Reckon

2010 ANNUAL REPORT

Reckon

QuickBooks®

Quicken®

ReckonDocs

ReckonElite

aps™

Accountable Technology

ReckonOnline

Reckon Limited Annual Report

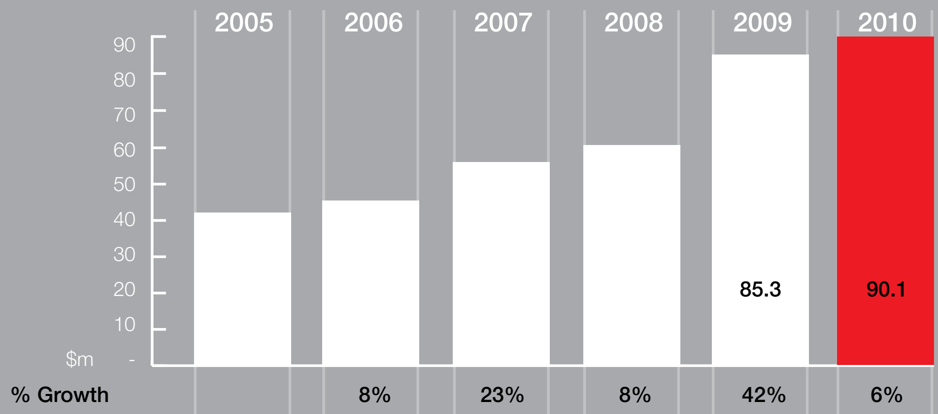
ABN 14 003 348 730
for the Financial Year Ended 31 December 2010

Contents

Our results at a glance

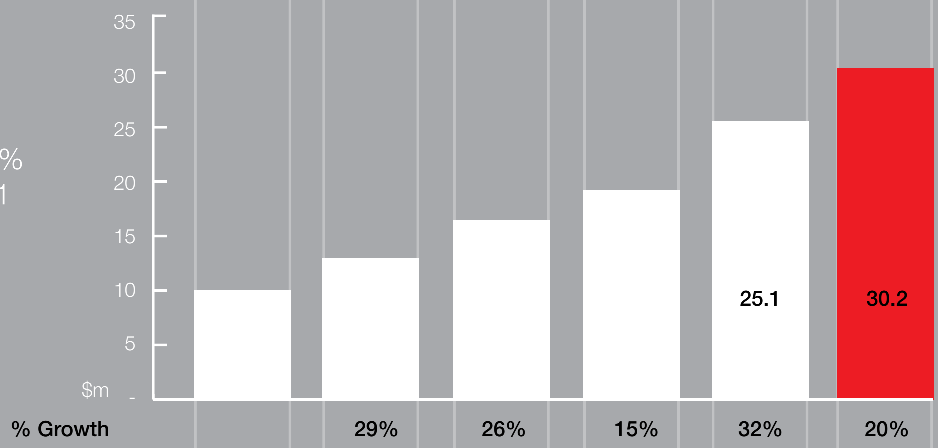
Revenue

Operating revenue was up 6% to $90.1 million from $85.3 million



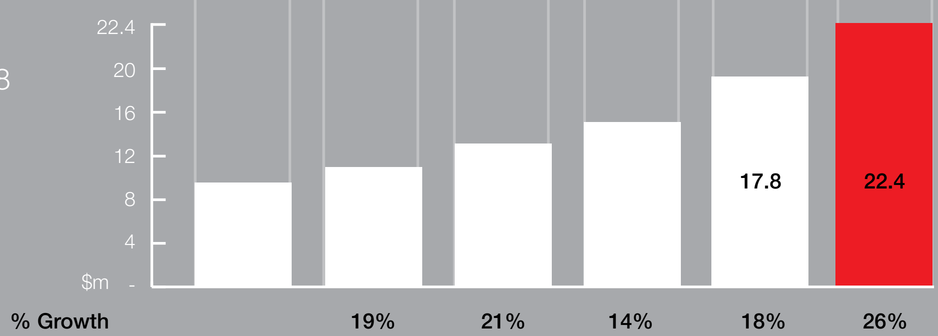
EBITDA

Group EBITDA was up 20% to $30.2 million from $25.1 million.



NPBT

Group NPBT was up 26% to $22.4 million from $17.8 million.



