	Revenue (\$m)	Profit After Tax attributable to owners of the parent (\$m)	Share Price	Change in Share Price	Dividends
31-Dec-17	\$90.3*	\$7.6***	\$1.57	-\$0.02	\$0.23**
31-Dec-16	\$97.8*	\$11.0***	\$1.59	-\$0.81	\$0.05
31-Dec-15	\$91.4*	\$15.1***	\$2.40	\$0.59	\$0.07
31-Dec-14	\$100.8	\$17.6	\$1.81	-\$0.36	\$0.09
31-Dec-13	\$98.1	\$18.2	\$2.17	\$2.17	\$0.09

\* Note change in reporting of ASIC pass through revenue and costs impact.

\*\* The dividend in specie paid to shareholders in the Document Management de-merger was \$0.23 per share.

\*\*\* Note impact of investment in new markets, and in 2017 the Document Management Group was only included in the results for 7 months, and these results also include transaction costs incurred.

## 7.2 Links Between Performance and Reward

The remuneration of executive KMP is intended to be composed of three parts as outlined earlier, being:

- Base Package, which is not intended to vary with performance but which tends to increase as the scale of the business increases (i.e. following success)
- STI which is intended to vary with indicators of annual Company and individual performance, including a deferred component to encourage retention and
- LTI which is also intended to deliver a variable reward based on long-term measures of Company performance.

The STI paid during the FY17 period related to performance during the FY16 period and was paid in cash on 15 February 2017. On average 96% of the target award opportunity or 87% of the maximum award opportunity (being 110% of the target) available was paid. This level of award was considered appropriate under the STI scheme that was in place during FY16, which is summarised in the table below. Therefore there were strong links between internal measures of Company performance and the payment of short term incentives. The board also took account of the fact that the Document Management Group only contributed to 7 months of performance and profits for 2017 included the transaction costs.

# Remuneration Report (Audited) (continued)

Name	Position Held at Year End	FY16 Company Level KPI Summary				Award Outcomes
		KPI Summary	Weighting	Target	Achievement	Total Award
Mr Clive Rabie	MD/CEO	Revenue	40%	\$104.2m	98%	\$189,997
		EBITDA	40%	\$35m	94%	
		EPS	20%	7.3cps	95%	
Mr Chris Hagglund	Group CFO	Revenue	40%	\$104.2m	98%	\$81,930
		EBITDA	40%	\$35m	94%	
		EPS	20%	7.3cps	95%	
Mr Myron Zlotnick	General Counsel/ CoSec	Revenue	40%	\$104.2m	98%	\$53,280
		EBITDA	40%	\$35m	94%	
		EPS	20%	7.3cps	95%	
Mr Sam Allert	MD ANZ	Revenue	40%	\$104.2m	98%	\$80,422
		EBITDA	40%	\$35m	94%	
		EPS	20%	7.3cps	95%	
Mr Daniel Rabie	COO	Revenue	40%	\$104.2m	98%	\$25,132
		EBITDA	40%	\$35m	94%	
		EPS	20%	7.3cps	95%	

The STI achieved in relation to the FY17 period was paid after the end of the period (i.e. during FY18, on 14 February 2018). On average 99% of the target award opportunity or 90% of the maximum award opportunity (being 110% of the target) available was paid. This level of award was considered appropriate under the STI scheme since the objectives were set and offers made in relation to the achievement of each KPI at the beginning of the financial year, and the majority of those objectives were met. During the FY17 period the objectives that were linked to the payment of STI included:

Name	Position Held at Year End	FY17 Company Level KPI Summary				Award Outcomes
		KPI Summary	Weighting	Original Target*	Achievement	Total Award
Mr Clive Rabie	MD/CEO	Revenue	40%	\$101.3m	96%	\$188,963
		EBITDA	40%	\$35.6m	97%	
		EPS	20%	7.3cps	104%	
Mr Chris Hagglund	Group CFO	Revenue	40%	\$101.3m	96%	\$81,484
		EBITDA	40%	\$35.6m	97%	
		EPS	20%	7.3cps	104%	
Mr Myron Zlotnick	General Counsel/ CoSec	Revenue	40%	\$101.3m	96%	\$52,990
		EBITDA	40%	\$35.6m	97%	
		EPS	20%	7.3cps	104%	
Mr Sam Allert	MD ANZ	Revenue	40%	\$101.3m	96%	\$79,984
		EBITDA	40%	\$35.6m	97%	
		EPS	20%	7.3cps	104%	
Mr Daniel Rabie**	COO	Revenue	40%	\$101.3m	n/a	\$12,500
		EBITDA	40%	\$35.6m	n/a	
		EPS	20%	7.3cps	n/a	

\* The original target was adjusted to allow for the impact of the de-merger of the Document Management Group.

\*\* Was paid pro-rata to the date of his resignation on 31 July 2017.

As stated above the Board has suspended any decision relating to the vesting of LTI offers pending completion of the sale of the Accountant Practice Management Group, which is subject to ACCC and NZCC approval. In the case of Daniel Rabie, previous equity grants vested based upon the de-merger of the Document Management Group in August 2017 as a capital event under the Plan Rules.

This value is accounted for in the realised remuneration table presented earlier.

# Remuneration Report (Audited) (continued)

Incumbent	Role	Target LTI Value (at grant January 2015) to Vest for FY17	Tranche	Weighting	Number of Shares Eligible to Vest for FY17	Performance Against Target	% of Grant Vested	Number of Shares or Appreciation Rights Vested
Mr Clive Rabie	MD/CEO	\$189,000	TSR	100%	-	Pending	0%	0
Mr Chris Hagglund	Group CFO	\$81,500	TSR	100%	-	Pending	0%	-
Mr Myron Zlotnick	General Counsel/ CoSec	\$53,000	TSR	100%	-	Pending	0%	-
Mr Sam Allert	MD ANZ	\$35,000	TSR	100%	-	Pending	0%	-
Mr Daniel Rabie*	COO	\$5,000	TSR	100%	-	Partially Completed	Capital Event*	82,718

\* Resigned effective 31 July 2017. Previous equity grants vested pro-rata based upon the de-merger of the Document Management Group in August 2017 as a Qualifying Reason under the Plan Rules.

At no time during or in relation to FY17 did the Board exercise its discretion to increase the vesting of any equity that was subject to such discretion. Any vesting of LTI scheme incentives is assessed in the context of performance.

While previous/legacy LTI arrangements are still being phased out/grandfathered, the Board has made significant efforts in recent years to improve the alignment between performance and executive reward. The Board is confident in stating that the links between Company performance and executive reward, both internally and externally measured, and over both the short and long term, are well aligned, appropriate and strongly linked, going forward. However the Board will continue to make improvements and adjustments to these links as stakeholder expectations and Company circumstances evolve.

## 7.3 Links Between Company Strategy and Remuneration

The Company intends to attract and retain the superior talent required to successfully implement the Company's strategies at a reasonable and appropriately variable cost by:

- positioning Base Packages (the fixed element) around P50 of relevant market data benchmarks when they are undertaken
- supplementing the Base Package with at-risk remuneration, being incentives that motivate executive focus on:
  - short to mid-term objectives linked to the strategy via KPIs and annual performance assessments, and the imposing of deferral periods for part of STI awards and
  - long term value creation for shareholders by linking a material component of remuneration to those factors that shareholders have expressed should be the long term focus of executives and the Board.

Key strategies remain: investment in new technology; investment in new markets; sustaining existing profitable businesses for as long as possible while transitioning to the cloud. The company continues to play catch up in the cloud market because of historical restrictions imposed on it by its relationship with Intuit Inc. It is important to fix remuneration mindful of maintaining morale and retaining talent.

## 8 Employment Terms for Key Management Personnel

A summary of contract terms in relation to executive KMP is presented below:

Name	Position Held at Close of FY17	Employing Company	Duration of Contract	Period of Notice		Termination Payments
				From Company	From KMP	
Mr Clive Rabie	MD/CEO	Reckon Limited	Open ended	1 month	1 month	Up to 12 months*
Mr Chris Hagglund	Group CFO	Reckon Limited	Open ended	3 months	3 months	Up to 12 months*
Mr Myron Zlotnick	General Counsel/CoSec	Reckon Limited	Open ended	1 month	1 month	Up to 12 months*
Mr Sam Allert	MD ANZ	Reckon Limited	Open ended	1 month	1 month	Up to 12 months*
Mr Daniel Rabie**	COO	Reckon Limited	Open ended	1 month	12 weeks	Up to 12 months*

\* Under the Corporations Act the Termination Benefit Limit is 12 months average Salary (last 3 years) unless shareholder approval is obtained.

\*\* Resigned effective 31 July 2017.

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation relevant to the office of the director. Non-executive directors are not eligible to receive termination payments under the terms of the appointments.

A summary of the appointment terms in relation to non-executive KMP is presented below:

Name	Position Held at Close of FY17	Employing Company	Duration of Contract	Period of Notice		Termination Payments
				From Company	From KMP	
Mr Ian Ferrier	Independent, Non-executive Chairman	Reckon Limited	3 years	None	None	None
Mr Greg Wilkinson	Independent Non-executive Director and Deputy Chairman	Reckon Limited	3 years	None	None	None
Mr Chris Woodforde	Independent Non-executive Director	Reckon Limited	3 years	None	None	None

\* Resigned effective 27 July 2017.

# Remuneration Report (Audited) (continued)

## 9 Changes in KMP Held Equity

The following table outlines the changes in the amount of equity held by executives over the financial year:

Name	Instrument	Number Held at Open 2017		Granted FY17	Forfeited	Vested	Purchased / DRP	Number Held at Close 2017
		Dates Granted	Number	Number	Number	Number	Number	Number
Mr Clive Rabie	Shares		11,230,189	0	0	0	-	11,230,189
	Rights/Options		1,047,036	360,000	0	Pending	-	1,407,036
Mr Chris Hagglund	Shares		553,838	0	0	0	-	553,838
	Rights/Options		250,015	100,000	0	Pending	-	350,015
Mr Myron Zlotnick	Shares		196,370	0	0	0	-	196,370
	Rights/Options		234,274	100,000	0	Pending	-	334,274
Mr Sam Allert	Shares		16,679	0	0	0	-	16,679
	Rights/Options		169,332	120,000	0	Pending	-	289,332
Mr Daniel Rabie*	Shares		101,159	0	0	0	-	183,879
	Rights/Options		122,762	100,000	140,044	82,718	-	0

\* Resigned effective 31 July 2017. Vested pro-rata upon de-merger of the Document Management Group in August 2017.

