



Reckon

2008 Annual Report



Reckon Limited Annual Report

ACN 003 348 730

for the Financial Year Ended 31 December 2008

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Our results at a glance

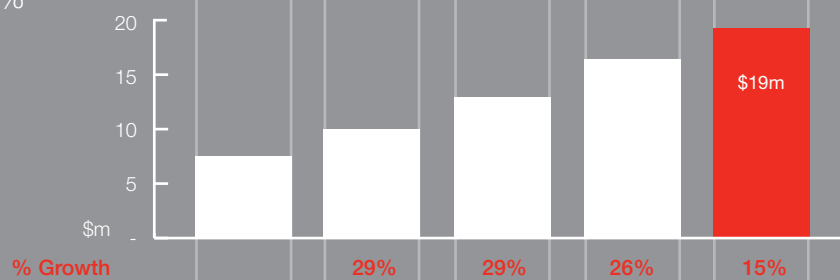
Revenue

Group revenue was up 8% to \$60.8 million from \$56.2 million.



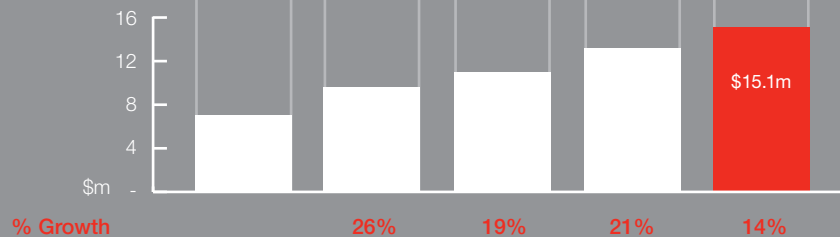
EBITDA

Group EBITDA was up 15% to \$19 million from \$16.5 million.



NPBT

Group NPBT was up 14% to \$15.1 million from \$13.3 million.



Message to shareholders from the Chairman and the Group CEO

Overview

It is with pleasure that we present the Reckon Limited results for the year ending 31 December 2008. The results once again testify to the underlying soundness of the Company's business model and execution of its long term strategy with increases across all key metrics, as shown below.

	2008	2007	% Change
Group Revenue	\$60.8 million	\$56.2 million	8% increase
Group EBITDA	\$19.0 million	\$16.5 million	15% increase
Group NPAT	\$11.3 million	\$9.9 million	14% increase
EPS	8.5 cents	7.5 cents	13% increase

On 10 February 2009 the board declared a final dividend for 2008 of 3.5 cents per share, fully franked. The final dividend for 2007 was 2.5 cents per share.

Future Outlook

The success of the Company in 2008 in the context of current global and Australian economic conditions is especially pleasing and positions it well for future growth in 2009. The Company has advised the market that it expects revenue growth in the Reckon Group to be approximately 50 percent over 2008. This growth will cement the Company as a leader in practice management, accounting and financial management software and services and will enable further success in the short to medium term. We remain cautiously optimistic about future performance given current economic conditions.

Acquisitions

We are delighted to advise that in January 2009 the Company completed the acquisition of the Corporate Services and BillBack businesses from Espreon Limited. This transaction is an exciting step in the development of the Company and will enable it to achieve synergies and revenue growth in the near to medium term. BillBack presents opportunities in the cost recovery and cost management market for professional services firms, while Corporate Services gives significant scale to our existing Reckon Shelco business.

The underlying strength of the Reckon Group places it in an optimal position to consider future acquisitions. Our traditional approach has been to carefully identify acquisitions which match our selection criteria, including the realisation of hard and soft synergies, positive EPS results and effective integration into the overall Reckon strategy. This careful approach has in the past ensured that the Company has grown at a sustainable rate and we intend to continue to apply our high standards to any acquisitions which are identified during the course of 2009.

Operations

The Reckon Group operations are divided into two main divisions: a Professional Division and a Business Division.

Results of Professional and Business Divisions

The Professional and Business Divisions each contributed to the strong growth experienced by Reckon in 2008. The table below illustrates the performance of each division.

	Operating Revenue	% change on 2007 Revenue	EBITDA	% change on 2007 EBITDA
Professional Division	\$21.3 million	15% increase	\$5.3 million	46% increase
Business Division	\$38.6 million	5% increase	\$13.7 million	7% increase

Message to shareholders from the Chairman and the Group CEO (continued)

Professional Division in 2008 and 2009

The Professional Division continues to experience strong growth by positioning itself as a market leader in the provision of practice management systems to large accounting practices. Highlights from the 2008 financial year include:

- Strong organic growth both from new clients and increased product uptake from current clients.
- Increases in revenue from consulting arising from expanded implementation capacity built in the 2007 financial year.
- APS software awarded "Practice Management Software of the Year" in the UK "Accountancy Age Awards".

We expect that the strong performance of the Professional Division will continue into the 2009 financial year based on both continued organic growth and expansion from the BillBack acquisition. Focuses of the Professional Division in 2009 include:

- Integration of the BillBack operations and leveraging cross-selling opportunities.
- Expansion of the APS product offering into new markets.
- Expansion into new territories.
- New product releases to complete the comprehensive practice management offering from APS, including Advance Company Register, .Net Tax and Workflow and Resource Planning.

Business Division in 2008 and 2009

The Business Division experienced many successes in the 2008 financial year. A few of the highlights were:

- Release of QuickBooks 2008/09 QBⁱ series. QBⁱ is designed to make accountants' and customers' lives easier. It contains a raft of new features to achieve this goal, including: a past transactions memory, an always on audit trail, simultaneous use and synchronisation with accountants with a secure dividing date, portable company files, and only one accountants version required to support different customers versions. The use of an SQL database also means the product enjoys efficiencies of scale to accommodate small businesses of virtually any size; a higher magnitude of processing speed; and a fully scalable product for virtually unlimited multiple simultaneous users.
- Strong growth from the QuickBooks customer base especially in the Enterprise product, with growth of 21 percent.
- Significant enhancements to the Quicken personal finance software being incorporated in the Quicken 2009 release.

In 2009 the Business Division will build on its performance in 2008 by:

- Leveraging off the momentum generated from the QuickBooks 2008/09 QBⁱ series software with the QuickBooks 2009/10 QBⁱ series release.
- Further expansion into the enterprise market with the QuickBooks Enterprise product.
- Integration of Espreon Corporate Services into the broader Business Division and leveraging cross-selling opportunities through the Reckon partner network.

Opportunities for the Reckon Group

The broad product offering of the Reckon Group places it in the enviable position of being able to leverage its range of products and services off one another, resulting in not only stronger sales but in tangible benefits for a growing customer base. The APS and QuickBooks brands are complementary and enable Reckon to service any size accounting practice. APS sells practice management, tax and client accounting software and allied products to professional accounting firms with full service requirements whilst the Business Division services the rest of the accounting market with Elite labeled products. With the expansion of Reckon's corporate service offering through Reckon Espreon and the addition of cost recovery and cost management products and services through BillBack, the Reckon Group is now able to offer accounting and professional service organisations not only software but also services such as trust documentation, company incorporation and cost recovery.

Partners

The continued growth of Reckon is due in no small part to the support of Reckon's ever growing network of partners amongst accountants, bookkeepers and business and IT consultants. The number of new partners continued to increase in 2008 and this trend is expected to continue as recognition of the QuickBooks, Elite, Reckon Shelco, Reckon Espreon and APS products as the pre-eminent packages in their market continues to grow.

We also extend our thanks to the support of all our employees, customers and suppliers who contributed to our success in 2008.



John Thame
Chairman



Clive Rabie
Group CEO

Directors' Report

The Directors of Reckon Limited submit these financial statements for the financial year ended 31 December 2008.

Board of Directors

John Thame AAIBF FCPA

Age 67, Non-Executive Chairman

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

Ian Ferrier FCA

Age 68, Non-Executive Director

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

Greg Wilkinson

Age 53, Deputy Executive Chairman

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

Clive Rabie

Age 49, Group Chief Executive Officer

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

Myron Zlotnick LL.M., GCertAppFin

Age 44, General Counsel and Company Secretary

Myron Zlotnick has over 15 years experience as a general and corporate counsel, and as a Director of companies in the information, communications and technology sector. Myron also assumes responsibility for some aspects of the management and operations of the Reckon Shelco and Reckon Espreon businesses.

Principal Activities

Reckon Limited conducts business predominantly across complementary business areas: (1) the sales and support of small and enterprise business accounting and personal wealth management software under the QuickBooks and Quicken brands (2) the sales and support of professional accounting practice management and allied software under the APS brand to larger professional accounting firms, and to smaller professional accounting firms under the Elite brand; (3) the sales and support of corporate services such as company incorporations and SMSF documentation under the Reckon Shelco brand.

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

In the Business Division, under the QuickBooks and Quicken brands, Reckon develops, localises, distributes and provides after sales technical support for the accounting software needs of small to medium sized and enterprise businesses and in the personal finance and wealth management sector.

Under the Reckon Tools brand, Reckon develops applications that enhance these products, for example: electronic data interchange ("EDI") functionality, bill payment solutions, super choice management solutions, online backup, and online trading. In addition, Reckon independently develops and distributes a payroll and point-of-sale solution.

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

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

In the Professional Division the APS business develops, distributes and supports a suite of practice management, tax and client accounting software for professional accounting firms in Australia, New Zealand and the United Kingdom. A majority of the major accounting firms in Australia and New Zealand use APS products. APS also delivers complementary applications for practice management such as document

management, customer relations management and business intelligence solutions. Desktop Super is a tool for the professional administration of self managed superannuation funds. With the acquisition of BillBack by Reckon in January 2009, APS now has the ability to offer its client base technologies for the capture, reporting and billing of client expenses (including: scanning, network printing and faxing, telephone and mobile calls, online searches, courier and taxi usage).

Shelco which was acquired in March 2007 consists of two main revenue streams, a services business and a data business. Espreon Corporate Services, which was acquired by Reckon in January 2009, has similar revenue streams to Shelco and increases Reckon's presence and market share in the corporate services and growth opportunities in the data supply market. Espreon Corporate Services also adds depth to the product offering in the market for documentation for trusts and self managed superannuation funds.

The services business comprises the technology and established client base for the registration of companies and other business structures using the traditional full service method. This business provides clients with an online company registration service available 24 hours a day, seven days a week. It also provides services for the establishment of unit trusts and family trusts (discretionary trusts), as well services for constitution updates, domain name registrations and self managed super funds. Espreon Corporate Services brings with it a compliance team that manages certain company secretarial functions on behalf of companies and thus also widens the range of services offered by Reckon Shelco.