Message to shareholders from the Chairman and Group CEO

Overview

It is with great pleasure that we present the results for Reckon Limited for the year ended 31 December 2010.

We are pleased to report that 2010 was again a successful year for the Company and we have a clear vision for 2011 and beyond.

The table below sets out the key indicators for 2010 compared to 2009.

	2010	2009	% Change
Operating Revenue	$90.1 million	$85.3 million	6% up
EBITDA	$30.2 million	$25.1 million	20% up
NPAT	$17.2 million	$13.6 million	27% up
EPS	12.4 cents	9.9 cents	25% up

Dividend

On 8 February 2011, the Board declared a final dividend of 4.5 cents per share, compared with 4 cents per share in 2009. The dividend was 90% franked. The interim dividend announced on 10 August 2010 was 3.5 cents per share franked to 90%.

Operations

The Reckon Group operations are currently divided into three main divisions: Professional, Business and nQueue Billback. Each of these divisions has contributed to the strong results in 2010.

The table below sets out the performance of each division compared to 2009.

	Operating Revenue	% change on 2009 Revenue	EBITDA	% change on 2009 EBITDA
Professional Division	$26.8 million	5% down	$10.8 million	2% down
Business Division	$56.0 million	12% up	$20.7 million	32% up
nQueue Billback Division	$7.3 million	1% down	$3.1 million	41% up

Overall, operating revenue for the Reckon Group rose by 6% to $90.1 million in 2010. The Group NPAT increased to $17.2 million (up 27%) and the Group EBITDA grew to $30.2 million (up 20%).

Reckon's Business Division performed particularly well with overall revenue growth of 12%. In 2010, retail sales rose 32%, direct sales lifted 11% and corporate services grew by 7%. These positive results translated into an EBITDA increase of 32%.

The Professional Division results were impacted adverse the foreign exchange rate changes in 2010. The division ended the year with revenue down 5% and an EBITDA decrease of 2%. We do note, that without a negative foreign exchange impact, the EBITDA would in fact have been up by 2%.

nQueue Billback Division revenue was down 1%, however without the adverse foreign exchange impact it would have been up 15%. EBITDA grew 41% as a result of the merging of the nQueue and BillBack businesses.

Message to shareholders from the Chairman and Group CEO continued

Business Division

One of the growth areas for the Business Division in 2010 was in the take up of online accounting software. QuickBooks, hosted by Reckon Online, has now attracted over 8,000 users. The familiarity and popularity of the QuickBooks product, combined with anytime, anywhere access is expected to attract many more users in 2011 and beyond.

The licence agreement between Reckon and Intuit for the exclusive distribution of QuickBooks and Quicken products in Australia and New Zealand was updated at the end of 2010. We are pleased to maintain an excellent relationship with the leading accounting software house, and to have updated the agreement which has a continuing term of five years, followed by a three year rolling renewal periods. The agreement includes terms that guarantee Reckon's access to the source code well beyond any date that the licence may be terminated.

Highlights for the division in 2010 included the release of QuickBooks 2010/11 with a number of enhancements including the well received launch of a company snapshot feature that gives users a quick view of how their business is going. The QuickBooks 2011/12 release will expand this feature to give users greater flexibility over their business snapshot.

Reckon Elite, Reckon Docs and Reckon Tools also fall under the Business Division. The 2010 Reckon Elite tax release occurred smoothly and customers continue to rate the product highly. There are plans to expand the Reckon Elite tax software offering into the mid-market space.

Reckon Docs is well regarded as a leading corporate services supplier and has continued to attract new customers. Overall the market in Australia for new company formations grew 9%, Reckon Docs increased 11%. We expect to see the Reckon Docs sales grow in 2011 through new online service offerings.

Reckon Professional Partnership network continues to grow with membership up 10% indicating strong support from the accounting industry.

Professional Division

The Professional Division end-of-year results were impacted by negative foreign exchange effects and weaknesses in the UK economy. However strong new sales in the division were experienced in the fourth quarter of 2010 and we expect to see these delivered early in 2011.

APS remains a market leader in the provision of practice management systems for accounting practices. Despite difficult times that have faced the accounting profession as a result of the recent economic downturn, the division continued it's history of new customer acquisitions with 66 new firms added in 2010.