\*\* The Board has suspended any decision relating to the vesting of LTI offers pending completion of the sale of the Accountant Practice Management Group, which is subject to ACCC and NZCC approval.

The following table outlines the changes in the amount of equity held by non-executive directors over the financial year:

Name	Instrument	Number Held at Open 2017		Granted FY17	Forfeited	Vested	Purchased / DRP	Number Held at Close 2017
		Date Granted	Number	Number	Number	Number	Number	Number
Mr Ian Ferrier	Shares		102,159	n/a	n/a	n/a	0	102,159
	Rights/Options		n/a	n/a	n/a	n/a	n/a	n/a
Mr Greg Wilkinson	Shares		8,019,374	n/a	n/a	n/a	0	8,019,374
	Rights/Options		n/a	n/a	n/a	n/a	n/a	n/a
Mr Chris Woodforde*	Shares		45,432	n/a	n/a	n/a	0	45,432
	Rights/Options		n/a	n/a	n/a	n/a	n/a	n/a

\* Resigned effective 27 July 2017.

The following table outlines the value of equity granted during the year that may be realised in the future:

2016 Equity Grants		Tranche	Total Value at Grant	Value Expensed in FY17	Max Value to be Expensed in Future Years	Min Value to be Expensed in Future Years
Name	Role					
Mr Clive Rabie	Group CEO	TSR	\$130,000	\$43,333	\$86,667	\$0.00
		EPS	\$260,000	\$86,667	\$173,333	\$0.00
		Service	Must be employed at end of performance period			
Mr Chris Hagglund	Group CFO	TSR	\$43,333	\$14,444	\$28,889	\$0.00
		EPS	\$86,667	\$28,889	\$57,778	\$0.00
		Service	Must be employed at end of performance period			
Mr Myron Zlotnick	General Counsel/CoSec	TSR	\$43,333	\$14,444	\$28,889	\$0.00
		EPS	\$86,667	\$28,889	\$57,778	\$0.00
		Service	Must be employed at end of performance period			
Mr Sam Allert	MD ANZ	TSR	\$43,333	\$14,444	\$28,889	\$0.00
		EPS	\$86,667	\$28,889	\$57,778	\$0.00
		Service	Must be employed at end of performance period			
Mr Daniel Rabie*	COO	TSR	\$43,333	\$14,444	\$28,889	\$0.00
		EPS	\$86,667	\$28,889	\$57,778	\$0.00
		Service	Must be employed at end of performance period			
<b>TOTALS</b>			<b>\$910,000</b>	<b>\$303,332</b>	<b>\$606,668</b>	<b>\$0.00</b>

\* Resigned effective 31 July 2017.

# Remuneration Report (Audited) (continued)

## 10 Other Remuneration Related Matters

The following outlines other remuneration related matters that may be of interest to stakeholders, in the interests of transparency and disclosure:

- Other than as disclosed, there were no loans to Directors or other KMP at any time during the reporting period and
- There were no relevant material transactions involving KMP other than compensation and transactions concerning shares, performance rights/options as discussed in this report.

The sale of the Accountant Practice Management Group to MYOB Group Limited, may be a Capital Event under the LTI Plan and the Retention Rights Plan. Under the Plan Rules, performance shares will be allocated irrespective of the performance criteria. The rules also state that in all cases save as the rules provide otherwise, the Board has an over-riding discretion in relation to any of its powers under the Rules.

## Indemnification of Directors and Officers and Auditors

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

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

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

## Directors' Meeting

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

Reckon Limited – Attendance Tables						
Directors	Meeting					
	Board		Audit & Risk Committee		Remuneration Committee	
	A	B	A	B	A	B
Ian Ferrier	13	13	2	2	1	1
Chris Woodforde	8	8	1	1	1	1
Greg Wilkinson	13	13	2	2	1	1
Clive Rabie	13	13	n/a	n/a	n/a	n/a

Key:

A - number of meetings eligible to attend

B - number of meetings attended

## Non-Audit Fees

Details of the non-audit services can be found in note 7 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 7 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit & Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the company or jointly sharing economic risks and rewards.

On behalf of the directors,

A handwritten signature in black ink, appearing to read "Ian Ferrier". The signature is written in a cursive, flowing style.

**Mr I Ferrier**

Chairman

Sydney 23 March 2018

The Board of Directors  
Reckon Limited  
Level 2  
100 Pacific Highway  
North Sydney NSW 2060

23 March 2018

Dear Board Members

## RECKON LIMITED

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

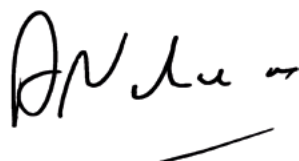
As lead audit partner for the audit of the financial statements of Reckon Limited for the financial year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely,



Deloitte Touche Tohmatsu



**Alfie Nehama**

Partner  
Chartered Accountants

## Independent Auditor's Report to the Members of Reckon Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Reckon Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- i. Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and
- ii. Complying with Australian Standards and the Corporations Regulation 2001.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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Member of Deloitte Touche Tohmatsu Limited

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<b>Capitalisation and carrying value of development costs</b>	
<p>As at 31 December 2017, the Group has capitalised developments costs totalling \$21.4m as disclosed in Note 12.</p> <p>The Group capitalises certain costs that are directly attributable to the development of intangible assets.</p> <p>As set out in Note 1 (w), significant judgement is involved in assessing whether the criteria for capitalisation of such costs, has been met, particularly in determining:</p> <ol style="list-style-type: none"><li>the appropriateness of the costs that can be capitalised and whether these costs were directly attributable to relevant products developed; and</li><li>the extent to which these capitalised development costs will generate sufficient economic benefit to support their carrying values.</li></ol>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"><li>Discussing the products for which development costs have been capitalised with management, to develop an understanding of the nature and feasibility of the products at 31 December 2017,</li><li>Obtaining an understanding of the key controls in place over the process for recording and identifying qualifying costs to be capitalised,</li><li>Assessing the appropriateness of costs capitalised with reference to internal documentation, including, on a sample basis, agreeing payroll costs capitalised to supporting payroll and time records, and cost allocation calculations, and</li><li>Evaluating the appropriateness of the carrying value of the capitalised development costs by major product, with reference to historical and forecast cash flows, and analysis of sales trends.</li></ul> <p>We also assessed the appropriateness of the disclosures in Note 12 to the financial statements.</p>

# Auditor's Report (continued)

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p data-bbox="167 510 742 660"><b>Impairment of goodwill</b></p> <p data-bbox="167 571 742 660">As at 31 December 2017 the Group has recognized goodwill of \$2.6m as a result of historic acquisitions over a number of years as disclosed in Note 12.</p> <p data-bbox="167 683 742 772">As set out in Note 1 (w), the directors' assessment of the recoverability of goodwill requires the exercise of significant judgement, including;</p> <ul data-bbox="167 795 742 963" style="list-style-type: none"><li data-bbox="167 795 742 851">i. In identifying the cash generating units (CGU's) to which the goodwill has been allocated, and</li><li data-bbox="167 862 742 963">ii. In estimating the future growth rates, nominal discount rates and expected cash flows of each CGU.</li></ul>	<p data-bbox="782 571 1276 593">Our procedures included, but were not limited to;</p> <ul data-bbox="782 616 1343 1198" style="list-style-type: none"><li data-bbox="782 616 1343 739">• Assessing the Group's categorisation of CGU's and the allocation of goodwill to the carrying value of CGU's based on our understanding of the Group's business,</li><li data-bbox="782 761 1343 884">• Challenging management's ability to accurately forecast cash flows by assessing the precision of the prior year forecasts against actual outcomes, and</li><li data-bbox="782 907 1343 1198">• Engaging our valuation specialists to assist with;<ul data-bbox="829 952 1343 1198" style="list-style-type: none"><li data-bbox="829 952 1343 1041">• Comparing the discount rate utilized by management to an independently calculated discount rate;</li><li data-bbox="829 1064 1343 1120">• Comparing the Group's forecast cash flows to the board approved budget, and</li><li data-bbox="829 1142 1343 1198">• Performing sensitivity analysis on the growth and discount rates.</li></ul></li></ul> <p data-bbox="782 1220 1343 1270">We also assessed the appropriateness of the disclosures in Note 12 to the financial statements.</p>

**Key Audit Matter****How the scope of our audit responded to the Key Audit Matter****Revenue recognition in respect of multiple element arrangements**

As at 31 December 2017 the Group has reported Sales Revenue of \$48.9m from its continuing operations disclosed in Note 3. The statement of financial position also reflects deferred revenue of \$5.7m.

In multiple element arrangements where goods and services are sold as a bundled product, the fair value of the goods and services component is estimated and then recognised as revenue over the period during which goods are transferred and services are provided. The fair value of each component is determined on a cost plus basis.

Significant judgement is required by management in determining the fair value attributable to each element of the bundled products and the period over which the revenue is recognised, together with the corresponding determination of deferred revenue.

Our procedures included but were not limited to:

- Testing controls over the recognition and measurement of revenue transactions,
- Assessing the appropriateness of the Group's revenue recognition accounting policies for multiple element arrangements and their compliance with the applicable accounting standards, and
- Recalculating the fair value attributed to each element of the bundle, including;
  - i. Confirming the appropriateness of the logic used by Management in the underlying allocation model;
  - ii. Ensuring the data inputs into the model have been properly extracted from underlying data sources, and
  - iii. Creating an independent expectation of the margin to be applied, and comparing this to Management's margin.