The 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.

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

Review of Operations

Overview of financial performance

Group Operating Revenue:	Up 8% to \$60.8m from \$56.2m
Group EBITDA:	Up 15% to \$19m from \$16.5m
Group NPAT:	Up 14% to \$11.3m from \$9.9m
Basic EPS:	Up 13% to 8.5 cents per share from 7.5 cents
Final Dividend:	3.5 cents per share 100% franked with a dividend payout ratio of 71%
Operating cash flow:	Up 12% to \$16.3m with a cash balance of \$16.1m at 31 December 2008

Growth in revenue, strong management of costs, and the benefits of a sustainable customer base has resulted in strong group performance from both the Professional Division and Business Division.

Dividends

On 10 February 2009, the Board declared a final dividend of 3.5 cents per share (100% franked) payable to shareholders recorded on the Company's Register as at the record date of 20 February 2009. Reckon does not have a dividend re-investment plan currently in operation. On 11 August 2008, the Board declared an interim dividend of 2.5 cents per share (100% franked) payable to shareholders recorded on the Company's Register at record date of 25 August 2008.

The Future

Reckon's overall strategy continues to be one of expanding the product and service offering to its customer base, leveraging cross-selling opportunities across its customer base of small businesses and accountants, generating recurring revenue streams through subscription products, generating recurring revenue through consulting and technical support, seeking new complementary products and services, enhancing relationships with sales channels, including retailers and professional partners, maintaining operating efficiencies resulting in increasing margins.

Reckon announced to the market on 10 February 2009 that, as a consequence of the acquisition of the Corporate Services and BillBack businesses, it expects revenue growth in the 2009 financial year to be approximately 50 percent over 2008. However, the nature of the businesses will result in some reduction in EBITDA margin percentages in the short term.

Reckon continues to maintain an excellent relationship with Intuit Inc.

The APS business will continue to expand in 2009 on the back of ongoing maintenance revenue and market share growth together with growth resulting from expanding the uptake of additional modules by existing clients.

Over the next 12 months Reckon will concentrate on assimilating the operations of the Corporate Services and BillBack businesses purchased from Espreon Limited in January 2009 into its existing business and realising the synergies and cross-selling opportunities that the acquisition of those businesses provides the broader Reckon Group.

Significant Changes in State of Affairs

There were no events in 2008 that represented material changes to the state of affairs of the Company but Reckon entered into binding documentation to acquire the Corporate Services and BillBack businesses of Espreon Limited in November 2008. This transaction completed after the end of the financial year (see below).

Matters Subsequent to the End of the Financial Year

Acquisition of Corporate Services and BillBack Businesses

On 2 January 2009 the acquisition of the Corporate Services and BillBack businesses by Reckon from Espreon Limited for \$18 million was completed. The acquisition of the businesses was funded through a mix of Reckon's cash reserves and debt funding.

The Corporate Services business of Espreon Limited is a provider of documentation for company formations, secretarial services, trust and self managed superannuation fund trust deeds. This business is similar in nature to Reckon's existing Shelco business.

The cost recovery (BillBack) business of Espreon Limited is a provider of technologies for the capture, reporting and billing of client expenses (including: scanning, network printing and faxing, telephone and mobile phone calls, online searches, courier and taxi usage) for professional services suppliers such as accountants and lawyers.

Dividend

A final dividend for 2008 was declared on 10 February 2009 as disclosed above.

Options

Since balance date 153,058 shares were issued after exercise of options under Share Option Plan 2. See Note 19 for the details of this plan.

Since 31 December 2008 206,672 options have lapsed.

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

Other matters

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

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

Future Developments

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

Directors' Shareholdings

As at the date of this report, the Directors held shares and options in Reckon Limited as set out in the Remuneration Report immediately below. All options were granted under the Executive Share Option Plan.

Remuneration Report

Key management

The key management personnel include the directors and group executives who have responsibility for planning, directing and controlling the activities of the company and the consolidated entity. Key management personnel details are set out on page 11 below.

Policy for determining remuneration of key management personnel

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

Policy for determining remuneration of other management personnel has been delegated to the Group CEO, Group CFO and divisional MD's by the Board to be exercised in accordance with the same broad principles as apply for the Group CEO, Group CFO, other company officers and divisional MD's. The Board approves all remuneration in its review of the Company's annual budget process.

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

Terms of employment for key management personnel

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

For 2008, remuneration for key management personnel including the Group CEO, Group CFO, other company officers,

divisional MD's and other senior executives, comprises a fixed element, a short term incentive element and a long term incentive element.

Short term incentive payments

The short term incentive element of remuneration is dependent on satisfaction of performance conditions. A pool representing varying percentages of the combined fixed remuneration of the relevant employees is the total potential amount in which they can share if the performance conditions are met. There are three weighted elements to the performance conditions, viz: a revenue target, a net profit after tax (NPAT) target, and earnings per share (EPS) target measured against the budgeted performance of the Company. The Board retains a discretion regarding the allocation of the pool between employees as well as regarding weightings. Short term incentives are paid in cash as bonuses usually in about February or March of the following year.

Long term incentive payments

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

The Board will review the suitability of the comparator group on an ongoing basis. During 2008 some of the entities comprising the comparator group were delisted either as part of merger and acquisition activity or for other reasons. This was factored into the calculation of the Company's performance by the independent valuers who undertook the exercise on behalf of the Company. The comparator group of companies used in the current year assessment included Adacel Technologies Limited, Firstfolio Limited, Altium Limited, Amcom Telecommunications

Remuneration Report (continued)

Limited, ASG Group Limited, CPT Global Limited, Eftel Limited, Eservglobal Limited, Hansen Technologies Limited, Infomedia Ltd, Integrated Research Limited, Melbourne IT Limited, Lifestyle Communities Limited, Newsat Limited, Objective Corporation Limited, Oakton Limited, Powerlan Limited, Queste Communications Limited, Rea Group Ltd, MYOB Limited, Sirius Corporation Limited, Asian Pacific Limited, Technology One Limited and Talent2 International Limited.

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

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

Balance between salary, short term and long term incentives

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

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

Consequence of performance on shareholder wealth

	NPAT	EPS	Return of Capital	Reduction of Capital	Dividend	Changes in Share Price between the beginning and the end of the year	
						Beginning of January	End of December
	\$'000	(cents per share)				(cents)	
2004	10,151 ¹	7.4 ¹	3.5	–	–	68	85
2005	7,034 ²	5.1 ²	–	4	2	85	76
2006	8,169	6.2	–	–	4.5	76	102
2007	9,893	7.5	–	–	5.5	102	139
2008	11,312	8.5	-	-	6.0	139	105

¹ Result positively impacted by one off booking of unutilised tax losses.

² Result impacted by tax expense booked for the first time.

³ The company adopted AIFRS with effect from 1 January 2005 which results in various changes in accounting policies from that date. Results for the year ending 31 December 2004 have been restated.

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

Remuneration Report (continued)

Remuneration 2008

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

1 The potential amounts payable for the short term cash performance bonuses are determined at the beginning of the year and are earned based upon the performance criteria for the year described in more detail on pages 9 and 10.

2 No options were granted to any person during the year as part of their remuneration. No options vested during the financial year. All options issued in previous years as set out in Note 19 in the financial statements are fully vested. 82,333 options were exercised during 2008.

3 Mr Armstrong (58,656 shares), Mr Hagglund (51,324 shares), Mr Dixon (56,823 shares), Mr Zlotnick (27,018 shares), Mr Donnelley (7,332 shares), Mr James (7,332 shares), Mr Coventry, (7,332 shares), and Mr Boland (7,332 shares) are participants in the 2008 performance share plan. The date of grant for each of these participants was 1 January 2008. The value of the long term incentive is obtained by reference to the market price of the shares on the grant date allocated over each year of the 3 year performance period. If the performance criteria are met, then the shares are released at no consideration. The fair value of the performance shares at grant date was \$1.36. The performance shares are exercisable on 31 December 2010 at zero cents. The performance shares expire on 31 December 2017. The fair value of performance shares which vested and were forfeited during the financial year are set out in the table below.

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

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

6 To the extent that any of the above are directors of any wholly owned subsidiaries of the Company listed on page 45, no additional remuneration is paid.

7 Mr Donnelley resigned effective 15 October 2008 and Mr Linton was appointed MD on 1 September 2008.

8 Mr Donnelley's salary includes accrued leave paid out on resignation.

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

Remuneration Report (continued)

Remuneration 2008

2008	Percentage of total remuneration that is performance related	Percentage of available bonus which vested in the year	Percentage of available bonus which was forfeited during the year	No of performance shares vested in 2008	Value of Performance shares vested in 2008	Value of Performance shares forfeited in 2008	Value of Appreciation shares vested in 2008	Value of Appreciation shares forfeited in 2008
Directors⁵								
John Thame	0%	0	0	0	0	0	0	0
Greg Wilkinson	6%	0	0	0	0	0	\$18,750	0
Clive Rabie	28%	100%	0	0	0	0	\$93,750	0
Ian Ferrier	0%	0	0	0	0	0	0	0
Executives⁵								
Brian Armstrong	33%	100%	0	46,762	\$37,557	0	0	0
Chris Hagglund	29%	100%	0	21,802	\$17,511	0	0	0
Paul James ⁶	13%	100%	0	0	0	0	0	0
Myron Zlotnick	20%	100%	0	16,873	\$13,551	0	0	0
Brian Coventry	16%	100%	0	0	0	0	0	0
Gavin Dixon	27%	100%	0	0	0	0	0	0
Michael Donnelley ⁸	29%	75%	25%	0	0	\$20,912	0	0
Grant Linton ⁹	0	0	0	0	0	0	0	0
Nigel Boland	14%	100%	0	0	0	0	0	0
TOTAL				85,437	\$68,619	\$20,912	\$112,500	0

Remuneration Report (continued)