Highlights for the division in 2010 included the establishment of alliances with large accounting firms to distribute the QuickBooks software, and a strengthened position as supplier of choice to leading firms.

The Professional Division remains focused on top accounting firms and the development of best of breed technology for this segment of the market in Australia, New Zealand and the UK.

nQueue Billback Division

While the nQueue Billback Division was also impacted by negative foreign exchange impacts, a greater sales focus at the end of 2010 culminated in strong fourth quarter sales that were significantly up on the previous year. Again, these will be delivered in 2011.

nQueue Billback now serves 35% of the largest 250 law firms in the United States and 5 of the top 10 firms globally.

At the start of 2011 Reckon announced that the BillBack UK team is now managed by the nQueue Billback team, taking advantage of their vast expertise assisting law firms to improve the processing of operational and administrative expenses. This will allow greater cross-sell opportunities, particularly into legal practices which are expanding as a result of global mergers.

Message to shareholders from the Chairman and Group CEO continued

Future Outlook

The results from 2010 are a clear indication that the Reckon Group is well placed to tackle 2011.

There is a growing demand for online and mobile solutions and we plan to grow the range of these products in both the Business and Professional Divisions.

The Business Division will focus on this growing demand for mobile solutions by expanding Reckon's online offering, including the release of CashBook Online. This new online product will be suitable for small sized businesses. The division will also launch the Reckon GovConnect Activity Statement lodgement application, a feature that will significantly improve how businesses deliver their BAS to the ATO utilising advanced technology. This feature will be available with the QuickBooks 2011/12 release.

The Professional Division, while working to address the demand for mobile solutions, will also focus on maintaining and upgrading its existing core product suite. The division has a number of newle developed products in the early stages of rollout to clients.

In 2011 the nQueue Billback Division will continue to grow market share and accelerate efforts in new territories, including Europe and Asia. The division will also expand outside the legal market.

In 2011 Reckon's Business and Professional Divisions will merge at the North Sydney Premises enhancing opportunities for cross-selling, efficiencies in product delivery and the further development of integrated products.

Partners

We would like to acknowledge the support of the Reckon network of partners. We are fortunate to enjoy support from a range of professionals including accountants, bookkeepers and business and IT consultants.

We also want to express our thanks to Reckon staff, our customers, our suppliers and our fellow directors who contributed to Reckon's success in 2010.

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 2010

BOARD OF DIRECTORS

John Thame AAIBF FCPA

Age 69, Non-Executive Chairman

John Thame has over 35 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 70, Non-Executive Director

Ian Ferrier is a Fellow of the Institute of Chartered Accountants in Australia. He has more than 45 years experience in company corporate recovery and turnaround practice. He is also a director of a number of private and public companies. Ian is Chairman of InvoCare Limited, Australian Vintage Limited and Goodman Group Limited. Ian is a director of Energy One Limited. He has significant experience in property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and aviation and service industries. Ian joined the Board on 17 August 2004. 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 55, Founder, Deputy Non-Executive Chairman

Greg Wilkinson co-founded Reckon in 1987 and has over 25 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 was the Chief Executive Officer until February 2006. He became a member of the Board of the listed entity on 19 July 1999 and was appointed to the position of Deputy Chairman in February 2006.

Clive Rabie

Age 51, Group Chief Executive Officer

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

Myron Zlotnick LLM, GCertAppFin

Age 46, General Counsel and Company Secretary

Myron Zlotnick has 25 years experience as a legal practitioner, general and corporate counsel, and as a director of companies in the information, communications and technology sector. Myron also assumes responsibility for some aspects of the management and operations of the ReckonDocs and nQueue Billback businesses. He is also a member of the Business Advisory Committee of ASIC's "Real Economy".

Marianne Kopeinig LLM, GDipApplCorpGov

Age 49, Legal Counsel and Assistant Company Secretary

Marianne has over 20 years experience as a private practitioner and corporate counsel for private and ASX listed companies and broad industry experience in commercial, risk management and compliance functions.

Principal Activities

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

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

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

Reckon has also recently developed QuickBooks, hosted by Reckon Online. This offers end users and accountants a convenient secure online version of the QuickBooks application that is accessible from anywhere and that very closely mimics the traditional desktop package.