We also assessed the appropriateness of the disclosures in Note 1(n) and 1(o) to the financial statements.

# Auditor's Report (continued)

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<b>Discontinued operations and assets classified as held for sale</b>	
<p>During the year ended 31 December 2017:</p> <p>i. The Document Management Group (“DMG”) was de-merged into an independent company (“Getbusy”) and was implemented through an <i>In-Specie</i> Distribution of that business’ non cash assets to Reckon shareholders at the fair value of the assets to be distributed. The <i>In-Specie</i> distribution amounted to \$26.5 million as disclosed in Note 26.</p> <p>ii. Reckon Limited announced that it had reached agreement to sell its Accountant Practice Management Division (“APM”), subject only to receiving regulatory approval from both the ACCC and the NZCC after the year end.</p> <p>The assets and liabilities have been classified as ‘Assets classified as held for sale’ and ‘Liabilities directly associated with assets classified as held for sale in the statement of financial position.</p> <p>Significant judgement is required by management including:</p> <ul style="list-style-type: none"> <li>• Determining the fair value of the ‘<i>In-Specie</i>’ distribution, by reference to the fair value of the net assets distributed, and</li> <li>• Ensuring that the presentation of continuing and discontinued operations, as well as the disclosure, recognition and measurement of ‘Assets classified as held for sale’ along with the corresponding ‘Liabilities directly associated with assets classified as held for sale’ complies with the relevant accounting standards.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Agreeing the de-merger and sale transaction of the DMG and the APM to the relevant underlying agreements,</li> <li>• Agreeing the trading results of the DMG and the APM to the underlying financial records of each of these businesses,</li> <li>• Agreeing the ‘assets classified as held for sale’ and the ‘liabilities directly associated with assets classified as held for sale’ to the underlying financial records of APM,</li> <li>• Evaluating management’s assessment that the presentation of continuing and discontinued operations, as well as the disclosure, recognition and measurement of ‘Assets classified as held for sale’ along with the corresponding ‘Liabilities directly associated with assets classified as held for sale’ complies with the relevant accounting standards, including ensuring that assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and</li> <li>• Evaluating management’s determination of the fair value of the net assets of DMG which were distributed as an <i>In-Specie</i> dividend by reference to management’s internal valuation and the market capitalization of GetBusy on AIM admission date.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Notes 4, 5 and 26 to the financial statements.</p>

## **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material of this other information, we are required to report that fact. We have nothing to report in this regard,

## **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

# Auditor's Report (continued)

obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 13 to 38 of the Directors' Report for the year ended 31 December 2017.

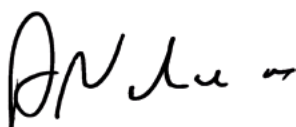
In our opinion, the Remuneration Report of Reckon Limited, for the year ended 31 December 2017, complies with section 300A of the Corporations Act 2001.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**DELOITTE TOUCHE TOHMATSU**



**Alfie Nehama**

Partner

Chartered Accountants

Sydney, 23 March 2018

# Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes as set out on pages 50 to 95, are in accordance with the Corporations Act 2001, and:
  - Comply with Accounting Standards; and
  - Comply with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
  - Give a true and fair view of the financial position as at 31 December 2017 and of the performance for the year ended on that date of the consolidated group;
2. The Chief Executive Officer and the Chief Finance Officer have each declared that:
  - The financial records of the company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
  - The financial statements and notes for the financial year comply with the Accounting Standards, and
  - The financial statements and notes for the financial year give a true and fair view;
  - That this opinion has been formed on the basis of a sound system of risk management and internal control which are operating effectively;
3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the directors,

A handwritten signature in black ink, appearing to read "Ian Ferrier". The signature is written in a cursive, flowing style.

**Mr I Ferrier**

Chairman

Sydney, 23 March 2018

# Consolidated Statement of Profit or Loss

for the year ended 31 December 2017

	Note	Consolidated	
		2017 \$'000	2016 \$'000
			<b>Restated<sup>1</sup></b>
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>48,924</b>	<b>49,683</b>
Product costs	3	(7,212)	(7,204)
Employee benefits expenses		(17,664)	(17,872)
Share-based payments expenses	3	(588)	(373)
Marketing expenses		(3,503)	(3,469)
Premises and establishment expenses		(1,363)	(1,214)
Depreciation and amortisation of other non-current assets	3	(12,302)	(10,340)
Telecommunications		(504)	(491)
Legal and professional expenses		(713)	(915)
Finance costs – bank loans and overdrafts		(853)	(1,049)
Other expenses		(1,442)	(1,213)
<b>Profit before income tax</b>		<b>2,780</b>	<b>5,543</b>
Income tax expense	6	(569)	(1,085)
<b>Profit for the year from continuing operations</b>		<b>2,211</b>	<b>4,458</b>
Profit from discontinued operations – trading		6,541	6,534
Discontinued operations – sale costs expensed		(1,124)	-
Profit from discontinued operations	4	5,417	6,534
<b>Profit for the year attributable to owners of the parent</b>		<b>7,628</b>	<b>10,992</b>
<b>Earnings per share from continuing and discontinued operations</b>		Cents	Cents
Basic Earnings per Share	21	6.8	9.8
Diluted Earnings per Share	21	6.6	9.6
<b>Earnings per share from continuing operations</b>		Cents	Cents
Basic Earnings per Share	21	2.0	4.0
Diluted Earnings per Share	21	1.9	3.9

1. Refer Note 4 in the accompanying notes.

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

	Note	Consolidated	
		2017 \$'000	2016 \$'000
<b>Profit for the year</b>		<b>7,628</b>	<b>10,992</b>
<b>Other comprehensive income/(loss), net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign operations	20	(1,849)	(4,720)
Fair value movement on interest rate swap	20	3	309
<b>Total other comprehensive income/(loss), net of income tax</b>		<b>(1,846)</b>	<b>(4,411)</b>
<b>Total comprehensive income for the year attributable to the owners of the parent</b>		<b>5,782</b>	<b>6,581</b>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated Statement of Financial Position

as at 31 December 2017

	Note	Consolidated	
		2017 \$'000	2016 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	25	1,958	1,715
Trade and other receivables	8	7,190	10,340
Financial assets	14	2,254	632
Inventories – finished goods		2,796	2,791
Current tax receivables		-	287
Other assets	9	1,124	2,602
		15,322	18,367
Assets classified as held for sale	5	43,911	-
<b>Total Current Assets</b>		<b>59,233</b>	<b>18,367</b>
<b>Non-Current Assets</b>			
Receivables	8	40	113
Financial assets	14	136	133
Property, plant and equipment	10	1,232	2,452
Deferred tax assets	11	410	948
Intangible assets	12	24,387	95,557
Other assets	9	133	2,154
<b>Total Non-Current Assets</b>		<b>26,338</b>	<b>101,357</b>
<b>Total Assets</b>		<b>85,571</b>	<b>119,724</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		4,585	7,266
Borrowings	13	-	936
Provisions	15	1,789	3,215
Current tax payables		776	-
Deferred revenue		5,709	11,712
		12,859	23,129
Liabilities directly associated with assets classified as held for sale	5	5,397	-
<b>Total Current Liabilities</b>		<b>18,256</b>	<b>23,129</b>
<b>Non-Current Liabilities</b>			
Borrowings	13	50,606	51,618
Deferred tax liabilities	16	2,475	7,418
Provisions	15	1,135	841
<b>Total Non-Current Liabilities</b>		<b>54,216</b>	<b>59,877</b>
<b>Total Liabilities</b>		<b>72,472</b>	<b>83,006</b>
<b>Net Assets</b>		<b>13,099</b>	<b>36,718</b>
<b>EQUITY</b>			
Issued capital	19	19,459	18,707
Reserves	20	(49,266)	(47,148)
Retained earnings		42,906	65,159
<b>Total Equity</b>		<b>13,099</b>	<b>36,718</b>

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

Consolidated	Issued capital \$'000	Share buyback reserve \$'000	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Swap hedging reserve \$'000	Retained earnings \$'000	Acquisition of non controlling interest reserve \$'000	Attributable to owners of the parent \$'000
<b>Balance at 1 January 2017</b>	<b>18,707</b>	<b>(42,018)</b>	<b>221</b>	<b>668</b>	<b>133</b>	<b>65,159</b>	<b>(6,152)</b>	<b>36,718</b>
Profit for the year	-	-	-	-	-	7,628	-	7,628
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	(1,849)	-	-	-	-	(1,849)
Fair value movement on interest rate swap	-	-	-	-	3	-	-	3
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(1,849)</b>	<b>-</b>	<b>3</b>	<b>7,628</b>	<b>-</b>	<b>5,782</b>
Share based payments expense	-	-	-	480	-	-	-	480
Dividends paid (note 26)	-	-	-	-	-	(29,881)	-	(29,881)
Treasury shares vested/lapsed	752	-	-	(752)	-	-	-	-
<b>Balance at 31 December 2017</b>	<b>19,459</b>	<b>(42,018)</b>	<b>(1,628)</b>	<b>396</b>	<b>136</b>	<b>42,906</b>	<b>(6,152)</b>	<b>13,099</b>

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

# Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2017

Consolidated	Issued capital \$'000	Share buyback reserve \$'000	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Swap hedging reserve \$'000	Retained earnings \$'000	Acquisition of non-controlling interest reserve \$'000	Attributable to owners of the parent \$'000
<b>Balance at 1 January 2016</b>	<b>16,929</b>	<b>(42,018)</b>	<b>4,941</b>	<b>638</b>	<b>(176)</b>	<b>59,754</b>	<b>(6,152)</b>	<b>33,916</b>
Profit for the year	-	-	-	-	-	10,992	-	10,992
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	(4,720)	-	-	-	-	(4,720)
Fair value movement on interest rate swap	-	-	-	-	309	-	-	309
Total comprehensive income	-	-	(4,720)	-	309	10,992	-	6,581
Share based payments expense	-	-	-	126	-	-	-	126
Dividends paid (note 26)	-	-	-	-	-	(5,587)	-	(5,587)
Dividend re-investment plan (note 19)	1,682	-	-	-	-	-	-	1,682
Treasury shares vested/lapsed	96	-	-	(96)	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>18,707</b>	<b>(42,018)</b>	<b>221</b>	<b>668</b>	<b>133</b>	<b>65,159</b>	<b>(6,152)</b>	<b>36,718</b>