Remuneration 2007

2007	Office	Salary	Bonus ¹	Super-annuation	Value of options ²	Long term incentive plan ³	Other short term benefits ⁴	TOTAL	Percentage of total that is performance related
Directors⁵									
John Thame	Chairman, Non-Executive Director	\$81,500	0	\$7,335	0	0	0	\$88,835	0%
Greg Wilkinson	Deputy Chairman, Executive Director	\$130,000	0	\$11,700	0	\$42,360	0	\$184,060	23%
Clive Rabie	Group CEO, Executive Director	\$415,001	\$164,096	\$37,350	0	\$284,833	0	\$901,280	50%
Ian Ferrier	Non-Executive Director	\$62,501	0	\$5,625	0	0	0	\$68,127	0%
Executives⁵									
Brian Armstrong	CEO, APS	\$300,000	\$109,397	\$27,000	0	\$60,276	0	\$496,674	34%
Chris Hagglund	CFO	\$260,001	\$70,859	\$23,400	0	\$40,042	0	\$394,302	28%
Paul James ⁶	GM, APS Australia	\$107,241	\$21,000	\$9,652	0	0	0	\$137,893	15%
Myron Zlotnick	General Counsel & Company Secretary	\$190,000	\$31,408	\$17,100	0	\$22,574	0	\$261,082	21%
Brian Coventry	MD, APS United Kingdom	\$207,637	\$40,000	\$9,649	0	\$11,788	\$40,274	\$309,348	17%
Gavin Dixon	CEO, Quicken Australia	\$275,001	\$75,211	\$24,750	0	\$27,014	0	\$401,976	25%
Michael Donnelly	MD, APS New Zealand	\$178,707	\$43,860	\$14,268	0	\$11,788	0	\$248,622	22%
Nigel Boland	GM Development, APS	\$157,714	\$19,824	\$12,850	0	\$11,788	0	\$202,176	16%
TOTAL		\$2,365,304	\$575,655	\$200,679	0	\$512,463	\$40,274	\$3,694,375	

1 The potential amounts payable for the short term cash performance bonuses are determined at the beginning of the year and are earned based upon the performance criteria for the year described in more detail on pages 11 to 13.

2 No options were granted to any person during the year as part of their remuneration. No options vested during 2007.

3 Mr Armstrong (72,451 shares), Mr Hagglund (63,630 shares), Mr Dixon (67,539 shares), Mr Zlotnick (28,204 shares), Mr Donnelly (9,823 shares), Mr Coventry (9,823 shares) and Mr Boland (9,823 shares) are participants in the 2007 performance share plan. The date of grant for each of these participants is 1 January 2007. The value of the long term incentive is obtained by reference to the market price of the shares on the grant date allocated over each year of the performance period. If the performance criteria are met, then the shares are released at no consideration. The fair value of the performance shares at grant date was \$1.02. The performance shares are exercisable on 31 December 2009 at zero cents. The performance shares expire on 31 December 2016. Performance shares that vested in 2007 are referred to in Note 27 to the financial statements. Mr Rabie is a participant in the share appreciation plan. The date of grant of this participation 1 January 2007.

4 For Mr Coventry this reflects a sales commission.

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

6 Appointed 4 June 2007.

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

Remuneration Report (continued)

Indemnification of Directors and Officers and Auditors

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

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

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

Directors' Meetings

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

Reckon Limited – Attendance Tables							
Directors	Meetings						
	Board		Audit Committee		Remuneration Committee		
	A	B	A	B	A	B	
JM Thame	10	10	2	2	2	2	
I Ferrier	10	10	2	2	2	2	
G Wilkinson	10	10	NA	NA	NA	NA	
C Rabie	10	10	NA	NA	NA	NA	

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

Non audit fees

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

Rounding of Amounts

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

Auditors' Independence Declaration

The auditors independence declaration for the year ended 31 December 2008 has been received and can be found on page 19 of the directors report.

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

On behalf of the Directors



Mr J Thame

Chairman

Sydney, 27 March 2009

Corporate Governance Report

Governance of the Company in general is in accordance with the ASX Corporate Governance Principles and Recommendations, 2nd Edition ("the ASX Governance Principles"). Substantial compliance with the ASX Governance Principles is always pursued by the board. Any departure from the ASX Governance Principles is purely formal and generally justified on the basis that formal compliance is not applicable to the size of the Company and the resources available.

1. Management and Oversight

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

The Company departs from the requirements of Principle 1 of the ASX Governance Principles only to the extent that there is no formal charter. The board is of the opinion, given the relatively small size of the composition of the board, the relatively flat structure of management, the size of the management team and open and frequent channels of communication between management and the board that the board has sufficiently appropriate close oversight of operations and material decisions to ensure compliance with principles of good corporate governance.

Because of the relatively small size of the board, an Audit Committee and Remuneration Committee are the only committees of the board. The board is able to efficiently deal with issues which in other larger enterprises may normally be delegated to committees.

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

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

necessary remedial steps are identified and coaching is implemented. There may be additional reviews undertaken through the year if necessary.

Performance evaluation for key management personnel was undertaken in 2008 and it was in accordance with the processes disclosed in this report.

In addition, a portion of remuneration for key management personnel is tied into the financial performance of the Company as set out in more detail in the Remuneration Report section of the Directors' Report.

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

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

2. The board

At present, the board comprises four members: John Thame, Ian Ferrier, Greg Wilkinson and Clive Rabie. Mr Thame is Chairman of the board and he, together with Mr Ferrier, are independent non-executive directors.

Further details of the directors, including a summary of their skills and experience and period of office, are set out in the Directors' Report.

While there is not strictly an independent majority in the sense described in ASX Governance Principle 2, because there are only four directors, the non-executive directors ensure that all issues that come before the board are considered in an impartial manner and from a variety of perspectives. The Chairman, who is independent, has a casting vote where necessary. The independent non-executive directors oversee the nomination of any potential directors.

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

Directors are entitled to seek independent professional advice at the Company's expense to assist them in fulfilling their duties in order to comply with all applicable laws and regulations. There is no formal procedure for the board to agree when to take independent advice at the expense of the Company, but given the size of the board there is no efficiency to be obtained

in formalising this process. The independent non-executive directors exercise their judgment to call for such advice when they deem appropriate. The Chairman also has frequent contact with internal legal counsel to assess the need for external advice.

The board met ten times during 2008. The details of attendance at these meetings are set out in the Directors' Report.

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

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

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

While there is no formal induction process in place, the Chairman, Deputy Chairman and Group CEO undertake a rigorous process of briefing new board members.

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

3. Ethical and Responsible Decision Making

The Company operates in accordance with appropriate laws, regulations, principles and ethics to fulfill its responsibilities.

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

A pro forma Directors' Code of Conduct was formally adopted in 2003 in order to meet the requirements of the ASX Governance Principles.

In 2007 the Directors' Code of Conduct was expanded to apply to all employees, with the relevant changes.

The Company's Human Resources Policy and Procedures, binding on all employees, also collectively embraces the substance of the ASX Governance Principles in a Code of Conduct, including expectations regarding behaviour in the workplace, disciplinary processes, grievance processes,

discrimination and harassment, occupational health and safety, ethical business practices, conflict of interest, corporate opportunity and the like

A Trading Policy is accessible to the public at the Company website.

The Company is committed to training employees and maintaining employees' relevant product expertise and undertakes trade practices training from time to time for relevant staff.

4. Integrity in Financial Reporting

The board assumes the responsibility to ensure the integrity of the Company's financial reporting. Consistent with the requirements of the *Corporations Act* and Principle 4 of the ASX Governance Principles, the Group CEO and the Group CFO state in writing to the board that the Company's financial reports present a true and fair view, in all material respects, of the Company's operational results and are in accordance with relevant accounting standards.

The Audit Committee consists of John Thame and Ian Ferrier, independent, non-executive directors, to ensure independent review of financial reporting over and above formal audit processes. The Audit Committee also meets informally to discuss matters including risk management and reporting. The terms of reference of the committee are to review and monitor all financial, risk management and compliance policies. The terms of reference for the Audit Committee were formalised in a Charter in 2003 to meet the requirements of the ASX Governance Principles. Because there are only four directors, the Audit Committee cannot comprise of three members as required by Principle 4 of the ASX Governance Principles. Again the size of the board dictates that the role of the Audit Committee can operate efficiently and in accordance with the requirements of the ASX Governance Principles with only two members.

The independent non-executive directors comprising the Audit Committee collectively have considerable technical expertise in the market sector of the Company and in the area of so-called "financial literacy" as set out in the ASX Governance Principles.

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

Although not formally chartered, at each Audit Committee meeting, the independent non-executive directors meet separately with the auditors without management being

present to review any concerns that the auditors may have regarding the financial management of the Company.

The Audit Committee met twice during 2008. The Audit Committee reports back to the board after each Audit Committee meeting. The details of attendance at these meetings are set out in the Directors' Report.

5. Timely and Balanced Disclosure

The board remains conscious of the Company's disclosure obligations under the *Corporations Act*, the ASX listing rules and the ASIC guidance principles. All required disclosures are also made in accordance with the Continuous Disclosure Policy which is accessible to the public at the Company website.

6. Rights of Shareholders

Given the size of the Company, there is no formally documented communications strategy but the board is conscious of the requirements of Principle 6 of the ASX Governance Principles and acts in accordance with them. The Company communicates with shareholders through its ASX disclosures to the market. The Company also communicates with shareholders through the posting of statutory notices to shareholders and at the general and special meetings of the Company. The Company keeps recent announcements and general Company information on its website with a dedicated investor relations section which is accessible to the public. The website contains a link to the ASX website for older announcements.

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

7. Recognise and Manage Risk

As stated above in paragraph 1, the board is responsible for ensuring appropriate risk management, accountability, and control mechanisms. As stated above also in paragraph 4 the Audit Committee meets to discuss matters regarding risk management and reporting. The efficiency that might be enjoyed by larger companies does not apply to the Company and hence there are no additional committees formally established and policies chartered for risk management.

The Group CEO and Group CFO monitor and review the financial performance of the Company and monitor any potential risk virtually on a daily basis. While there is no formal risk management system documented there is substantial compliance with the requirements of ASX Governance Principle 7.

The board is responsible for the Company's system of internal controls. It constantly monitors the operational and financial

aspects of the Company's activities and, through the Audit Committee, considers the recommendations and advice of auditors and other external advisers on the operational and financial risks that face the Company.

The Group CEO and Group CFO state in writing to the board which is included in the declaration referred to under paragraph 4, that due consideration is given to budgets, cash flows, realisation of current assets, continuity of terms of trade, and consideration of contingencies in the day to day operations of the Company and in the monthly management financial reporting and statutory reporting of the Company.

Through the Audit Committee and meetings with the auditors, the board is also positioned to be informed of any changes to the general regulatory environment.

At present the nature of operations and scope of business is reasonably well established and understood by management and the board. Hence the need for formalising business risk management policies has not arisen. However, as the Company grows, consideration will be given to expanding the formal structures in place for risk management.