Reckon operates its QuickBooks and Quicken business under an exclusive licence from Intuit Inc. This licence was updated in December 2010 to take account of the parties' respective online ambitions. 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 updated licence from Intuit has an effective continuing term of 5 years plus 3 year renewal periods thereafter. There are also commercial terms that guarantee Reckon's access to the source code beyond any termination date of the licence. Reckon continues to maintain an excellent working relationship with Intuit Inc.

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

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

ReckonDocs is a corporate services business, part of the Business Division, comprising a services and data business.

The ReckonDocs services business comprises the technology and client base for the registration and management of companies and other business structures using the traditional full service method predominantly through an easy to use web based ordering system. This business provides clients with an online company registration service available 24 hours a day, seven days a week. It also provides documentation and services for the establishment of a range of entities, especially trusts for self managed superannuation funds. ReckonDocs also provides services for constitution updates and domain name registrations.

The ReckonDocs 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.

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

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

Principal Activities continued

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

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

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

The nQueue Billback Division provides software and support services in the revenue management, expense management, print solutions, document service automation, and document management markets. APS is also progressively integrating these solutions into its practice management suite, and conversely. APS is also adapting accounting solutions for sale into the legal professional market.

In July 2009, Reckon entered into collaboration with nQueue Inc for a more efficient and competitive means of delivering BillBack products in the USA. In January 2011 Reckon announced that it had repeated the strategy for its United Kingdom operation with a collaborative entity set up to continue tackling that market. The nQueue Billback business assists law firms by enhancing the automation and processing of any operational and administrative expenses, including print, copy, scan, telephone, online searches, emails, court fees, car services, credit card charges, courier costs and more. nQueue Billback's software offerings can be embedded directly into multi-function devices or reside on tablet computers or terminals to provide clients with the knowledge required to run their businesses more profitably.

Review of Operations

Overview of financial performance

- Operating revenue was up 6% to $90.1 million from $85.3 million.
- Group EBITDA was up 20% to $30.2 million from $25.1 million.
- Group NPAT was up 27% to $17.2 million from $13.6 million.
- Basic EPS was up 25% to 12.4 cents per share from 9.9 cents per share.
- Final dividend of 4.5 cents per share – 90% franked with a full year dividend payout ratio of 65%.
- Operating cash flow was up 49% to $28.2 million for the year.

Overall growth in revenue was generally good. The Professional Division was slightly behind because of weakness in the United Kingdom, the lag of the global financial crisis as well as adverse foreign exchange impacts. The nQueue Billback Division was also impacted by adverse foreign exchange movements. On the other hand, the Business Division performed well with good growth across the board. Overall strong management of costs also contributed to the strong performance of the Group.

Dividends

On 8 February 2011, the Board declared a final dividend of 4.5 cents per share (90% franked) payable to shareholders recorded on the Company's Register as at the record date of 18 February 2011. Reckon does not have a dividend re-investment plan currently in operation. On 10 August 2010, the Board declared an interim dividend of 3.5 cents per share (90% franked) payable to shareholders recorded on the Company's Register as at the record date of 24 August 2010.

The Future

The Company will continue to pursue its historically well tested strategies of expanding its product offering; pursuing recurring revenue; selling across divisions; maintaining and enhancing relationships with its network of partners, including retailers and professional partners; and striving for operational efficiency.

Specifically in the Business Division the Company will focus on expanding online services, including improvements to existing connected services as well as launching a new online CashBook product. There are also opportunities to further leverage off the scalability of the QuickBooks Enterprise version. There are plans to expand the Reckon Elite tax product into the so-called mid-market space. For the ReckonDocs business the Company will continue to attain growth in market share through new service offering as well as by expanding into the client base of the Professional Division with integrated products.

In the Professional Division there were signs of improved new business growth in the last quarter of 2010. There is also growing demand for online and mobile solutions and the Company will focus on addressing this demand in addition to maintaining and upgrading its existing core product suite. Fledgling new products for 2011 include: Time and expense capture; Workpaper management; Value/contract billing; Credit management; CRM including event management; Resource and capacity planning; and company secretarial and corporate services.