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

# Consolidated Statement of Cash Flows

for the year ended 31 December 2017

	Note	Consolidated Inflows/(Outflows)	
		2017 \$'000	2016 \$'000
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		98,156	105,963
Payments to suppliers and employees		(67,862)	(72,537)
Payment for capitalised development costs		(18,165)	(24,167)
Proceeds from New Zealand government development grant		1,003	1,384
Interest received		-	30
Interest paid		(1,706)	(2,068)
Income taxes paid		(1,775)	(1,058)
<b>Net cash inflow from operating activities</b>	25(b)	<b>9,651</b>	<b>7,547</b>
<b>Cash Flows From Investing Activities</b>			
Payment for purchase of business	25(c)	-	(5,785)
Proceeds on sale of business		-	1,250
Payment for investment in business		(196)	-
Net increase in loans receivable		(1,623)	(632)
Payment for property, plant and equipment		(686)	(942)
<b>Net cash outflow from investing activities</b>		<b>(2,505)</b>	<b>(6,109)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from/(repayment of) borrowings		(992)	1,863
Payment for de-merger costs		(1,700)	-
Dividends paid to owners of the parent	26	(3,375)	(3,905)
<b>Net cash outflow from financing activities</b>		<b>(6,067)</b>	<b>(2,042)</b>
<b>Net Increase / (Decrease) in cash and cash equivalents</b>		<b>1,079</b>	<b>(604)</b>
Cash and cash equivalents at the beginning of the financial year		924	1,641
Effects of exchange rate changes on cash and cash equivalents		(45)	(113)
<b>Cash and cash equivalents at the end of the financial year</b>	25(a)	<b>1,958</b>	<b>924</b>

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

# Notes to the Financial Statements

for the year ended 31 December 2017

## 1 Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. The financial report includes the consolidated entity consisting of Reckon Limited and its subsidiaries. For the purposes of preparing the consolidated financial statements, the company is a for-profit entity.

### Basis of preparation

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

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

The financial statements were authorised for issue by the directors on 23 March 2018.

The financial report has been prepared in accordance with the historical cost convention, except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair values of the consideration given in exchange for assets. The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

### Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

### Significant Accounting Policies

#### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

## **(b) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements and share-based payment arrangements are recognised and measured in accordance with the relevant accounting standards.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Where a business combination involves the issuance of a put option granted to the vendor in respect of an equity interest not owned by the parent, the present value of the put exercise price is recognised as a financial liability in the consolidated accounts of the parent entity. The recognition of this liability effectively treats the option as if it has been exercised, constituting a transaction between owners as owners which is recorded in equity. Any subsequent re-measurement is considered to be part of the equity transaction and is recorded in equity via an "acquisition of non-controlling interest reserve".

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

## **(c) Depreciation and Amortisation**

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

- Plant and equipment                      3 - 5 years
- Leasehold improvements                3 - 7 years

# Notes to the Financial Statements (continued)

## (d) Trade Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 days of the month of recognition.

## (e) Contributed Equity

### Transaction Costs on the Issue of Equity Instruments

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

## (f) Foreign Currency Translation

### *Functional and presentation currency*

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

### *Transactions and balances*

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

### *Group companies*

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

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

On consolidation, exchange differences arising from the translation of monetary items forming part of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken directly to reserves. When a foreign operation is sold, a proportionate share of such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

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

## (g) Intangible assets

### *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### *Intellectual Property*

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Customer contracts are amortised on a straight line basis over their useful life to the Group of ten years.

Brand names are not amortised but are subject to annual impairment testing. The Group has committed to continually use, invest in and promote acquired brands, therefore brands have been assessed to have an indefinite life.

### *Research and development costs*

Research expenditure is recognised as an expense when incurred.

An internally-generated intangible asset arising from development is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

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

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

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

# Notes to the Financial Statements (continued)

## (h) Income Tax

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

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

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

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

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Reckon Limited. The Group uses the standalone approach by reference to the carrying amounts in the separate financial statements of each entity in applying the accounting for tax consolidation.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

## (i) Inventories

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

## (j) Leased Assets

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

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

## **(k) Employee Benefits**

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

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

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

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

## **(l) Receivables**

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

## **(m) Impairment of assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# Notes to the Financial Statements (continued)

## (n) Revenue Recognition

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

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

Software licence fee revenue is recognised at the point of “go live” (i.e. when all users can use the system on a functional basis).

### *Rendering of Services*

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

Subscription, support and maintenance revenue is recognised on a straight-line basis over the period of the contract.

In multiple element arrangements where goods and services are sold as a bundled product, the fair value of the services component is recognised as revenue over the period during which the service is performed.

### *Interest and Other Revenue*

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

## (o) Deferred Revenue

Revenue earned from maintenance, hosting and support services provided on sales of certain products by the consolidated entity are deferred and then recognised in profit or loss over the contract period as the services are performed, normally 12 months. Refer note 1(n) for further detail.

## (p) Earnings per share

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

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

## (q) Cash and cash equivalents

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

## (r) Borrowings

Borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

### **(s) Provisions**

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

### **(t) Fair Value estimation**

The fair value of financial instruments and share based payments that are not traded in an active market is determined using appropriate valuation techniques. The Group uses a variety of methods and assumptions that are based on existing market conditions. The fair value of financial instruments traded on active markets (quoted shares), are based on balance date bid prices.

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

### **(u) Government Grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should continue to develop its range of software products, are offset against development costs in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government assistance which does not have conditions attached specifically relating to the operating activities of the entity is recognised in accordance with the accounting policies above.

### **(v) Hedge Accounting**

The Group enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Further details of derivative financial instruments are disclosed in note 14.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain hedging instruments, as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 14 sets out details of the fair values of the derivative instruments used for hedging purposes.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of swap hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other

# Notes to the Financial Statements (continued)

gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

## **(w) Significant accounting judgments, estimates and assumptions**

### *Significant accounting judgments*

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

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

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

### *Significant accounting estimates and assumptions*

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

Impairment of goodwill – the Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the goodwill is allocated. The assumptions used in this estimation, and the effect if these assumptions change, are disclosed in Note 12.

Share based payments – the Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. The fair value has been determined using a model that adopts Monte Carlo simulation approach, and the assumptions related to this can be found in Note 18.

Product life and amortisation – the Group amortises capitalised development costs based on a straight line basis over a period of 3-4 years commencing at the time of commercial release of the new product. This is the assessed useful life.

## **(x) New accounting standards not yet effective**

### *New and amended standards adopted by the group or company*

The group has adopted all relevant new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) which are effective for annual reporting periods beginning on or after 1 January 2017.

None of the new standards or amendments to standards that are mandatory for the first time materially affected any of the amounts recognised in the current period or any prior period and are not likely to significantly affect future periods.

*Issued standards and interpretations not early adopted*

At the date of authorisation of these financial statements, the standards and interpretations listed below were in issue but not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	31 December 2018
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	31 December 2018
AASB 16 'Leases'	1 January 2019	31 December 2019

*AASB 9 Financial Instruments (2014)*

AASB 9 Financial Instruments is a new standard which replaces AASB 139 Financial Instruments: Recognition and Measurement. In previous years, the group early adopted AASB 9 Financial Instruments (2009), AASB 9 (2010), and related amendments. The group is yet to adopt AASB 9 (2014) which supersedes AASB 9 (2009) and AASB 9 (2010) and introduces a new impairment model for financial assets and a new measurement category 'fair value through other comprehensive income' for certain debt instruments.

AASB 9 (2014) is effective for annual reporting periods beginning on or after 1 January 2018. The group will apply AASB 9 (2014) in the financial year ending 31 December 2018. The adoption of AASB 9 is not expected to have a material impact on the financial statements of the group.

*AASB 15 Revenue from Contracts with Customers*

Revenue from Contracts with Customers ("AASB 15") establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

# Notes to the Financial Statements (continued)

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. The group will apply AASB 15 in the financial year ended 31 December 2018, and the directors intend to use the modified retrospective method of transition to AASB 15.

The group recognises revenue from the sale of software and rendering of services as disclosed in note 1(n) of the financial statements. Subscription, support and maintenance revenue is recognised on a straight-line basis over the period of the contract. In multiple element arrangements where goods and services are sold as a bundled product, the fair value of the services component is recognised as revenue over the period during which the service is performed.

The directors of the company have assessed that for the group there are no material measurement and recognition differences between AASB 15 and the current revenue standard AASB 118. Apart from providing more extensive disclosures on the group's revenue transactions, the directors do not anticipate that the application of AASB 15 will have a significant impact on the financial position and financial performance of the group.

## *AASB 16 Leases*

AASB 16 Leases will replace existing accounting requirements for leases under AASB 117 Leases. Under current requirements, leases are classified based on their nature as either finance leases, which are recognised on the consolidated statement of financial position, or operating leases, which are not recognised on the consolidated statement of financial position.

The groups' accounting for operating leases as a lessee will result in the recognition of a right-of-use (ROU) asset and an associated lease liability on the Consolidated Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of short-term leases. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. There will also be additional disclosure requirements under the new standard.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. The group will apply AASB 16 in the financial year ended 31 December 2019, and the directors currently intend to use the modified retrospective method of transition to AASB 16.

As at the end of the reporting period, the group has non-cancellable undiscounted operating lease commitments of \$13,437 thousand as disclosed in Note 23. These commitments predominantly relate to its office and warehouse premises, which will require recognition of ROU assets and associated lease liabilities.

The group is currently assessing the impact of the new requirements on the group's financial statements; however the impact is expected to materially 'gross-up' the group's statement of financial position impacting key financial ratios, as well as EBITDA. A project will be established, with oversight from the Chief Financial Officer, to ensure a high quality implementation in compliance with the accounting standard.