As set out above in paragraph 3, the Company and the board and management and employees are bound to observe all legal and ethical principles in the conduct of their activities in the Company.

8. Remunerate Fairly and Responsibly

The Company remunerates directors and key executives in accordance with the aspirations set out in ASX Governing Principle 8. Accordingly the board has adopted a remuneration policy designed to attract and maintain talented and motivated directors and senior employees so as to encourage enhanced performance of the Company. There is a clear relationship between performance and remuneration and a desire to strike the correct balance between the various components making up remuneration. The remuneration committee supervises the development and implementation of the Company's remuneration policy including the operation of option plans, and reviews the performance of the executive directors and senior executives. There is no formal charter for the remuneration committee, but it does fix policy and reward in accordance with ASX Governance Principle 8. The full detail of the policy and remuneration is contained in the Remuneration Report.

The Remuneration Committee met twice during 2008. The details of attendance at these meetings are set out in the Directors' Report.

Independent Auditor's Report to the Members of Reckon Limited

Report on the Financial Report

We have audited the accompanying financial report of Reckon Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 21 to 53.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Reckon Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 9 to 14 of the directors' report for the year ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Reckon Limited for the year ended 31 December 2008, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Michael Kaplan

Partner

Chartered Accountants

Sydney, 27 March 2009

27 March 2009

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

RECKON LIMITED

Dear Board Members

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

As lead audit partner for the audit of the financial statements of Reckon Limited for the financial year ended 31 December 2008, 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



Michael Kaplan
Partner
Deloitte Growth Solutions Pty Limited

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 22 to 53:

- comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- give a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2008 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

- the financial statements and notes are in accordance with the *Corporations Act 2001*; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the Directors and after receiving a declaration from the Chief Executive Officer and Chief Financial Officer as contemplated in section 295A of the *Corporations Act 2001*.

On behalf of the Directors



Mr J Thame

Chairman

Sydney, 27 March 2009

Income Statements

for the year ended
31 December 2008

	Note	Consolidated		Parent	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue	2	60,775	56,153	44,788	42,135
Product and selling costs		(5,358)	(5,010)	(3,728)	(3,548)
Royalties		(4,211)	(4,081)	(4,200)	(4,062)
Employee benefits expenses		(19,145)	(17,432)	(10,430)	(9,674)
Employee related expenses		(906)	(835)	(597)	(596)
Expense of share-based payments		(301)	(571)	(301)	(571)
Marketing expenses		(4,467)	(4,275)	(3,736)	(3,571)
Premises and establishment expenses		(1,771)	(1,593)	(1,144)	(1,022)
Depreciation and amortisation		(4,663)	(3,839)	(4,511)	(3,636)
Telecommunications		(809)	(748)	(530)	(500)
Legal and professional expenses		(441)	(672)	(350)	(554)
Finance costs		-	-	(93)	(21)
Other expenses		(3,580)	(3,763)	(1,991)	(1,865)
Profit before income tax		15,123	13,334	13,177	12,515
Income tax expense	3	(3,811)	(3,441)	(2,214)	(2,358)
Profit for the year		11,312	9,893	10,963	10,157
Loss attributable to minority interest		-	-	-	-
Profit attributable to members of Reckon Limited	22	11,312	9,893	10,963	10,157
		Cents	Cents		
Basic Earnings per Share	23	8.5	7.5		
Diluted Earnings per Share	23	8.5	7.4		

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheets

as at 31 December 2008

	Note	Consolidated		Parent	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
ASSETS					
Current Assets					
Cash and cash equivalents	28	16,134	14,141	14,889	11,037
Trade and other receivables	6	4,993	4,205	1,161	1,489
Inventories	5	440	349	280	196
Other assets	7	855	846	401	461
Total Current Assets		22,422	19,541	16,731	13,183
Non-Current Assets					
Receivables	6	-	-	1,029	527
Other financial assets	8	629	380	15,069	14,820
Property, plant and equipment	9	2,543	1,714	1,613	811
Deferred tax assets	10	426	387	-	-
Intangible assets	11	24,088	23,326	13,062	12,269
Other assets	12	905	324	905	324
Total Non-Current Assets		28,591	26,131	31,678	28,751
Total Assets		51,013	45,672	48,409	41,934
LIABILITIES					
Current Liabilities					
Trade and other payables	13	4,918	5,038	3,036	3,098
Current tax liabilities		1,742	937	1,569	1,205
Provisions	14	808	727	351	367
Other liabilities	15	3,076	2,688	2,010	1,690
Total Current Liabilities		10,544	9,390	6,966	6,360
Non-Current Liabilities					
Borrowings	16	-	-	3,052	1,395
Deferred tax liabilities	17	640	732	210	302
Provisions	14	605	720	432	437
Other liabilities	18	841	178	733	-
Total Non-Current Liabilities		2,086	1,630	4,427	2,134
Total Liabilities		12,630	11,020	11,393	8,494
Net Assets		38,383	34,652	37,016	33,440
Equity					
Issued capital	20	17,566	18,203	17,566	18,203
Reserves	21	816	513	958	461
Retained earnings	22	20,003	15,938	18,492	14,776
Parent entity interest		38,385	34,654	37,016	33,440
Minority interest	29	(2)	(2)	-	-
Total Equity		38,383	34,652	37,016	33,440

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of Recognised Income and Expense

for the year ended 31 December 2008

	Note	Consolidated		Parent	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Exchange differences on translation of foreign subsidiaries	21	(194)	(69)	–	–
Net income/(loss) recognised directly into equity		(69)	(130)	–	–
Profit for the year		11,312	9,893	10,963	10,157
Total recognised income and expense for the year		11,118	9,824	10,963	10,157
Attributable to:					
Members of Reckon Limited		11,118	9,824	10,963	10,157
Minority interest		–	–	–	–
		11,118	9,824	10,963	10,157

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

Cash Flow Statements

for the year ended 31 December 2008

	Note	Consolidated Inflows/(Outflows)		Parent Inflows/(Outflows)	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash Flows From Operating Activities					
Receipts from customers		65,180	60,496	41,236	39,094
Payments to suppliers and employees		(46,548)	(43,889)	(27,405)	(26,137)
Interest received		804	721	626	401
Dividends received		-	-	3,312	3,150
Income taxes paid		(3,137)	(2,711)	(1,942)	(2,005)
Net cash inflow from operating activities	28(c)	16,299	14,617	15,827	14,503
Cash Flows From Investing Activities					
Payment for purchase of business, net of cash acquired		(366)	(2,315)	(366)	(2,315)
Payments for purchase of intellectual property		(40)	(100)	(40)	(100)
Payment for deferred acquisition costs		(905)	-	(905)	-
Expenditure on capitalised development costs		(4,634)	(3,745)	(4,841)	(3,900)
Payment for property, plant and equipment		(664)	(537)	(309)	(235)
Increase in loans from subsidiaries		-	-	2,183	1,632
Payments for security deposits		(249)	(79)	(249)	(94)
Net cash outflow from investing activities		(6,858)	(6,776)	(4,527)	(5,012)
Cash Flows From Financing Activities					
Proceeds from issues of equity securities		113	203	113	203
Payments for treasury shares		(314)	-	(314)	-
Dividends paid to Company's shareholders		(7,247)	(6,629)	(7,247)	(6,629)
Net cash outflow from financing activities		(7,448)	(6,426)	(7,448)	(6,426)
Net Increase in cash and cash equivalents		1,993	1,415	3,852	3,065
Cash and cash equivalents at the beginning of the financial year		14,141	12,726	11,037	7,972
Cash and cash equivalents at the end of the financial year	28(a)	16,134	14,141	14,889	11,037

The above cash flow statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 31 December 2008

1. Summary of Significant Accounting Policies

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

Basis of preparation

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

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

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

Significant Accounting Policies

(a) Trade Payables

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

(b) Acquisition of Assets

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

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

(c) Depreciation and Amortisation

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

Plant and equipment	3 – 5 years
Leasehold improvements	3 – 6 years

(d) Employee Benefits

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

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

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

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

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

(e) Contributed Equity

Transaction Costs on the Issue of Equity Instruments

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

(f) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary

Notes to the Financial Statements

for the year ended 31 December 2008

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

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

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

(g) Goods and Services Tax

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

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

- ii. for receivables and payables which are recognised inclusive of GST.

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

(h) Intangible assets

Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group’s investment in each country of operation by each primary reporting segment which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. If an impairment has been identified, the goodwill is written down and an expense recognised in the income statement. Impairment losses recognised for goodwill are not subsequently reversed.

Intellectual Property

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

Research and development costs

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

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2008

(i) Income Tax

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

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

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

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

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

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

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

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

All the wholly-owned Australian subsidiaries in the Group have entered into a tax funding agreement, which requires that all balances assumed by the head entity are settled in full. Furthermore, in the event that the head entity defaults in its obligations under the tax consolidation system, each entity in the Group is limited in its obligation to fund the income tax

obligation of the head entity to the proportion that the tax liability to which the entity would have been liable had the Group not elected to become a tax consolidated entity bears to the total taxation liability of the head entity.

(j) Inventories

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

(k) Investments in subsidiaries

Investments in subsidiaries are recorded at cost.

Dividend revenue is taken to income on a receivable basis.

(l) Leased Assets

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

The consolidated entity does not have any finance leases in force.

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

(m) Principles of Consolidation

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2008

(n) Receivables

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

(o) Impairment of assets

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

(p) Revenue Recognition

Sale of Goods and Disposal of Assets

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

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

Rendering of Services

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

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

Royalty Income

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

Interest and Other Revenue

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

(q) Deferred Revenue

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

(r) Earnings per share

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

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

(s) Share-based compensation benefits

Equity-based compensation benefits are provided to employees via the Employee Option Plan.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Notes to the Financial Statements

for the year ended 31 December 2008

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(t) Cash and cash equivalents

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

(u) Other financial assets

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

(v) 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.