For the nQueue Billback business for 2011 we will accelerate efforts in new territories; target the mid-sized law firm market, including through re-seller relationships with hardware and facility managers; extend our channel relationships; and attempt to expand out of the legal professional market. nQueue Billback enjoyed excellent sales in the last quarter of 2010 and will see a revenue impact of this in 2011.

The Group has also been taking steps to consolidate its various development teams and this will continue through 2011 with the intended result being closer co-operation for integrated product development.

Finally, the Business Division will move from its Pyrmont premises to North Sydney by mid 2011. This will bring Professional and Business Divisions together with expected synergistic benefits.

Significant Changes in State of Affairs

There were no significant changes made in 2010.

Matters Subsequent to the End of the Financial Year

Buyback

On 8 February 2011 the company announced a buy-back of shares which under the provisions of the Corporations Act permits the Company to buy back up to 10% of its shares on the open market. It is anticipated to keep the buy back in place until 31 December 2011, subject to the normal ASIC requirements.

Dividend

A final dividend for 2010 was declared on 8 February 2011 as disclosed above.

Litigation

On 25 February 2011, the Company settled legal proceedings against Espreon Limited in relation to several claims arising from the share sale agreement entered into on 27 November 2008. An amount of $700,000 was paid by Espreon Limited in full and final settlement of all relevant claims.

Other matters

Other than as disclosed in this Directors' Report no other matter or circumstance has arisen since 31 December 2010 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.

Remuneration Report

Key management

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

Policy for determining remuneration of key management personnel

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

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

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

Terms of employment for key management personnel

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

For 2010, remuneration for key management personnel including the Group CEO, Group CFO, other Company officers, Divisional CEOs and other senior executives, comprises a fixed element, a short-term incentive element and a long-term incentive element.

Fixed component

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

Short term incentive payments

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

Long term incentive payments

The long-term incentive component is the last of the mix of the components comprising remuneration packages. It is aimed at retaining the long term services of the key management personnel to whom it applies and to align their remuneration with the longer term performance of the Company. The substance of the long-term incentive component for key management was approved by Special General Meeting on 20 December 2005. In general terms, the long-term incentive component comprises three possible methods of participation: an option plan, a performance share plan and a share appreciation plan. The Board has discretion to approve the making of offers to applicable employees to participate in any of these plans. Options granted and/or performance shares awarded (all in respect of the Company's ordinary shares) and/or share appreciation rights do not vest before three years after their grant date. Vesting is also conditional upon the Company achieving defined performance criteria. The performance criteria are based upon a total shareholder return (TSR) target. A TSR is the return to shareholders over a prescribed period, based upon the growth in the Company's share price plus dividends or returns of capital for that period. The Company's 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 comparator group (and indeed the entire design of the long term incentive component) was determined after taking advice from independent advisers and was set out in the Chairman's speech at the Special General Meeting on 20 December 2005.

The Board will review the suitability of the comparator group on an ongoing basis. Some of the entities comprising the comparator group have delisted either as part of merger and acquisition activity or for other reasons. This was factored into the calculation of the Company's performance by the independent valuers who undertook the exercise on behalf of the Company. Where companies were delisted for example, it was assumed that the Company out-performed that company. The comparator group of companies used in the performance period for assessment included (1) Adacel Technologies Limited, (2) Firstfolio Limited (previously listed as AFS), (3) Altium Limited, (4) Amcom Telecommunications Limited, (5) ASG Group Limited, (6) CPT Global Limited, (7) Eftel Limited, (8) Eservglobal Limited, (9) Hansen Technologies Limited, (10) Infomedia Ltd, (11) Integrated Research Limited, (12) Melbourne IT Limited, (13) Lifestyle Communities Limited (previously listed as NMB), (14) MYOB Limited (no longer listed), (15) Newsat Limited, (16) Objective Corporation Limited, (17) Oakton Limited, (18) Powerlan Limited, (19) Queste Communications Limited, (20) Rea Group Ltd, (21) Sirius Corporation Limited, (22) Sonnet Corporation Limited (no longer listed), (23) Asian Pacific Limited (previously listed as TMO, no longer listed), (24) Technology One Limited, (25) Talent2 International Limited, (26) Chariot Limited (no longer listed) and (27) Citect Corporation Limited (no longer listed).