## 2 Segment Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

### (a) Business segment information

The consolidated entity is organised into four operating divisions:

- Business Group
- Accountant Practice Management Group
- Legal Practice Management Group
- Document Management Group

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

The principal activities of these divisions are as follows:

- Business Group - development, distribution and support of business accounting and personal financial software, as well as related products and services. Products sold in this division include Reckon Accounts and Reckon One.
- Accountant Practice Management Group - development, distribution and support of practice management, tax, client accounting and related software under the APS brand as well as the ReckonDocs and Reckon Elite products. Reckon has announced that it proposes to sell this division and thus it is included in discontinued operations.
- Legal Practice Management Group - development, distribution and support of cost recovery, cost management, scan and related software under the nQueueBillback brand predominantly to the legal market.
- Document Management Group – development, distribution and support of document management and client portal products under the Virtual Cabinet and Smart Vault brands. This division was de-merged during 2017 and is thus included in discontinued operations.

Segment revenues	2017 \$'000	2016 \$'000
		<b>Restated</b>
<b>Operating revenue</b>		
Business Group	35,917	35,555
Legal Practice Management Group	13,007	14,098
	48,924	49,653
Other revenue	-	30
Continuing operations	48,924	49,683
Discontinued operations	41,396	48,076
<b>Total revenue</b>	<b>90,320</b>	<b>97,759</b>

# Notes to the Financial Statements (continued)

## 2 Segment Information (continued)

Segment results	2017	2017	2017	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Continuing business	Discontinued business	Total	Continuing business	Discontinued business	Total
				Restated	Restated	Restated
<b>EBITDA</b>						
Business Group	17,242			17,034		
Legal Practice Management Group	3,424			4,544		
Central administration costs	(4,731)			(4,676)		
	<b>15,935</b>	<b>15,637</b>	<b>31,572</b>	<b>16,902</b>	<b>18,359</b>	<b>35,261</b>
<b>Depreciation and amortisation</b>						
Business Group	(9,429)			(7,670)		
Legal Practice Management Group	(2,873)			(2,670)		
	(12,302)	(7,973)	(20,275)	(10,340)	(9,217)	(19,557)
Other revenue	-	-	-	15	15	30
Finance costs	(853)	(853)	(1,706)	(1,034)	(1,034)	(2,068)
<b>Profit before income tax</b>	<b>2,780</b>	<b>6,811</b>	<b>9,591</b>	<b>5,543</b>	<b>8,123</b>	<b>13,666</b>
Income tax expense	(569)	(1,394)	(1,963)	(1,085)	(1,589)	(2,674)
<b>Profit for the year</b>	<b>2,211</b>	<b>5,417</b>	<b>7,628</b>	<b>4,458</b>	<b>6,534</b>	<b>10,992</b>

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

No single customer contributed 10% or more of Group revenue for either 2017 or 2016.

EBITDA above means earnings before interest, tax, depreciation and amortisation.

In the prior year the Practice Management Group included both the Accountant and Legal Divisions. These have now been separated due to the proposed sale of the Accountant Division and the prior year results have been restated. In addition expenses classified as "new market net costs" in the prior year segment note, have been absorbed into the respective divisional results above.



# Notes to the Financial Statements (continued)

## 3 Profit for the Year

	Consolidated	
	2017 \$'000	2016 \$'000
		<b>Restated</b>
Profit before income tax includes the following items of revenue and expense:		
<b>Revenue</b>		
<b>Sales revenue</b>		
Subscription revenue	36,159	34,975
Other recurring revenue	4,143	5,367
Loan income	722	65
Other revenue	7,900	9,246
Sale of goods and rendering of services	48,924	49,653
<b>Other Revenue</b>		
Interest revenue	-	30
	48,924	49,683
<b>Expenses</b>		
Product costs	7,212	7,204
Bad debt expense:		
Other Entities	69	29
Depreciation of non-current assets:		
Property, plant and equipment	525	577
Amortisation of non-current assets:		
Leasehold improvements	73	76
Intellectual property	1,530	2,129
Development costs	10,174	7,558
Total depreciation and amortisation	12,302	10,340
Foreign exchange losses/(gains)	120	92
Employee benefits expense:		
Post employment benefits – defined contribution plans	1,581	1,924
Termination benefits	322	129
Share based payments:		
Equity-settled share-based payments	480	126
Cash-settled share-based payments	108	247
	588	373
Operating lease rental expenses:		
Minimum lease payments	1,110	1,435

## 4 Discontinued operations

The Document Management Group was de-merged on 4 August 2017 into an independent company and the shares admitted to trading on the AIM market of the London Stock Exchange.

On 16 November 2017 Reckon Limited announced that it had reached agreement to sell its Accountant Practice Management Group to MYOB for \$180m subject only to receiving regulatory approval from both the ACCC and NZCC. The transaction is anticipated to complete in the second quarter of 2018.

	Consolidated	
	2017 \$'000	2016 \$'000
Revenue	41,396	48,076
Expenses	(32,126)	(38,934)
Sale costs expensed	(1,606)	-
Attributable interest expense	(853)	(1,019)
Profit before tax	6,811	8,123
Attributable income tax expense	(1,394)	(1,589)
Profit from discontinued operations attributable to owners of the parent	5,417	6,534
Net cash inflows from operating activities	5,495	4,209
Net cash outflows from operating activities	(455)	(270)
	5,040	3,939

# Notes to the Financial Statements (continued)

## 5 Assets classified as held for sale

	Consolidated	
	2017 \$'000	2016 \$'000
Trade and other receivables	2,820	-
Inventories – finished goods	40	-
Other assets	2,041	-
Financial assets	196	-
Property, plant and equipment	262	-
Intangible assets	38,552	-
Assets classified as held for sale	43,911	-
Trade and other payables	640	-
Provisions	1,549	-
Deferred revenue	287	-
Deferred tax liabilities	2,921	-
Liabilities directly associated with assets classified as held for sale	5,397	-

As described in note 4, the Group plans to dispose of its Accountant Practice Management Group and anticipates that this disposal will be completed in the second quarter of 2018.

## 6 Income Tax

	Consolidated	
	2017 \$'000	2016 \$'000
<b>(a) Income tax expense recognised in profit and loss</b>		
Current tax	1,367	1,082
Deferred tax	(743)	(15)
Under /(over) provided in prior years	(55)	18
	<u>569</u>	<u>1,085</u>

<b>(b) The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:</b>		
<b>Profit before income tax</b>	2,780	5,543
Income tax expense calculated at 30% of profit	834	1,663
<b>Tax Effect of:</b>		
Effect of lower tax rates on overseas income	(18)	(107)
Tax effect of non-deductible/non-taxable items:		
Research and development claims	(225)	(431)
Sundry items	33	(58)
	<u>624</u>	<u>1,067</u>
Under/(over) provision in prior years	(55)	18
Income tax expense attributable to profit	<u>569</u>	<u>1,085</u>

The tax rate used for the 2017 and 2016 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

<b>(c) Future income tax benefits not brought to account as an asset:</b>		
Tax losses:		
Revenue	–	–
Capital	1,770	2,098
	<u>1,770</u>	<u>2,098</u>

# Notes to the Financial Statements (continued)

## 7 Remuneration of Auditors

	Consolidated	
	2017	2016
	\$	\$
<b>(a) Deloitte Touche Tohmatsu</b>		

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

Auditing and reviewing of financial reports	235,424	233,427
Tax compliance and other consulting services	401,492	154,218
	<u>636,916</u>	<u>387,645</u>

<b>(b) Other Auditors</b>		
Auditing and reviewing of financial reports	31,162	70,239
Tax compliance services	78,841	154,896
	<u>110,003</u>	<u>225,135</u>
	<u>746,919</u>	<u>612,780</u>

## 8 Trade and Other Receivables

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Current:</b>		
Trade receivables (i)	5,990	8,934
Allowance for doubtful debts	(211)	(315)
	5,779	8,619
Other receivables	1,411	1,721
	7,190	10,340
<b>Non-current:</b>		
Trade receivables	-	53
Other receivables	40	60
	40	113

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

Past due 0 – 30 days	163	1,010
Past due 31 – 60 days	281	416
Past due 61+ days	1,196	1,124
Total	1,640	2,550

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

Balance at beginning of the year	315	311
Amounts written off during the year	(69)	(88)
Transferred to assets classified as held for sale	(112)	-
Increase/(reduction) in allowance recognised in the profit and loss	77	92
<b>Balance at end of year</b>	<b>211</b>	<b>315</b>

# Notes to the Financial Statements (continued)

## 9 Other Assets

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Current:</b>		
Prepayments	1,124	1,967
Other	-	635
	<u>1,124</u>	<u>2,602</u>
<b>Non current:</b>		
Prepayments	47	199
Other	86	1,955
	<u>133</u>	<u>2,154</u>

## 10 Property, Plant and Equipment

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Leasehold Improvements</b>		
At cost	1,641	2,920
Less: Accumulated amortisation	(1,356)	(2,528)
Total leasehold improvements	285	392

<b>Plant and equipment</b>		
At cost	6,159	10,685
Less: Accumulated depreciation	(5,212)	(8,625)
Total plant and equipment	947	2,060
	1,232	2,452

	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
<b>Consolidated</b>			
Carrying amount at 1 January 2017	392	2,060	2,452
Additions	129	557	686
Effect of foreign currency exchange differences	(21)	(75)	(96)
Transferred to assets classified as held for sale	(47)	(215)	(262)
De-merger of Document Management Group	(61)	(491)	(552)
Depreciation/amortisation expense	(107)	(889)	(996)
Balance at 31 December 2017	285	947	1,232

<b>Consolidated</b>			
Carrying amount at 1 January 2016	292	2,193	2,485
Additions	251	1,062	1,313
Depreciation/amortisation expense	(151)	(1,195)	(1,346)
Balance at 31 December 2016	392	2,060	2,452

# Notes to the Financial Statements (continued)

## 11 Deferred Tax Assets

	Consolidated	
	2017 \$'000	2016 \$'000
The balance comprises temporary differences attributable to:		
Recoverable losses	-	772
Doubtful debts	9	12
Employee benefits	58	99
Other provisions	343	65
	<u>410</u>	<u>948</u>

Details of unrecognised deferred tax assets can be found in Note 6(c)

Reconciliation:

Opening balance at 1 January	948	193
De-merger of Document Management Group	(259)	-
Charged (credited) to profit or loss	(279)	755
Balance at 31 December	<u>410</u>	<u>948</u>

## 12 Intangibles

Intellectual property – at cost (i)	10,359	21,535
Accumulated amortisation	(9,923)	(15,438)
	<u>436</u>	<u>6,097</u>
Development costs – at cost	55,128	116,068
Accumulated amortisation	(33,745)	(76,225)
	<u>21,383</u>	<u>39,843</u>
Goodwill – at cost	2,568	49,617
	<u>24,387</u>	<u>95,557</u>

(i) The intellectual property carrying amount comprises of customer contracts of \$436 thousand (2016: \$1,876 thousand), brand names of \$nil (2016: \$562 thousand) and other intellectual property of \$nil (2016: \$3,659 thousand). The amounts amortised in the current year in respect of continuing operations for customer contracts was \$436 thousand, brand names \$nil and other intellectual property \$25 thousand.