(w) Fair Value estimation

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

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

(x) Rounding of amounts

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

(y) Significant accounting judgments, estimates and assumptions

Significant accounting judgments

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

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

Revenue recognition - in multiple element arrangements where goods and services are sold as a bundled product, the fair

value of the services is recognised as revenue over the period during which the service is performed

Significant accounting estimates and assumptions

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

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

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

(z) New accounting standards not yet effective

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

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

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian accounting Standards arising from AASB 101'	1 January 2009	31 December 2009
AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	31 December 2009

Notes to the Financial Statements

for the year ended 31 December 2008

Initial application of the following Standards is not expected to have any material impact on the financial report of the Group and the company:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	31 December 2009
AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2008-3 (1 July 2009)	31 December 2010
AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	31 December 2009
AASB 2008-2 'Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	31 December 2009
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2009	31 December 2009
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009	31 December 2010
AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	31 December 2009
AASB 2008-8 'Amendment to Australian Accounting Standards – Eligible Hedged Items'	1 July 2009	31 December 2010
AASB 2008-10 'Amendments to Australian Accounting Standards – Reclassification of Financial Assets'	1 July 2008	31 December 2009
AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of non-cash assets to owners'	1 July 2009	31 December 2010
AASB Interpretation 13 'Customer Loyalty Programmes'	1 July 2008	31 December 2009
AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	31 December 2009
AASB Interpretation 17 'Distributions of Non-Cash Assets to Owners'	1 July 2009	31 December 2010

Notes to the Financial Statements

for the year ended 31 December 2008

2. Profit for the year

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

Revenue

Sales revenue

Sale of goods and rendering of services

Other revenue

Other income

Interest revenue – Bank deposits

Royalty revenue

Dividend income

Expenses

Cost of Sales

Bad debt expense:

Other Entities

Finance costs expensed: Wholly-owned controlled entities

Net transfers to/(from) provisions:

Sales returns and rebates

Employee benefits

Allowance for doubtful debts

Depreciation of non-current assets:

Property, plant and equipment

Amortisation of non-current assets:

Leasehold improvements

Intellectual property

Development costs

Foreign exchange losses/(gains)

Research and development costs

Operating lease rental expenses:

Minimum lease payments

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Sale of goods and rendering of services	59,871	55,274	37,026	35,372
Other income	100	158	163	192
Interest revenue – Bank deposits	804	721	626	401
Royalty revenue	-	-	3,661	3,020
Dividend income	-	-	3,312	3,150
	904	879	7,762	6,763
	60,775	56,153	44,788	42,135
Cost of Sales	9,569	9,091	7,928	7,610
Bad debt expense:				
Other Entities	-	20	-	12
Finance costs expensed: Wholly-owned controlled entities	-	-	93	21
Net transfers to/(from) provisions:				
Sales returns and rebates	55	(139)	55	(139)
Employee benefits	32	530	(19)	450
Allowance for doubtful debts	23	(50)	43	(84)
Depreciation of non-current assets:				
Property, plant and equipment	552	473	346	308
Amortisation of non-current assets:				
Leasehold improvements	196	174	119	24
Intellectual property	602	748	602	748
Development costs	3,313	2,444	3,444	2,556
Foreign exchange losses/(gains)	(155)	39	4	8
Research and development costs	2,342	2,438	2,260	2,438
Operating lease rental expenses:				
Minimum lease payments	1,718	1,480	1,015	902

Notes to the Financial Statements

for the year ended 31 December 2008

3. Income Tax

(a) Income tax expense

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current tax	4,169	3,549	2,540	2,337
Deferred tax	(133)	84	(92)	129
Under /(over) provided in prior years	(225)	(192)	(234)	(108)
	3,811	3,441	2,214	2,358

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

Profit before income tax	15,123	13,334	13,177	12,515
Income tax expense calculated at 30% of profit	4,537	4,000	3,953	3,755
Tax effect of:				
Effect of higher tax rates on overseas income	-	42	-	-
Tax effect of non-deductible/non-taxable items:				
Dividends	-	-	(994)	(945)
Research and development claims	(530)	(364)	(530)	(364)
Share-based payments	-	3	-	3
Sundry items	29	27	19	17
	4,036	3,708	2,448	2,466
Under/(over) provision in prior years	(225)	(192)	(234)	(108)
Benefit of tax losses of prior years recouped	-	(75)	-	-
Income tax expense attributable to profit	3,811	3,441	2,214	2,358

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

Tax losses:				
Revenue	-	-	-	-
Capital	2,261	2,261	2,261	2,261
	2,261	2,261	2,261	2,261

Notes to the Financial Statements

for the year ended 31 December 2008

4. Remuneration of Auditors

During the year, the auditors of the parent entity and its related practices earned the following remuneration:

(a) Deloitte Touche Tohmatsu

Auditing and reviewing of financial reports
Due diligence and other assurance services
Tax compliance and consulting services

(b) Other Auditors

Auditing and reviewing of financial reports
Other assurance services
Tax compliance services

Consolidated		Parent	
2008	2007	2008	2007
\$	\$	\$	\$
164,777	130,158	135,915	109,482
42,750	-	42,750	-
80,914	70,296	80,914	70,296
288,441	200,454	259,579	179,778
32,181	45,444	-	-
-	18,520	-	-
25,139	24,223	-	-
57,320	88,187	-	-
345,761	288,641	259,579	179,778

5. Inventories

Finished goods:

At lower of cost and net realisable value

Consolidated		Parent	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000
440	349	280	196

6. Trade and Other Receivables

Current:

Trade receivables¹
Allowance for doubtful debts

Other receivables

Non current:

Unsecured loans to subsidiaries²

i. The aging of past due trade receivables at year-end is detailed as:

Past due 0-30 days
Past due 31-60 days
Past due 60+ days

Total

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

Balance at beginning of the year

Amounts written off during the year

Increase in allowance recognised in the profit and loss

Balance at end of year

Consolidated		Parent	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000
4,670	4,019	912	1,292
(317)	(294)	(233)	(190)
4,353	3,725	679	1,102
640	480	482	387
4,993	4,205	1,161	1,489
-	-	1,029	527
982	616	168	118
466	397	107	158
504	417	-	-
1,952	1,430	275	276
294	364	190	286
-	(20)	-	(12)
23	(50)	43	(84)
317	294	233	190

1 The average credit period on provision of services is 30 days. No interest is charged on trade receivable balances overdue. The Group has used the following basis to assess the allowance loss for trade receivables and as a result is unable to specifically allocate the allowance to the ageing categories shown above:
- a general provision based on historical bad debt experience;
- the general economic conditions;
- an individual account by account specific risk assessment based on past credit history; and
- any prior knowledge of debtor insolvency or other credit risk.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$1,635,000 (2007: \$1,136,000) which are past due at the reporting date which the Group has not provided for as there has been no significant change in credit quality and the Group believes that the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

2 The loans to wholly owned subsidiaries have no fixed repayment terms. The loans are interest free.

Notes to the Financial Statements

for the year ended 31 December 2008

7. Other Assets

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Prepayments	740	714	401	461
Other	115	132	-	-
	855	846	401	461

8. Other Financial Assets

Security deposits	629	380	629	380
Shares in controlled entities - at cost (note 26)	-	-	14,440	14,440
	629	380	15,069	14,820

9. Property, Plant And Equipment

Leasehold Improvements

At cost	2,329	1,368	1,732	763
Less: Accumulated amortisation	1,119	937	835	716
Total leasehold improvements	1,210	431	897	47

Plant and equipment

At cost	5,417	5,046	4,234	3,937
Less: Accumulated depreciation	4,084	3,763	3,518	3,173
Total plant & equipment	1,333	1,283	716	764
	2,543	1,714	1,613	811

Reconciliations

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

	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
Consolidated			
Carrying amount at 1 January 2008	431	1,283	1,714
Additions	975	647	1,622
Depreciation/amortisation expense	(196)	(597)	(793)
Balance at 31 December 2008	1,210	1,333	2,543
Parent Entity			
Carrying amount at 1 January 2008	47	764	811
Additions	969	298	1,267
Depreciation/amortisation expense	(119)	(346)	(465)
Balance at 31 December 2008	897	716	1,613

Notes to the Financial Statements

for the year ended 31 December 2008

	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
9. Property, Plant and Equipment (cont.)			
Consolidated			
Carrying amount at 1 January 2007	556	1,177	1,733
Additions	50	606	656
Depreciation/amortisation expense	(175)	(500)	(675)
Balance at 31 December 2007	431	1,283	1,714

Parent Entity

Carrying amount at 1 January 2007	64	815	879
Additions	7	257	264
Depreciation/amortisation expense	(24)	(308)	(332)
Balance at 31 December 2007	47	764	811

10. Deferred Tax Asset

The balance comprises temporary differences attributable to:

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Doubtful debts	22	32	–	–
Employee benefits	314	205	–	–
Deferred revenue	–	75	–	–
Other provisions	90	75	–	–
	426	387	–	–

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

Opening balance at 1 January	387	158	–	–
Credited (charged) to the income statement	41	229	–	–
Acquisition of businesses	–	–	–	–
Balance at 31 December	426	387	–	–

11. Intangibles

Intellectual property – at cost	6,270	6,230	6,270	6,230
Accumulated amortisation	(5,138)	(4,536)	(5,138)	(4,536)
	1,132	1,694	1,132	1,694
Development costs – at cost	16,573	11,894	17,255	12,414
Accumulated amortisation	(8,325)	(5,012)	(8,727)	(5,283)
	8,248	6,882	8,528	7,131
Goodwill – at cost	14,708	14,750	3,402	3,444
	24,088	23,326	13,062	12,269

Notes to the Financial Statements

for the year ended 31 December 2008

11. Intangibles (cont.)

Aggregate amortisation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements.

Impairment test for goodwill

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

	Consolidated	
	2008 \$'000	2007 \$'000
APS Australia	9,564	9,564
APS New Zealand	1,742	1,742
Reckon Elite	2,536	2,536
Reckon Shelco	866	908
	<u>14,708</u>	<u>14,750</u>

The recoverable amount of a CGU is determined based on value-in-use calculations. The calculations use cash flow projections based on annual financial budgets for 2009 approved by the Board. Cash flows beyond the annual budget are extrapolated for 5 years using estimated average growth rates of 10 percent per annum, which are based on past experience. Value in use is calculated based on the present value of cash flow projections. A pre-tax discount rate of 17.9 percent is applied to cash flow projections for all CGUs reflecting similar risk profiles in each.