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

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

Balance between salary, short term and long term incentives

It is the Board's opinion that an adequate balance is struck between the three components comprising the relevant remuneration. For short term incentives, the performance targets reflect, in part, the key factors that the Company pursues in measuring its performance: volume of sales; profit generated; and value returned to shareholders in terms of EPS. The targets also represent a measure of an incentive to encourage commitment to the business and to its growth. The audited financial results for the year are used to assess whether the performance conditions are satisfied. Audited results represent an independent accurate method of determining the attainment of the conditions. For long-term incentives, the additional targets comprising TSR reflect a further independent 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. The remuneration of these employees 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	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)	
2006	8,169	6.2	4.5	76	102
2007	9,893	7.5	5.5	102	139
2008	11,312	8.5	6.0	139	105
2009	13,602	9.9	7.0	105	184
2010	17,248	12.4	8.0	184	234

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 2010

	Office	Fixed component	Short term Incentive component		Other compensation	Long term incentive component		
	Office	Salary	Bonus[1]	Other short term benefits[2]	Superannuation	Equity settled share based payments-Performance shares[3 8]	Cash settled share based payments-Appreciation rights[4 6]	Total remuneration
Directors[7]								
John Thame	Chairman, Non-executive Director	$95,000	$0	$0	$8,550	$0	$0	$103,550
Greg Wilkinson	Deputy Chairman, Non-executive Director	$82,000	$0	$0	$7,380	$0	$0	$89,380
Clive Rabie	Group CEO, Executive Director	$550,000	$180,041	$0	$49,500	$0	$980,269	$1,759,810
Ian Ferrier	Non-executive Director	$80,000	$0	$0	$7,200	$0	$0	$87,200
Executives[7]								
Brian Armstrong	CEO, Professional Division	$370,000	$103,934	$0	$33,300	$76,797	$0	$584,031
Chris Hagglund	CFO	$335,000	$78,447	$0	$30,150	$68,355	$0	$511,952
Paul James[5]	GM, Professional Division Australia	$182,358	$40,560	$71,269	$20,123	$6,172	$0	$320,482
Myron Zlotnick	General Counsel & Company Secretary	$275,000	$51,440	$0	$24,750	$42,070	$0	$393,260
Brian Coventry	MD, Professional Division United Kingdom	$179,832	$13,200	$0	$9,652	$8,642	$0	$211,326
Gavin Dixon	CEO, Business Division	$370,000	$87,449	$0	$33,300	$76,037	$0	$566,786
Grant Linton	GM, Professional Division New Zealand	$116,627	$19,608	$28,430	$15,259	$6,172	$0	$186,096
Nigel Boland	GM Development, Professional Division	$169,323	$16,471	$2,243	$16,215	$8,642	$0	$212,894
Richard Hellers	President and CEO, nQueue Billback Division	$217,628	$108,814	$9,546	$10,055	$0	$0	$346,043
Russell Scott	GM, Reckon Docs	$200,500	$0	$0	$18,045	$0	$0	$218,545
TOTAL		**$3,223,268**	**$699,964**	**$111,488**	**$283,479**	**$292,887**	**$980,269**	**$5,591,355**

1 The potential amounts payable for the short term cash performance bonuses are determined at the beginning of the year and are earned based upon the performance criteria for the year described in more detail on pages 10 and 11 The short term bonus for Mr Hellers is based on specific performance targets for nQueue Billback LLC.

2 For Mr James this represents a redundancy termination payment. For Mr Linton this represents sales commission of $26,187 and a car park allowance of $2,243. For Mr Boland this represents a car park allowance. For Mr Hellers this represents a contribution to life and medical insurance..

3 Mr Armstrong (45,946 shares), Mr Hagglund (41,216 shares), Mr James (5,405 shares), Mr Zlotnick (27,027 shares), Mr Coventry, (7,568 shares), Mr Dixon (45,946 shares), Mr Linton (5,405 shares) and Mr Boland (7,568 shares) are participants in the 2010 performance share plan. The date of grant for each of these participants was 1 January 2010. The value of the long term incentive is the fair value using a model that adopts the Monte Carlo simulation approach 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 $1.48. The performance shares are exercisable on 31 December 2012 at zero cents. The fair value of performance shares which vested and were forfeited during the financial year are set out in the table below.