## 12 Intangibles (continued)

	Consolidated	
	2017 \$'000	2016 \$'000

### Impairment test for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified based on how the businesses are managed and reported on and taking into account the use of shared resources, as follows:

Accountant Practice Management Group	-	25,765
Legal Practice Management Group	2,568	2,738
Document Management Group	-	21,114
	2,568	49,617

The recoverable amount of a CGU is determined based on value-in-use calculations or fair value. Management has based the value in use calculations on the most recently completed board approved budget for the forthcoming one year (2018) period. Subsequent cash flows are projected using constant long term average growth rates of 3% per annum. An average post-tax discount rate of 9.4% (2016: 9.7%) (pre-tax rate: 13.9%) reflecting assessed risks associated with CGU's has been applied to determine the present value of future cash flow projections for all CGU's. No impairment write-offs have been recognised during the year (2016: nil). Sensitivity analysis performed indicates that if a change in EBITDA reflected in the models were to decrease by up to 15% for the respective CGU's, there would be no impairment.

Consolidated movements in intangibles	Goodwill	Intellectual	Development	Total
	\$'000	Property	Costs	
	\$'000	\$'000	\$'000	\$'000
At 1 January 2017	49,617	6,097	39,843	95,557
Additions	-	-	17,264	17,264
Effect of foreign currency exchange differences	(1,923)	42	67	(1,814)
Transferred to assets classified as held for sale	(25,765)	(12)	(12,775)	(38,552)
De-merger of Document Management Group	(19,361)	(3,925)	(5,401)	(28,687)
Amortisation charge	-	(1,766)	(17,615)	(19,381)
At 31 December 2017	2,568	436	21,383	24,387
At 1 January 2016	51,157	4,128	34,018	89,303
Additions	-	-	22,961	22,961
Acquisitions	2,155	5,096	-	7,251
Effect of foreign currency exchange differences	(3,695)	(749)	(267)	(4,711)
Disposals	-	-	(858)	(858)
Amortisation charge	-	(2,378)	(16,011)	(18,389)
At 31 December 2016	49,617	6,097	39,843	95,557

# Notes to the Financial Statements (continued)

## 13 Borrowings

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Current:</b>		
Bank overdraft (i)	-	791
Hire purchase liabilities	-	145
	-	936
<b>Non-current</b>		
Bank borrowings (i)	50,606	51,506
Hire purchase liabilities	-	112
	50,606	51,618

(i) The consolidated entity has increased its bank facilities to \$73 million during the year. The facility comprises variable rate bank overdraft facilities, loan facilities, and bank guarantee and transactional facilities. The loan facilities and \$1m of the bank overdraft facility expires in August 2019 and the remaining facilities are subject to annual review expiring in April 2018. The facility is secured over the Australian, New Zealand and United Kingdom net assets. Reckon has partially hedged the bank borrowings – refer note 14.

2017			
	Bank overdraft \$'000	Loan facility \$'000	Bank guarantee & transaction facility \$'000
The available, used and unused components of the facility at year end is as follows:			
Available	2,000	66,000	4,710
Used	-	50,606	3,121
Unused	2,000	15,394	1,589

The available, used and unused components of the facility at year end is as follows:

Available	2,000	66,000	4,710
Used	-	50,606	3,121
Unused	2,000	15,394	1,589

The remaining contractual maturity for the facility (including both interest and principal) is as follows:

0-12 months	-	-	3,121
2-5 years	-	50,606	-
Weighted average interest rate	5.1%	3.1%	-

## 14 Other financial assets/(liabilities)

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Current:</b>		
Loans receivable	2,254	632
<b>Non-current:</b>		
Derivative that is designated and effective as a hedging instrument carried at fair value (i)	136	133

(i) This balance represents an interest rate swap. To reduce the fair value risk of changing interest rates, the Group has entered into a pay-floating receive-fixed interest rate swap. The swap's notional principal is \$25 million and represents 50% of the bank borrowings outstanding at 31 December 2017. The swap reduces to \$24m in August 2018 and then matures in July/August 2019. The fixed interest rate is 3.38%, and interest rate swaps are settled monthly or quarterly. Within the context of AASB 7, this is classified as a level 2 fair value measurement being derived from inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly.

## 15 Provisions

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Current:</b>		
Employee benefits – annual leave	704	1,639
Employee benefits – long service leave	1,085	1,576
	1,789	3,215
<b>Non-current:</b>		
Employee benefits – long service leave	187	347
Employee benefits – long term incentive	948	494
	1,135	841

# Notes to the Financial Statements (continued)

## 16 Deferred Tax Liabilities

	Consolidated	
	2017 \$'000	2016 \$'000
<b>The temporary differences are attributable to:</b>		
Doubtful debts	(69)	(36)
Employee benefits	(1,676)	(1,590)
Sales returns and volume rebates	(9)	(10)
Deferred revenue	(480)	(568)
Difference between book and tax value of non-current assets	6,845	11,120
Other provisions	(2,136)	(1,498)
	<b>2,475</b>	<b>7,418</b>

Details of unrecognised deferred tax assets can be found in note 6(c)

Reconciliation:

Opening balance at 1 January	7,418	6,678
Transferred to liabilities directly associated with assets classified as held for sale	(2,921)	-
De-merger of Document Management Group	(1,000)	-
Charged (credited) to profit or loss	(1,022)	740
Balance at 31 December	<b>2,475</b>	<b>7,418</b>

## 17 Parent Entity Disclosures

	Parent	
	2017 \$'000	2016 \$'000
<b>Financial position</b>		
Assets		
Current assets	6,086	7,856
Assets classified as held for sale	42,626	-
Non-current assets	29,616	100,473
	<u>78,328</u>	<u>108,329</u>
Liabilities		
Current liabilities	6,470	9,148
Liabilities directly associated with assets classified as held for sale	5,024	-
Non-current liabilities	44,773	44,599
	<u>56,267</u>	<u>53,747</u>
Equity		
Share capital	19,459	18,707
Share buyback reserve	(42,018)	(42,018)
Swap hedging reserve	136	133
Share based payments reserve	396	668
Acquisition of non-controlling interest reserve	(1,657)	(1,657)
Foreign currency translation reserve	(438)	(277)
Retained earnings	46,183	79,026
	<u>22,061</u>	<u>54,582</u>
<b>Financial performance</b>		
Profit for the year from continuing operations	(1,411)	1,687
Profit for the year from discontinued operations	2,641	10,389
Other comprehensive income from continuing operations	(158)	(671)
Total comprehensive income	<u>1,072</u>	<u>11,405</u>
<b>Capital commitments for the acquisition of property, plant and equipment</b>		
Not longer than 1 year	<u>-</u>	<u>-</u>
<b>Other</b>		

Reckon Limited assets have been used as security for the bank facilities set out in note 13. The parent entity has no contingent liabilities.

# Notes to the Financial Statements (continued)

## 18 Employee Benefits

### Long-term incentive plan

The long-term incentive plan presently comprises two possible methods of participation: the grant of equity under a performance share plan; or cash payments under a share appreciation plan. The board has discretion to make offers to applicable employees to participate in these plans. Performance shares offered (all in respect of the company's ordinary shares) and/or share appreciation rights do not vest before three years after their grant date and are conditional on the participant remaining employed at vesting date, subject to board discretion. Vesting is also conditional upon the company achieving defined performance criteria. The performance criteria are based upon a total shareholder return (TSR) target. TSR is the return to shareholders over a prescribed period, being the growth in the company's share price plus dividends or returns of capital for that period.

From 2011 onwards performance shares may also be offered with longer term vesting periods. The single vesting condition is that participants must remain employed for the term required. To achieve 100% vesting employees must remain in employment for an effective 10 years from the date of the initial offer.

The share appreciation rights plan represents an alternative remuneration element (to offering performance shares) under which the board can invite relevant employees to apply for a right to receive a cash payment from the company equal to the amount (if any) by which the market price of the company's shares at the date of exercise of the right exceeds the market price of the company's shares at the date of grant of the right. The right may only be exercised if the share price at the end of the performance period is greater than at the beginning of the performance period. The performance criteria for the rights to vest are fixed by the board in the exercise of its discretion. At present these are the same as the TSR target set for performance shares to vest and the same sliding scale applies.

For the performance period 2015-2017 the remuneration committee changed the benchmark against which the TSR target is measured for both the performance share plan and the share appreciation rights plan. The comparator group of companies has been jettisoned and replaced by the company's TSR performance measured against the performance of the ASX 300 Index over the performance period. Shares or rights will vest at the end of the performance period depending on the company's average TSR over the period relative to the average TSR of the ASX 300 Index. The percentage of shares or rights vested is determined by the proportional difference in these two results.