No impairment write-offs arose from the recoverable value assessments conducted on each of the CGUs during the current year (2007: Nil)

	Goodwill \$'000	Intellectual Property \$'000	Development Costs \$'000	Total \$'000
Consolidated movements in intangibles				
At 1 January 2008	14,750	1,694	6,882	23,326
Additions	–	40	4,679	4,719
Adjustment to purchase price	(42)	–	–	(42)
Amortisation charge	–	(602)	(3,313)	(3,915)
At 31 December 2008	<u>14,708</u>	<u>1,132</u>	<u>8,248</u>	<u>24,088</u>
At 1 January 2007	13,842	1,468	5,553	20,863
Additions	908	974	3,773	5,655
Amortisation charge	–	(748)	(2,444)	(3,192)
At 31 December 2007	<u>14,750</u>	<u>1,694</u>	<u>6,882</u>	<u>23,326</u>
Parent movements in intangibles				
At 1 January 2008	3,444	1,694	7,131	12,269
Additions	–	40	4,841	4,881
Adjustment to purchase price	(42)	–	–	(42)
Amortisation charge	–	(602)	(3,444)	(4,046)
At 31 December 2008	<u>3,402</u>	<u>1,132</u>	<u>8,528</u>	<u>13,062</u>
At 1 January 2007	2,536	1,468	5,787	9,791
Additions	908	974	3,900	5,782
Amortisation charge	–	(748)	(2,556)	(3,304)
At 31 December 2007	<u>3,444</u>	<u>1,694</u>	<u>7,131</u>	<u>12,269</u>

Notes to the Financial Statements

for the year ended 31 December 2008

12. Other assets

Prepayments – deferred acquisition costs
Prepayments - other

Consolidated		Parent	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000
905	–	905	–
–	324	–	324
905	324	905	324

13. Trade and Other Payables

Current:

Trade payables and sundry accruals (i)
Payables in relation to acquisitions
Employee benefits (Note 19)

3,885	3,551	2,466	2,081
–	504	–	504
1,033	983	570	513
4,918	5,038	3,036	3,098

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

14. Provisions

Current:

Sales returns, volume rebates
Employee benefits (Note 19)
Commissions and sundry provisions

190	135	190	135
343	246	161	232
275	346	–	–
808	727	351	367

Non-current:

Employee benefits (Note 19)

605	720	432	437
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Movement in provisions

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

	Sales returns, volume rebates \$'000	Commissions and sundry \$'000	Total \$'000
2008 Consolidated			
Carrying amount at the start of the year	135	346	481
Additional provisions recognised	55	–	55
Released to income statement	–	(71)	(71)
Carrying amount at the end of the year	190	275	465
2008 Parent			
Carrying amount at the start of the year	135	–	135
Additional provisions recognised	55	–	55
Released to income statement	–	–	–
Carrying amount at the end of the year	190	–	190

Notes to the Financial Statements

for the year ended 31 December 2008

15. Other Liabilities

Current:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Deferred revenue	2,863	2,617	1,868	1,690
Deferred rent contribution	213	71	142	–
	3,076	2,688	2,010	1,690

16. Borrowings

Unsecured loans from subsidiaries	–	–	3,052	1,395
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Loans from related parties are interest bearing at 7% (2007: 8%) on normal commercial terms with no fixed terms of repayment.

17. Deferred tax liabilities

The temporary differences are attributable to:

Withholding tax payable in event of distribution of pre-acquisition dividend	430	430	–	–
Doubtful debts	(70)	(57)	(70)	(57)
Employee benefits	(260)	(226)	(260)	(226)
Sales returns and volume rebates	(57)	(41)	(57)	(41)
Deferred revenue	(560)	(452)	(560)	(452)
Difference between book and tax value of non-current assets	1,634	1,446	1,634	1,446
Other provisions	(477)	(368)	(477)	(368)
	640	732	210	302

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

Opening balance at 1 January	732	430	302	184
Charged (credited) to the income statement	(92)	313	(92)	129
Reclassification of recoverable withholding tax	–	–	–	–
Acquisition of businesses	–	(11)	–	(11)
Balance at 31 December	640	732	210	302

18. Other liabilities

Deferred rent contribution	841	178	733	–
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Notes to the Financial Statements

for the year ended 31 December 2008

19. Employee Benefits

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

Accrued annual leave:

Current (Note 13)

Long term incentive:

Current (Note 14)

Non-current (Note 14)

Provision for long service leave:

Current (Note 14)

Non-current (Note 14)

Consolidated		Parent	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000
1,033	983	570	513
119	173	119	173
176	254	176	254
224	73	42	59
429	466	256	183
1,981	1,949	1,163	1,182

Long term incentive plan

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

Only 50 percent of options or performance shares become exercisable or vest if the initial performance criterion is satisfied. The extent to which the balance of options or performance shares become exercisable or vest will depend on the extent to which the initial performance criterion is exceeded (i.e. the extent to which the Company exceeds a median ranking against the TSR position of the comparator group of

companies). The performance shares are held in trust after vesting.

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

No options were issued during the year (2007: Nil).

495,356 (2007; 561,798) appreciation rights and 252,477 (2007; 300,585) performance shares were issued during the year. The fair value of these rights was 32.3 cents (2007; 26.7 cents) and the shares were \$1.36 (2007; \$1.02), using market price for the shares, and a model that incorporates the Black Scholes model for the rights. The expense recognised in 2008 for appreciation rights/performance shares was \$300,666 (2007; \$559,615).

Notes to the Financial Statements

for the year ended 31 December 2008

19. Employee Benefits (cont.)

Performance Shares

Grant Date	Expiry Date	Shares Granted	Shares lapsed during the year		Shares vested during the year		Shares available at the end of the year	
			2008	2007	2008	2007	2008	2007
Jan'05	Dec'07	78,815	–	–	78,815	–	–	–
Jan'06	Dec'08	85,437	–	85,437	–	–	–	–
Jan'07	Dec'09	300,590	–	–	–	300,590	–	–
Jan'08	Dec'10	252,477	–	–	–	252,477	–	–

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	
			2008	2007	2008	2007	2008	2007
Jan'05	Dec'07	302,014	–	–	302,014	–	–	–
Jan'06	Dec'08	401,785	–	401,785	–	–	–	–
Jan'07	Dec'09	561,798	–	–	–	561,798	–	–
Jan'08	Dec'10	495,356	–	–	–	495,356	–	–

Reckon Limited Employee Option Plans

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

Executive share option plan

The executive share option plan has been terminated.

Executive share option plan No. 2

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

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

Amounts receivable on exercise of any options are recognised as share capital. Options exercised during the year were exercised with an average exercise price of \$0.60.

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

Options are valued using the Binomial Option Pricing Model, taking into account the exercise price, the expected life of the options (estimated at 4.5 years), the price of the underlying shares (range is between \$0.29 and \$1.00), the expected volatility of those shares based on historical volatility, the expected dividends and the risk-free rate of interest. The weighted average share price during the year was \$1.14.

Notes to the Financial Statements

for the year ended 31 December 2008

19. Employee Benefits (cont.)

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

Grant date	Expiry date	Exercise Price	Options Initially Granted	Options lapsed during the year		Options exercised and shares issued during the year		Options available at the end of the year	
				2008	2007	2008	2007	2008	2007
Jan 02	Jan 07	\$0.139	103,553	-	38,368	-	-	-	-
Feb 02	Feb 07	\$0.138	7,778	-	-	-	-	-	-
Mar 02	Mar 07	\$0.138	41,666	-	10,291	-	-	-	-
Jul 02	Jul 07	\$0.133	41,668	-	22,168	-	-	-	-
Sep 02	Sep 07	\$0.135	16,111	-	-	-	8,972	-	-
Dec 02	Dec 07	\$0.176	130,553	-	31,929	-	-	-	-
Jun 03	Jun 08	\$0.270	58,891	19,001	-	-	-	-	19,001
Sep 03	Sep 08	\$0.505	115,002	50,407	-	7,387	-	26,389	84,183
Dec 03	Dec 08	\$0.619	48,890	24,808	-	3,789	-	12,938	41,535
Jan 04	Jan 09	\$0.551	1,061,159	-	-	176,806	233,710	381,937	558,743
Mar 04	Mar 09	\$0.789	56,110	-	-	-	-	35,889	35,889
Jun 04	Jun 09	\$0.960	76,668	-	-	-	-	69,667	69,667
Sep 04	Sep 09	\$0.823	151,166	-	-	-	21,111	87,664	87,664
Dec 04	Dec 09	\$0.796	250,554	-	-	-	35,888	158,596	158,596
Mar 05	Mar 10	\$0.743	75,555	-	-	-	-	57,527	57,527
Jul 05	Jul 10	\$0.741	79,999	-	6,860	-	15,305	49,876	49,876
Sep 05	Sep 10	\$0.779	113,887	-	3,430	-	6,861	84,180	84,180
Dec 05	Dec 10	\$0.722	144,445	-	15,833	-	-	81,809	81,809
				94,216	128,879	187,982	321,847	1,046,472	1,328,670
Number of shares that can be issued for unexercised options								1,046,472	1,328,670

Notes to the Financial Statements

for the year ended 31 December 2008

20. Issued Capital

	2008		2007	
	No.	\$'000	No.	\$'000
Fully Paid Ordinary Share Capital				
Balance at beginning of financial year	132,749,825	18,203	132,427,978	17,896
Transfer from share-based payments reserve for options exercised during the year	-	62	-	104
Issue of shares	187,982	113	321,847	203
Balance at end of financial year	132,937,807	18,378	132,749,825	18,203
Less Treasury shares				
Balance at beginning of financial year	-	-	-	-
Shares purchased in prior periods	464,842	498	-	-
Shares purchased in 2008	252,477	314	-	-
Balance at end of financial year	717,319	812	-	-
Balance at end of financial year net of treasury shares	132,227,820	17,566	132,749,825	18,203

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.

187,982 (2007; 321,847) Options were exercised during the year with an average exercise price of \$0.60. Details of the options that were exercised and further details in respect of the share option plans are contained in note 19 to the financial statements.

Total consideration for options exercised during the year is \$112,815.

21. Reserves

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Foreign currency translation reserve				
Balance at beginning of financial year	52	121	-	-
Translation of foreign operations	(194)	(69)	-	-
Balance at end of financial year	(142)	52	-	-
Share-based payments reserve				
Balance at beginning of financial year	461	554	461	554
Treasury share expense	559	-	559	-
Option expense	-	11	-	11
Transfer to share capital (options exercised)	(62)	(104)	(62)	(104)
Balance at end of financial year	958	461	958	461
	816	513	958	461

Nature and purpose of reserves

- (a) Foreign currency translation reserve
Exchange differences arising on translation of the financial reports of foreign subsidiaries are taken to the foreign currency translation reserve, as described in note 1(f)
- (b) Share-based payments reserve
The share-based payments reserve is for the fair value of options granted and recognised to date but not yet exercised.