4 Mr Rabie is a participant in the share appreciation plan. 357,873 rights were issued under the plan on 1 January 2010. The value of the rights was $0.489 determined using a model that adapts the Monte Carlo simulation approach 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. Employment ended on 31 December 2010.

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

	Share based remuneration	Share price movements
2008	$34,088	-24%
2009	$661,843	+75%
2010	$980,269	+27%

7. To the extent that any of the above are directors of any wholly owned subsidiaries of the Company listed on page 51 no additional remuneration is paid.

8. No options were granted to any person during the year as part of their remuneration. No options vested during the financial year. All options issued in previous years as set out in Note 27 in the financial statements were fully vested in prior years. No options were exercised during 2010.

Remuneration Report continued

Remuneration 2010 continued

	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 2010	Value of Performance shares vested in 2010	Value of Performance shares forfeited in 2010	Value of Appreciation rights vested in 2010	Value of Appreciation rights forfeited in 2010
Directors								
John Thame	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Greg Wilkinson	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Clive Rabie	66%	94%	6%	n/a	n/a	n/a	$497,585	0
Ian Ferrier	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Executives								
Brian Armstrong	31%	94%	6%	58,656	$72,990	$0	n/a	n/a
Chris Hagglund	29%	94%	6%	51,324	$63,867	$0	n/a	n/a
Paul James	15%	100%	0%	15,482	$18,801	$8,836	n/a	n/a
Myron Zlotnick	24%	94%	6%	27,018	$33,621	$0	n/a	n/a
Brian Coventry	10%	33%	67%	7,332	$9,124	$0	n/a	n/a
Gavin Dixon	29%	94%	6%	56,823	$70,710	$0	n/a	n/a
Grant Linton	14%	100%	0%	0	$0	$0	n/a	n/a
Nigel Boland	12%	50%	50%	7,332	$9,124	$0	n/a	n/a
Richard Hellers	31%	100%	0%	n/a	n/a	n/a	n/a	n/a
Russel Scott	0%	0%	0%	n/a	n/a	n/a	n/a	n/a
TOTAL				223,967	$278,237	$8,836	$497,585	$0

Remuneration Report continued

Remuneration 2009

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

1 The potential amounts payable for the short term cash performance bonuses are determined at the beginning of the year and are earned based upon the performance criteria for the year.

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

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

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

5. Appointed 1 July 2009.

6. Employment ended on 31 March 2009.

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

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

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

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

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

Remuneration Report continued

Remuneration 2009 continued

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

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

Directors 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

	Meetings					
Directors	Board		Audit & Risk Committee		Remuneration Committee	
	A	B	A	B	A	B
JM Thame	10	10	2	2	2	2
I Ferrier	10	10	2	2	2	2
GJ Wilkinson	10	10	1*	1*	n/a	n/a
C Rabie	10	10	n/a	n/a	n/a	n/a

Key: A – number of meetings eligible to attend; B - number of meetings attended
*Joined Committee in August 2010

Non-Audit fees

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

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

The directors are of the opinion that the services as disclosed in Note 4 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit & Risk Committee, for the following reasons:

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

On behalf of the directors

Mr J Thame
Chairman
Sydney, 30 March 2011

Corporate Governance Report

The Company is committed to a system of relationships, policies and processes which align with the ASX Corporate Governance Principles and Recommendations, 2nd Edition ("the ASX Governance Principles") and the recent 2010 Amendments. It is a priority of the Board to ensure the Company's governance framework and support processes uphold these principles. The Board is of the opinion that the Company's existing policies and processes effectively achieve the objectives of the relevant Recommendations. The few departures from the Recommendations in the ASX Governance Principles are generally justified on the basis that the formal requirements of the Recommendations are not applicable to the size of the Company and the resources available. Where appropriate, the Board seeks opportunities to adopt these Recommendations to suit the circumstances of the Company and continue to improve the Company's governance policies and processes. The Board notes disclosure relating to the 2010 Amendments are not required before financial year ending 31 December 2011. However, where applicable, the extent to which the Company has already applied these amended principles and recommendations will be included in this Report.

1. Management and Oversight

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

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

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

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

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

In addition, a portion of remuneration for key management personnel is tied into the financial performance of the Company as set out in more detail in the Remuneration Report. Performance evaluation for key management personnel was undertaken in 2010 and it was in accordance with the processes disclosed in this report.