From the performance period 2016-2018 onwards the benchmark was changed again. There are two performance criteria that must be met. The first is achievement of budgeted earnings per share growth (EPS) over the performance period. The second is a comparison of the company's total shareholder return over the performance period measured against the change in the S&P/ASX 300 Accumulation Index (iTSR) over the performance period. The criteria carry equal weighting, except for the first year in the performance period 2016-2018 of the performance period, where EPS is given 100% weighting to account for share price volatility attributable to speculation (in late 2015 and early 2016) rather than the fundamental behaviour of the company. Vesting against both criteria occurs on a sliding scale. In the case of EPS 75% of entitlements vest if the target EPS is achieved and 100% of entitlement will vest on achievement of 110% of target EPS, on a sliding scale capped at 100% of entitlement. In the case of iTSR 75% of entitlements vest if the target iTSR is achieved, 100% of entitlements will vest on achievement of 100% of target iTSR, and a prorata vesting occurs between 100% and 110% of target iTSR capped at 110%.

No options were issued during the year (2016: Nil).

1,135,000 (2016: 1,087,500) senior executive rights, nil (2016: nil) appreciation rights and nil (2016: nil) performance shares, were issued during the year. The fair value of senior executive rights issued in 2017 was \$1.30, using a model that adopts the Monte Carlo simulation approach. The assumptions used in this model are: grant date share price of \$1.59; expected volatility of 33.1%; dividend yield of 3.1%; and a risk free rate of 2.0%. The expense recognised in 2017 for the rights/performance shares was \$588 thousand (2016: \$373 thousand).

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

## 18 Employee Benefits (continued)

Performance Shares								
Grant Date	Vesting Date	Shares Granted	Shares lapsed during the year		Shares vested during the year		Shares available at the end of the year	
			2017	2016	2017	2016	2017*	2016
Jan'14	Dec'16	101,696	-	47,521	-	44,909	-	-
Jan'15	Dec'17	121,239	921	11,047	4,603	-	95,554	99,145
Jan'11	Dec'17	112,500	268	-	8,982	-	69,250	76,250
Jan'12	Dec'18	127,500	1,590	3,750	7,660	-	81,625	87,500
Jan'13	Dec'19	296,250	23,679	8,750	44,821	-	182,500	242,500
Jan'14	Dec'20	101,250	21,179	12,500	21,571	-	38,875	78,750
Jan'15	Dec'21	37,500	6,429	10,000	3,571	-	8,250	17,500

\*Shares/rights granted have been adjusted to compensate for the Document Management Group de-merger.

# Notes to the Financial Statements (continued)

## 18 Employee Benefits (continued)

Appreciation Rights								
Grant Date	Expiry Date	Rights Granted	Rights lapsed during the year		Rights vested during the year		Rights available at the end of the year	
			2017	2016	2017	2016	2017	2016
Jan'14	Dec'16	590,625	-	590,625	-	-	-	-
Jan'15	Dec'17	747,036	-	-	-	-	747,036	747,036

Senior Executive Rights								
Grant Date	Expiry Date	Rights Granted	Rights lapsed during the year		Rights vested during the year		Rights available at the end of the year	
			2017	2016	2017	2016	2017*	2016
Jan'16	Dec'18	1,087,500	170,417	-	183,333	-	802,250	1,087,500
Jan'16	Dec'18	1,135,000	288,333	-	65,417	-	840,750	-

\*Shares/rights granted have been adjusted to compensate for the Document Management Group de-merger.

### Short-term incentive plan

Each annual budget fixes a pool of cash representing a total potential amount in which the relevant employees can share if short term performance conditions are met.

The performance period for the short term incentive plan is one year. However, approximately one third of the payment will only be made if the employee remains in employment for a further one year period after the performance period.

The performance conditions are budgeted targets set for revenue, EBITDA and earnings per share. Actual performance is then measured on a sliding scale from 90% to 110% against the budgeted performance of the group to determine the extent to which incentives are paid. The incentive is paid on a sliding scale. Below 90% no incentive is paid. Between 90% and 110% a pro rata increase is paid, capped at 110%. There is an overlap of earnings per share as a performance condition for the long term incentive and the short term incentive.

## 19 Issued Capital

	2017		2016	
	No.	\$'000	No.	\$'000
<b>Fully Paid Ordinary Share Capital</b>				
Balance at beginning of financial year	113,294,832	20,524	112,084,762	18,842
Dividend re-investment plan	-	-	1,210,070	1,682
Balance at end of financial year	113,294,832	20,524	113,294,832	20,524
<b>Less Treasury shares</b>				
Balance at beginning of financial year	795,539	1,817	840,448	1,913
Shares purchased in current period	-	-	-	-
Lapsed shares utilised	3,327	-	-	-
Shares vested	(339,959)	(752)	(44,909)	(96)
Balance at end of financial year	458,907	1,065	795,539	1,817
Balance at end of financial year net of treasury shares	112,835,925	19,459	112,499,293	18,707

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

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

During the year nil shares were bought back.

No options were exercised during the year.

The Group implemented a dividend re-investment plan in 2016. 1,210,070 shares were issued on 6 April 2016 under this plan.

# Notes to the Financial Statements (continued)

## 20 Reserves

### Nature and purpose of reserves

#### (a) Foreign currency translation reserve

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

#### (b) Swap hedging reserve

The swap hedging reserve represents the cumulative gains or losses arising on changes in the fair value of hedging instruments entered into. These gains or losses will be reclassified to profit or loss only when the hedged transaction affects profit or loss.

#### (c) Share buyback reserve

The value of shares bought back are allocated to this reserve.

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

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

#### (e) Acquisition of non-controlling interest reserve

The acquisition of non-controlling interest reserve represents an equity account to record transactions between equity holders.

## 21 Earnings per Share

	Consolidated	
	2017 cents	2016 cents
Basic earnings per share – continuing and discontinued operations	6.8	9.8
Diluted earnings per share – continuing and discontinued operations	6.6	9.6
Basic earnings per share – continuing operations	2.0	4.0
Diluted earnings per share – continuing operations	1.9	3.9
Weighted average number of ordinary shares used in the calculation of basic earnings per share	112,835,924	112,217,898
Weighted average number of ordinary shares and potential ordinary shares (in relation to employee performance shares) used in the calculation of diluted earnings per share	114,937,832	114,064,937

Earnings used in the calculation of earnings per share for continuing and discontinued operations is \$7,628 thousand (2016: \$10,992 thousand). Earnings used in the calculation of earnings per share for continuing operations is \$2,211 thousand (2016: \$4,458 thousand).

## 22 Contingent Liabilities

There are no material contingent liabilities as at 31 December 2017 (2016: Nil).

## 23 Commitments for Expenditure

### (a) Capital Expenditure Commitments

The consolidated entity has capital expenditure commitments of \$nil as at 31 December 2017 (2016: \$nil).

	Consolidated	
	2017 \$'000	2016 \$'000
<b>(b) Lease Commitments</b>		
<b>Operating Leases</b>		
Within 1 year	2,069	2,426
Later than 1 year and not longer than 5 years	9,286	3,491
Later than 5 years	2,082	269
	<u>13,437</u>	<u>6,186</u>

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

# Notes to the Financial Statements (continued)

## 24 Subsidiaries

Name of Entity	Country of Incorporation	Ownership Interest	
		2017 %	2016 %
<b>Parent Entity</b>			
Reckon Limited	Australia		
<b>Subsidiaries</b>			
Reckon Australia Pty Limited	Australia	100	100
Reckon Limited Performance Share Plan Trust	Australia	100	100
Reckon New Zealand Pty Limited	New Zealand	100	100
Reckon Accountants Group Pty Limited	Australia	100	100
Reckon Accountants Group Limited	New Zealand	100	100
Reckon One Limited	United Kingdom	100	100
Reckon Docs Pty Limited	Australia	100	100
Reckon Billback Pty Limited*	Australia	100	100
nQueue Billback Limited	United Kingdom	100	100
Billback LLC	United States of America	100	100
nQueue Billback LLC	United States of America	100	100
Reckon Software Limited (formerly Linden House Software Limited)**	United Kingdom	-	100
Smartvault Corporation**	United States of America	-	100
Reckon Accounts Pte Limited	Singapore	100	100

All shares held are ordinary shares.

\* Name changed to nQueue Pty Limited on 26 February 2018.

\*\* No longer owned effective 4 August 2017.

## 25 Notes to the Statement of Cash Flows

	Consolidated	
	2017 \$'000	2016 \$'000

### (a) Reconciliation of Cash

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

Cash (i)	1,958	1,715
Bank overdraft	-	(791)
	1,958	924

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

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

Profit after income tax	7,628	10,992
Depreciation and amortisation of non-current assets	20,275	19,557
Payment for capitalised development costs	(18,165)	(24,167)
Proceeds from New Zealand government development grant	1,003	1,384
Non-cash employee benefits expense – share based payment	480	126
Profit on sale of business	-	(392)
Increase/(decrease) in current tax liability/asset	931	1,631
Increase/(decrease) in deferred tax balances	(743)	(15)
Unrealised foreign currency translation amount	248	154
(Increase)/decrease in assets net of acquisitions:		
Current receivables	(1,269)	(330)
Current inventories	(44)	(320)
Other current assets	30	(699)
Non-current receivables	73	55
Non-current other	(66)	(787)
Increase/(decrease) in liabilities net of acquisitions:		
Current trade payables	(475)	613
Other current liabilities	(684)	(437)
Other non-current liabilities	429	182
Net cash inflow from operating activities	9,651	7,547

# Notes to the Financial Statements (continued)

## 25 Notes to the Statement of Cash Flows (continued)

	Consolidated	
	2017	2016
	\$'000	\$'000

### (c) Business acquired SmartVault Corporation

Reckon Limited acquired SmartVault Corporation effective 1 January 2016. SmartVault is a cloud based document management business located in the USA.