Notes to the Financial Statements

for the year ended 31 December 2008

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
22. Retained Earnings				
Balance at beginning of financial year	15,938	12,674	14,776	11,248
Net profit	11,321	9,893	10,963	10,157
Dividends	(7,247)	(6,629)	(7,247)	(6,629)
Balance at end of financial year	20,003	15,938	18,492	14,776

	2008 ¢	2007 ¢
23. Earnings Per Share		
Basic earnings per share	8.5	7.5
Diluted earnings per share	8.5	7.4
Weighted average number of ordinary shares used in the calculation of basic earnings per share	132,599,634	132,318,888
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	133,927,248	134,083,502

Earnings per share calculations are based on profit for the year as set out in the income statement.

Potential ordinary shares of 1,327,614 (2006: 1,778,340) are options issued but not exercised as disclosed in note 19.

24. Contingent Liabilities

There are no contingent liabilities as at 31 December 2008.

25. Commitments For Expenditure

(a) Capital Expenditure Commitments

The consolidated entity has capital expenditure commitments of \$53,000 as at 31 December 2008 (2007: \$Nil)

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(b) Lease Commitments				
Operating Leases				
Within 1 year	1,720	1,485	1,021	803
Later than 1 year and not longer than 5 years	4,736	1,725	3,803	312
Later than 5 years	1,111	-	1,111	-
	7,567	3,210	5,935	1,115

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

Notes to the Financial Statements

for the year ended 31 December 2008

26. Subsidiaries

Name of Entity	Country of Incorporation	Ownership Interest	
		2008 %	2007 %
Parent Entity			
Reckon Limited	Australia		
Subsidiaries			
Reckon.com.au Pty Limited	Australia	100	100
Reckon Australia Pty Limited	Australia	100	100
Reckon Investment Centre Limited	Australia	100	100
Reckon Online Holdings Pty Limited	Australia	100	100
Reckon Pacrim Pty Limited	Australia	100	100
Reckon Training Pty Limited	Australia	90	90
Reckon Limited Performance Share Plan Trust	Australia	100	100
Reckon New Zealand Pty Limited	New Zealand	100	100
Advanced Professional Solutions Pty Limited	Australia	100	100
Advanced Professional Solutions Limited	New Zealand	100	100
Advanced Professional Solutions Limited	United Kingdom	100	100

All shares held are ordinary shares.

27. Related Party Disclosures

(a) Key Management Personnel Remuneration

Short term benefits
Post-employment benefits
Share based payments

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Short term benefits	3,189,551	2,940,959	1,829,135	1,755,579
Post-employment benefits	227,650	200,679	133,879	127,260
Share based payments	271,577	552,737	169,253	416,823
	3,688,778	3,694,375	2,132,267	2,299,662

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

(b) Other Transactions with Key Management Personnel

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

(c) Transactions within the Wholly-Owned Group

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

During the financial year, Reckon Limited charged royalties on intellectual property at market rates to the APS Group of \$3,660,961 (2007: \$3,020,422), and was charged interest at normal commercial rates on the intercompany loan with Advanced Professional Solutions Limited in New Zealand of \$93,289 (2007: \$21,315). The APS Group has also provided

development services to Reckon Limited at market rates and has charged fees for these services of \$4,541,519 (2007: \$3,900,823). The APS Group paid dividends to Reckon Limited of \$3,311,804 (2007: \$3,149,703). Receivables/payables from entities within the wholly-owned Group include amounts arising under the Group's tax funding arrangement. These loans are interest free and repayable on demand.

(d) Other Related Party Transactions

Intuit Ventures Inc

Intuit Ventures Inc, a significant shareholder (11.2%) in Reckon Limited provides the rights for Reckon to market and distribute Intuit software throughout Australasia and parts of South-East Asia. In return for this, Intuit receives a royalty payment based on sales made throughout the territory. These royalties amounted to \$4,209,212 (2007: \$3,991,294) which is expensed in the month that the associated product was sold. The balance due at 31 December 2008 is \$150,843 (2007: \$154,402).

Notes to the Financial Statements

for the year ended 31 December 2008

27. Related Party Disclosures (cont.)

(e) Directors' and Key Management Equity Holdings

Options and Shareholding 2008

	Office	Shareholding at start of 2008	Shareholding at end of 2008 ⁵	Options at start of 2008	Options at end of 2008 ⁴	Performance shares at start of 2008	Performance shares vested in 2008	Performance shares issued in 2008	Performance shares held at end of 2008
Greg Wilkinson	Deputy Chairman, Executive Director	7,450,000	7,450,000	0	0	0	0	0	0
Clive Rabie	Executive Director	10,508,000	10,508,000	0	0	0	0	0	0
Brian Armstrong	CEO, APS	728,000	748,222	42,222	0	162,351	46,762	58,656	221,007
Brian Coventry	MD, APS United Kingdom	287,766	287,766	40,111	0	9,823	0	7,332	17,155
John Thame	Non-Executive Director	19,000	19,000	0	0	0	0	0	0
Myron Zlotnick	General Counsel & Co Secretary	0	0	0	0	60,642	16,873	27,018	87,660
Ian Ferrier	Non-Executive Director	0	0	0	0	0	0	0	0
Chris Hagglund ¹	Chief Financial Officer	0	0	47,500	47,500	105,544	21,802	51,324	156,868
Nigel Boland	GM, Development APS	23,222	23,222	0	0	9,823	0	7,332	17,155
Paul James	GM, APS Australia	0	0	0	0	0	0	7,332	7,332
Gavin Dixon	CEO, Quicken Australia	0	0	0	0	67,539	0	56,823	124,362
Michael Donnelly ²	MD, APS New Zealand	0	0	0	0	9,823	0	7,332	0
Grant Linton ³	MD, APS New Zealand	0	0	0	0	0	0	0	0

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

2 Mr Donnelly resigned on 15 October 2008.

3 Mr Linton was appointed MD on 1 September 2008.

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

5 Shareholdings at the date of the Director's Report remain unchanged.

Notes to the Financial Statements

for the year ended 31 December 2008

27. Related Party Disclosures (cont.)

(e) Directors' and Key Management Equity Holdings

Options and Shareholding 2007

	Office	Shareholding at start of 2007	Shareholding at end of 2007 ⁵	Options at start of 2007	Options at end of 2007 ⁴	Performance shares at start of 2007	Performance shares vested in 2007	Performance shares issued in 2007	Performance shares held at end of 2007
Greg Wilkinson	Deputy Chairman, Executive Director	7,450,000	7,450,000	0	0	0	0	0	0
Clive Rabie	Executive Director	10,508,000	10,508,000	0	0	0	0	0	0
Brian Armstrong ¹	CEO, APS	814,532	728,000	42,222	42,222	89,900	43,138	72,451	162,351
Brian Coventry ²	MD, APS United Kingdom	287,766	287,766	40,111	40,111	40,111	0	9,823	9,823
John Thame	Non-Executive Director	19,000	19,000	0	0	0	0	0	0
Myron Zlotnick	General Counsel & Co Secretary	0	0	0	0	32,438	15,565	28,204	60,642
Ian Ferrier	Non-Executive Director	0	0	0	0	0	0	0	0
Chris Hagglund ³	Chief Financial Officer	0	0	47,500	47,500	41,914	20,211	63,630	105,544
Nigel Boland	GM, Development APS	28,261	23,222	23,222	0	0	0	9,823	9,823
Paul James ⁶	GM, APS Australia	0	0	0	0	0	0	0	0
Gavin Dixon	CEO, Quicken Australia	0	0	0	0	0	0	67,539	67,539
Michael Donnelly	MD, APS New Zealand	0	0	0	0	0	0	9,823	9,823

1 Options granted on: 1 January 2004; fair value per option granted: \$0.3056; options expire on 1 January 2009. At exercise of options an exercise price of \$0.637 is payable per share.

2 Options granted on: 1 January 2004; fair value per option granted: \$0.3056; options expire on 1 January 2009. At exercise of options an exercise price of \$0.637 is payable per share.

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

4 All options have vested and are exercisable. No options were issued in 2007.

5 Shareholdings at the date of the Director's Report remain unchanged.

6 Mr James was appointed on 4 June 2007.

Notes to the Financial Statements

for the year ended 31 December 2008

28. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

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

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash (i)	16,134	14,141	14,889	11,037
	16,134	14,141	14,889	11,037

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

(b) Businesses Acquired

Shelco and New Zealand Distributor

Consideration:

Cash	–	1,170	–	1,170
Direct costs relating to the acquisition	–	128	–	128
Consideration yet to be paid	–	366	–	366
	–	1,664	–	1,664

Fair value of net assets of entity acquired:

Receivables	–	7	–	7
Inventories	–	88	–	88
Intellectual property	–	804	–	804
Deferred tax assets	–	11	–	11
Fixed assets	–	119	–	119
Trade payables	–	(42)	–	(42)
Other current liabilities	–	(189)	–	(189)
	–	798	–	798
Goodwill	–	866	–	866
	–	1,664	–	1,664

Shelco and New Zealand Distributor

Reckon Limited acquired the Shelco business effective from 1 March 2007 for a total of \$1,145,000. The final payment of \$395,000 was made in August 2008. Shelco is a provider of company registration, trust and superannuation fund establishment, ASIC searches and other services predominantly to the accounting and legal professions.

Effective 1 March 2007 Reckon Limited also acquired its New Zealand Quicken distributor as well as the intellectual property for a complimentary range of products for \$420,000. The additional products acquired included an ASP payroll solution, an online backup solution and a tool which allows the more efficient downloading and processing of bank data.

The book value of all of the net assets acquired were equivalent to their fair values, apart from intellectual property. The book value of intellectual property was \$nil.