Consideration:		
Cash paid	-	5,628
Cash acquired	-	(211)
Debt acquired	-	368
Cash	-	5,785

Consideration:		
Receivables	-	430
Intellectual property – development and software	-	5,096
Fixed assets	-	421
Trade payables	-	(654)
Deferred revenue	-	(1,663)
Goodwill	-	2,155
	-	5,785

SmartVault Corporation contributed \$4 million of revenue in 2016.

### (d) Assets and liabilities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Note	Cash		Non-cash		
		Balance at 1 Jan 2017 \$'000	Financing cash flows (i) \$'000	De-merger of subsidiary \$'000	Fair value adjustment \$'000	Balance at 31 Dec 2017 \$'000
Borrowings	13	51,763	(992)	(165)	-	50,606
Interest rate swap fair value hedge or economically hedging financing liabilities	14	(133)	-	-	(3)	(136)
		51,630	(992)	(165)	(3)	50,470

(i) The cash flows from bank loans, and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

## 26 Dividends – Ordinary Shares

	Consolidated	
	2017 \$'000	2016 \$'000
Final dividend for the year ended 31 December 2016 of 3 cents (2015: 3 cents) per share unfranked paid on 10 March 2017. \$1,682 thousand of the 2015 dividend was re-invested via the dividend re-investment plan.	3,375	3,338
Dividend in specie arising from the de-merger of the Document Management Division effective 4 August 2017.	26,506	-
No interim dividend for the year ended 31 December 2017 was paid (2016: 2 cents) paid.	-	2,249
	29,881	5,587
Franking credits available for subsequent financial years based on a tax rate of 30% (2016: 30%)	614	11

## 27 Financial Instruments

### (a) Financial Risk Management Objectives

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

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

### (b) Interest Rate Risk

The group is exposed to interest rate risk on the cash held in bank deposits and on bank borrowings. Cash deposits of \$1,958 thousand were held by the consolidated entity at the reporting date, attracting an average interest rate of 0.78% (2016: 0.77%). Interest bearing borrowings by the consolidated entity at the reporting date were \$50,606 thousand (2016: \$52,554 thousand). Interest rate risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts. Variable rate borrowings during the year attracted an average interest rate of 5.1% (2016: 5.3%) on overdraft facilities and 3.1% on loan facilities (2016: 2.8%). If interest rates had been 50 basis points higher or lower (being the relevant volatility considered relevant by management) and all other variables were held constant, the group's net profit would increase/decrease by \$251 thousand (2016: \$253 thousand).

Hedging activities are evaluated to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The maturity profile for the consolidated entity's cash (\$1,958 thousand) that is exposed to interest rate risk is one year, and interest bearing borrowings (\$50,606 thousand) that are exposed to interest rate risk, and the interest rate swap is two years. On the assumption that interest bearing borrowings and variable interest rates remain at the current level, the annual interest costs are expected to be \$1.65 million.

Further details are set out in note 14.

# Notes to the Financial Statements (continued)

## 27 Financial Instruments (continued)

### c) Credit Risk

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

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

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

The average credit period on sale of goods is 45 days. Interest is generally not charged. The group recognises an allowance for doubtful debts comprising a specific component for expected irrecoverable amounts, and a general provision calculated as a % of outstanding balances based upon the historical experience.

### (d) Foreign Currency Risk

The consolidated entity includes certain subsidiaries whose functional currencies are different to the consolidated entity presentation currency. The main operating entities outside of Australia are based in New Zealand, United States of America and the United Kingdom. These entities transact primarily in their functional currency and, aside from inter-group loan balances, do not have significant foreign currency exposures due to outstanding foreign currency denominated items. The consolidated entity's future reported profits could therefore be impacted by changes in rates of exchange between the Australian Dollar and the New Zealand Dollar, and the Australian Dollar and the US Dollar and the Australian Dollar and the UK Sterling.

### (e) Liquidity

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

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

Further details are set out in notes 13 and 14.

### (f) Capital risk management

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

### (h) Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial report approximates their respective fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

## 28 Related Party Disclosures

	Consolidated	
	2017	2016
	\$	\$
<b>(a) Key Management Personnel Remuneration</b>		
Short term benefits	3,262,362	3,224,218
Post-employment benefits	157,560	187,875
Share based payments	606,271	188,349
	<u>4,026,193</u>	<u>3,600,442</u>

The names of and positions held by the key management are set out on page 13 of the Remuneration Report. Further details of the remuneration of key management are disclosed in the Remuneration Report.

### (b) Other Transactions with Key Management Personnel

There were no transactions with directors and other key management personnel apart from those disclosed in this note.

### (c) Directors' and Key Management Equity Holdings

Refer to the table on page 36 and 37 of the Remuneration Report.

## 29 Subsequent Events

There has not been any matter or circumstance occurring subsequent to the financial year that has significantly affected, or may significantly affect the company's operations in future financial years; or the company's state of affairs in future financial years.

## 30 Company Information

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

- Level 2, 100 Pacific Highway  
North Sydney  
Sydney NSW 2060

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

The financial report was authorised for issue by the directors on 23 March 2018.

# Additional Information as at 7 March 2018 (Unaudited)

## Corporate Governance Statement

The Reckon Limited Corporate Governance Statement is available on our website in the section titled Corporate Governance (<https://www.reckon.com/au/investors/governance/>).

## Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholder	Number	Percentage
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	32,054,722	28.29
J P MORGAN NOMINEES AUSTRALIA LIMITED	13,556,177	11.97
NATIONAL NOMINEES LIMITED	8,900,775	7.86
CITICORP NOMINEES PTY LIMITED	6,574,966	5.80
GREGORY JOHN WILKINSON	6,280,487	5.54
MR CLIVE RABIE + MRS KERRY ROSE RABIE <RABIE EXEC SUPER FUND A/C>	5,080,000	4.48
DJZ INVESTMENTS PTY LIMITED	4,690,000	4.14
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	2,220,767	1.96
RAWFORM PTY LTD <THE RECKON SOFTWARE S/F A/C>	1,330,306	1.17
MR STEPHEN JAMES RICKWOOD	1,201,062	1.06
BNP PARIBAS NOMS PTY LTD <DRP>	803,241	0.71
MR PHILIP ROSS HAYMAN	650,909	0.57
MR CLIVE ALAN RABIE	640,191	0.57
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	639,165	0.56
VANWARD INVESTMENTS LIMITED	576,082	0.51
BNP PARIBAS NOMS (NZ) LTD <DRP>	574,621	0.51
HURSTCLAN HOLDINGS PTY LTD	500,000	0.44
ONE MANAGED INVT FUNDS LTD <1 A/C>	500,000	0.44
MR GEORGE WALTER MOORATOFF	488,000	0.43
HAGGLUND FAMILY SUPER PTY LTD <HAGGLUND FAMILY S/F A/C>	461,693	0.41
	87,723,164	77.43

## Number of Holders of Equity Securities

### Ordinary Share Capital

113,294,832 fully paid ordinary shares are held by 3,466 individual shareholders as at 7 March 2018. All issued ordinary shares carry one vote per share.

### Shareholdings less than marketable parcels

The number of shareholdings held in less than marketable parcels is 182.

## Distribution of Holders of Equity Securities

As at 7 March 2018

Number of Ordinary Shares	Number of Shareholders
1 – 1,000	891
1,001 – 5,000	1,577
5,001 – 10,000	480
10,001 – 100,000	476
100,001 and over	42
Total	3,466

## Substantial Shareholders

As at 7 March 2018

(a) From Twenty Largest holders of Quoted Equity Securities

Ordinary Shareholder	Number	Percentage
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	32,054,722	28.29
J P MORGAN NOMINEES AUSTRALIA LIMITED	13,556,177	11.97
CLIVE ALAN RABIE	10,650,191	9.40
NATIONAL NOMINEES LIMITED	8,900,775	7.86
GREGORY JOHN WILKINSON	7,610,793	6.72
CITICORP NOMINEES PTY LIMITED	6,574,966	5.80

(b) As disclosed to ASX

	Ordinary Shares	Percentage
Wilson Asset Management Group	16,088,278	14.20
FMR LLC	10,763,572	9.50
Spheria Asset Management Pty Limited	8,896,535	7.85
Australian Ethical Investment Limited	7,140,547	6.30
Microequities Asset Management Pty Ltd	7,109,292	6.28
NovaPort Capital Pty Ltd	5,670,500	5.01

# Additional Information as at 7 March 2018 (Unaudited) (continued)

## Principal Registered Office

Level 2, 100 Pacific Highway  
North Sydney NSW 2060  
Tel: (02) 9134 3300  
www.reckon.com

## Principal Administration Office

Level 2, 100 Pacific Highway  
North Sydney NSW 2060  
Tel: (02) 9134 3300

## Share Registry

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

## Stock Exchange Listings

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

## Auditors

Deloitte Touche Tohmatsu  
225 George Street  
Sydney NSW 2000

## Company Secretary

Mr Myron Zlotnick

## Annual General Meeting

The Annual General Meeting for Reckon Limited will be held on **Wednesday 23 May 2018 at 10:00am** at **Level 2, 100 Pacific Highway, North Sydney, NSW**. If you are unable to attend, you are invited to complete the Proxy Form included with your Notice of Meeting. The completed Proxy Form must be received no later than 48 hours before the Annual General Meeting.

## Important Information – Corporate Notices

Security holders have the option as to how they receive statutory corporate notices and reports. In the interest of cost saving and the environment (every little bit helps), we encourage you to opt in to receive all notices and reports electronically.

Please go to: [www.computershare.com/au](http://www.computershare.com/au) and follow the prompts to register your request to opt in to receive TO RECEIVE ALL NOTICES AND REPORTS IN ELECTRONIC FORMAT.

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

- Visit the share registry at [www.computershare.com/au](http://www.computershare.com/au)
- Click on “Investor Centre”
- Follow the prompts to update your “Communications Options”
- After you have updated your email address and selected the publications you wish to receive, a confirmation email will be sent to you

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

Alternatively, email your full name and address of the securityholder to [shareholders@reckon.com](mailto:shareholders@reckon.com) to receive the Annual Report, corporate and statutory notices electronically.



Reckon®