Notes to the Financial Statements

for the year ended 31 December 2008

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(c) Reconciliation of Profit After Income Tax To Net Cash Flows From Operating Activities				
Profit after income tax	11,312	9,893	10,963	10,157
Depreciation and amortisation of non-current assets	4,663	3,839	4,511	3,636
Non-cash employee benefits expense – share based payment	-	11	-	11
Increase/(decrease) in current tax liability/asset	805	657	(664)	203
Increase in deferred tax balances	(131)	84	(92)	129
Unrealised foreign currency translation amount	(194)	(69)	-	-
(Increase)/decrease in assets:				
Current receivables	(788)	(479)	328	(26)
Current inventories	(91)	97	(84)	178
Other current assets	52	(172)	121	(132)
Non-current receivables	324	(124)	324	(124)
Increase/(decrease) in liabilities:				
Current trade payables	288	(104)	346	(106)
Other current liabilities	327	744	162	356
Other non-current liabilities	(268)	240	(88)	221
Net cash inflow from operating activities	16,299	14,617	15,827	14,503

29. Outside Equity Interests in Controlled Entities

Interest in:

Share Capital

Accumulated Losses

	Consolidated	
	2008 \$'000	2007 \$'000
Share Capital	-	-
Accumulated Losses	(2)	(2)
	(2)	(2)

30. Dividends – Ordinary Shares

Final franked dividend for the year ended 31 December 2007 of 3.0 cents (2007: 2.5 cents) per share paid on 7 March 2008

Interim franked dividend for the year ended 31 December 2008 of 2.5 cents per share (2007: 2.5 cents) paid on 10 September 2008

Franking credits available for subsequent financial years based on a tax rate of 30% (2007: 30%)

Parent	
2008 \$'000	2007 \$'000
3,983	3,312
3,264	3,317
7,247	6,629
2,507	2,977

Notes to the Financial Statements

for the year ended 31 December 2008

31. Financial Instruments

(a) Significant Accounting Policies

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

(b) Financial Risk Management Objectives

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

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

(c) Interest Rate Risk

The group and parent are exposed to interest rate risk on the cash held in bank deposits. Cash deposits of \$16,134,000 and \$14,889,000 were held by the consolidated entity and parent entity respectively at the reporting date, attracting an average interest rate of 4.1% (2007: 6.2%). If interest rates had been 50 basis points higher or lower and all other variables were held constant, the group's net profit would increase/decrease by \$81,000 (2007: \$71,000) and the parent's net profit would increase/decrease by \$74,000 (2007: \$55,000).

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

(d) Credit Risk

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

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

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

(e) Foreign Currency Risk

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

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

	Consolidated				Parent			
	Liabilities		Assets		Liabilities		Assets	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
US Dollar	-	-	96	54	-	-	-	-

Notes to the Financial Statements

for the year ended 31 December 2008

31. Financial Instruments (cont.)

(e) Foreign Currency Risk (cont.)

At 31 December 2008, if the US Dollar weakened against the New Zealand Dollar by 10 percent (being the relevant volatility considered relevant by Management), with all other variables held constant the net profit of the consolidated entity would decrease by \$9,578. At 31 December 2008, if the New Zealand Dollar and UK Sterling weakened against the Australian Dollar by 10 percent (being the relevant volatility considered relevant by Management), with all other variables held constant the net profit of the consolidated entity would decrease by \$269,151. This latter sensitivity relates to inter-group loan balances denominated in Australian Dollars, which are eliminated on consolidation.

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

(f) Liquidity

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

(g) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of cash and equity attributable to equity holders of the parent, comprising share capital, reserves and retained earnings as disclosed in notes 20, 21 and 22. The Board reviews the capital structure on a regular basis. Based upon this review, the Group balances its overall capital structure through 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.

32. Segment Information

(a) Primary Reporting – Business Segments

For management purposes, the consolidated entity is organised into two major operating divisions:

Business Division (formerly Quicken products)
Professional Division (formerly APS products)

These divisions are the basis upon which the consolidated entity reports its primary segment information.

The principal activities of these divisions are as follows:

- Business Division - development, distribution and support of personal financial and accounting software, as well as related products and services to professional partners.
- Professional Division - development, distribution and support of practice management, tax, client accounting and related software.

Notes to the Financial Statements

for the year ended 31 December 2008

32. Segment Information (cont.)

(a) Primary Reporting – Business Segments (cont.)

	External sales		Inter-segment		Other		Total	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Segment revenues								
Business Division	38,543	36,658	6,973	6,170	633	538	46,149	43,366
Professional Division	21,328	18,616	–	–	271	341	21,599	18,957
Total of all segments							67,748	62,323
Eliminations							(6,973)	(6,170)
Total revenue							60,775	56,153
Segment results								
Business Division*							9,872	9,655
Professional Division							5,251	3,679
Profit before income tax							15,123	13,334
Income tax expense							(3,811)	(3,441)
Net profit for the year							11,312	9,893

* The Business Division result includes royalty income from APS, net of APS development cost and IP amortisation.

	Assets		Liabilities	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Segment assets and liabilities				
Business Division	26,569	21,010	10,012	7,850
Professional Division	25,764	25,140	3,938	3,648
Total of all segments	52,333	46,150	13,950	11,498
Eliminations	(1,320)	(478)	(1,320)	(478)
Unallocated	–	–	–	–
Consolidated	51,013	45,672	12,630	11,020

	Business Division		Professional Division	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Other segment information				
Acquisition of segment assets	1,797	3,115	3,907	3,196
Depreciation and amortisation of segment assets	1,244	939	3,419	2,900

	Segment revenues from external sales		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(b) Secondary Reporting – Geographical Segments						
Australia	51,526	47,519	42,782	36,713	3,851	4,600
Other countries	8,345	7,755	10,453	9,652	1,853	1,711
	59,871	55,274	53,235	46,365	5,704	6,311
Unallocated assets			(2,222)	(693)		
Total assets			51,013	45,672		

Notes to the Financial Statements

for the year ended 31 December 2008

33. Economic Dependency

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

34. Subsequent Events

Subsequent to the end of the financial year:

Dividend

The Board has declared a dividend of 3.5 cents per share to shareholders on 10 February 2009. The dividend will be franked. The record date for the dividend is 22 February 2009. The impact on the franking account balance of unrecognised dividends is \$1,998,000.

Options

206,672 options in the Executive Share Option Plan No. 2 have lapsed and 153,058 options have been exercised with an average exercise price of \$0.67.

Acquisition

Reckon Limited acquired the Corporate Services and BillBack businesses previously owned by Espreon Limited effective from 2 January 2009 for \$18m. The acquisition was funded predominantly from existing cash reserves. Debt funding was used to fund the difference. The two businesses contributed \$5m to Espreon's EBITDA result for the year ended 30 June 2008.

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

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

The initial accounting for the acquisition of Corporate Services and BillBack has only been provisionally determined at reporting date. The acquisition values set out below are based upon the Espreon completion accounts. Reckon Limited has lodged a number of claims against Espreon which is expected to reduce the consideration paid. The claims are at a preliminary stage and at the date of this report no demand has been issued. The amount of the claims is yet to be determined.

	\$'000
Estimated Consideration:	
Cash consideration	18,000
Net debt acquired	228
Direct costs relating to the acquisition	1,050
Consideration yet to be paid	-
	<hr/> 19,278 <hr/>
Estimated Fair Value of net assets of entity acquired:	
Receivables	3,437
Inventories	1,587
Intellectual property – customer contracts	4,210
Intellectual property – development and software	1,793
Intellectual property – trademarks and domain names	150
Deferred tax assets	430
Fixed assets	728
Trade payables	(773)
Deferred revenue	(3,361)
Other current liabilities	(883)
Other non-current liabilities	(138)
	<hr/> 7,180 <hr/>
Goodwill	12,098
	<hr/> 19,278 <hr/>

35. Company information

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

Ground Floor, 35 Saunders Street
Pymont NSW 2009

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

The financial report was authorised for issue by the Directors on 27 March 2009.

Additional Information

as at 6 March 2009

Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholder	Number	Percentage
National Nominees Limited	17,473,715	13.13
Intuit Ventures Inc	14,828,304	11.14
JP Morgan Nominees Australia Limited	11,348,200	8.53
HSBC Custody Nominees (Australia) Limited	10,111,620	7.60
ANZ Nominees Limited	7,951,853	5.97
Australian Executor Trustees NSW Ltd	6,603,266	4.96
Gregory John Wilkinson	6,300,000	4.73
DJZ Investments Pty Limited	4,750,000	3.57
Mr Clive Rabie and Mrs Kerry Rose Rabie	3,764,071	2.83
Queensland Investment Corporation	2,929,995	2.20
Mr Stephen James Rickwood	2,751,062	2.07
Mr Philip Ross Hayman	2,105,384	1.58
Mr Clive Alan Rabie	1,993,929	1.50
Cogent Nominees Pty Limited	1,258,438	0.95
UBS Nominees Pty Limited	1,197,502	0.90
Rawform Pty Ltd	1,150,000	0.86
Mr Philip Ross Hayman	1,000,000	0.75
Citicorp Nominees Pty Limited	998,845	0.75
Citicorp Nominees Pty Limited	970,442	0.73
Citicorp Nominees Pty Limited	911,022	0.68
	<u>100,397,648</u>	<u>75.43</u>

Number of Holders of Equity Securities

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

Ordinary Share Capital

133,090,865 fully paid ordinary shares are held by 3,742 individual shareholders as at 6 March 2009.

All issued ordinary shares carry one vote per share.

Options

1,046,472 options were held by 93 individual option holders as at 31 December 2008. These options do not carry a right to vote and are not listed on the ASX.

Since 31 December 2008 206,672 options have lapsed.

Additional Information as at 6 March 2009 (continued)

Distribution of Holders of Equity Securities

As at 6 March 2009

	Ordinary Shares	Options
1 – 1,000	844	1
1,001 – 5,000	1,801	9
5,001 – 10,000	537	35
10,001 – 100,000	511	22
100,001 and over	49	0
Total	3,742	67

Substantial Shareholders

As at 6 March 2009

	Ordinary Shares (Number)	Ordinary Shares (%)
National Nominees Limited	17,473,715	13.13
Intuit Ventures Inc	14,828,304	11.14
JP Morgan Nominees Australia Limited	11,348,200	8.53
Clive Rabie	10,508,000	7.89
HSBC Custody Nominees (Australia) Limited	10,111,620	7.60

Principal Registered Office

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

Principal Administration Office

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

Share Registry

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

Stock Exchange Listings

Reckon Limited's ordinary shares are listed on the Australian Stock 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 Tuesday 19 May 2009 at 10:00am at 35 Saunders Street, Pyrmont NSW. If you are unable to attend, you are invited to complete the Proxy Form included with your Notice of Meeting. The completed Proxy Form must be received no later than 48 hours before the Annual General Meeting.

Important Information – Corporate Notices

Securityholders will be aware that recent legislative changes have impacted the options to receive statutory corporate notices and reports. In the interest of cost saving and the environment (every little bit helps), we encourage you to opt in to receive all notices and reports electronically. Please go to: www.computershare.com.au and follow the prompts to register your opting in to receive ALL NOTICE AND REPORTS IN ELECTRONIC FORMAT.

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

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

Should you have any further enquiries, contact the Registry on 1300 855 080 or +61 3 9415 4000 (if outside Australia). For web enquiries, please send an email to web.queries@computershare.com.au.

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