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

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

2. The Board

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

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

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

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

The Board met ten times during 2010. 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 cognisant 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's governance policies and processes incorporate all the Recommendations relating to Principle 3 of the ASX Governance Principles.

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

The initial Directors' Code of Conduct adopted in 2003 was reviewed and updated in 2007 to apply to all employees and will be reviewed in 2011.

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.

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

The Company is creating a profile of executive, management and employees to benchmark the Company's current position on diversity, particularly as to gender. The Board will then be in a position to consider appropriate objectives on diversity and formulate a diversity policy relevant to the Company and its objectives. The Board will report in more detail on its application of Recommendations 3.2-3.2 in the 2011 Annual Report.

Corporate Governance Report continued

4. Integrity in Financial Reporting

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

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

With the appointment of Greg Wilkinson to the Audit & Risk Committee in February 2010, the Board is of the opinion that the structure of the Committee, together with its considerable technical expertise in the market sector of the Company and financial literacy, enables it to discharge it functions effectively and meet the objectives of Principle 4 and that the Company has fully adopted Recommendation 4.2.

Deloitte Touche Tohmatsu, the Company's auditors, report directly to the Audit & Risk Committee on the appropriateness of the Company's internal accounting policies and practices. The Board reviews the adequacy of existing external audit arrangements each year, with particular emphasis on the scope and quality of the audit. The Audit & Risk Committee provides written advice to the Board on the standard of independence of the auditors in light of any non-audit services during the 2010 and which is reported in the Directors' Report.

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

The Audit & Risk Committee met twice during 2010. The Audit & Risk Committee reports back to the Board after each Audit & Risk Committee meeting. The details of attendance at these meetings are set out in the Directors' Report. The Board is aware of its obligations to ensure the appropriate selection and rotation of external auditors and the external audit engagement partners and closely monitors and reviews the engagement of the Company's external auditors.

5. Timely and Balanced Disclosure

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

6. Rights of Shareholders

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

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

7. Recognise and Manage Risk

As stated above in paragraph 1, the Board is responsible for ensuring appropriate risk management, accountability, and control mechanisms. It constantly monitors the operational and financial aspects and material risks of the Company's activities and, through the Audit & Risk Committee, considers the recommendations and advice of the auditors and other external advisers on the operational and financial risks that face the Company. The Group CEO and Group CFO monitor and review the financial performance of the Company and monitor any potential risk virtually on a daily basis. The Board has received assurance from the CEO and the CFO that the S295A Declaration provided in the Financial Report is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Board is of the opinion that there is substantial compliance with the ASX Governance Principle 7 although Recommendations 7.1 and 7.2 have not yet been fully adopted.

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

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

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

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

8. Remunerate Fairly and Responsibly

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

The Remuneration Committee met twice during 2010. The details of attendance at these meetings are set out in the Directors' Report.

Deloitte.

Deloitte Touche Tohmatsu
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30 March 2011

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 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of Reckon Limited

Report on the Financial Report

We have audited the accompanying financial report of Reckon Limited, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 24 to 62.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply 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. Those 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 of the financial report that gives a true and fair view, 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. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Reckon Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the Directors' Report for the year ended 31 December 2010. 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.

Opinion

In our opinion the Remuneration Report of Reckon Limited for the year ended 31 December 2010, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
Sydney, 30 March 2011

Financial Report

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes as set out on pages 25 to 62 are in accordance with the Corporations Act 2001, and:
   - comply with Accounting Standards; and
   - comply with International Financial Reporting Standards issued by the International Accounting Standards Board, as set out in Note 1; and
   - give a true and fair view of the financial position as at 31 December 2010 and of the performance for the year ended on that date of the consolidated group;
2. the Chief Executive Officer and the Chief Finance Officer have each declared that:
   - the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
   - the financial statements and notes for the financial year comply with the Accounting Standards, and
   - the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

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

On behalf of the directors

Mr J Thame
Chairman
Sydney, 30 March 2011

Statement of Comprehensive Income

for the year ended 31 December 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Continuing operations			
Revenue	2	90,273	85,389
Product and selling costs		(14,588)	(14,623)
Royalties		(4,786)	(4,204)
Employee benefits expenses		(27,461)	(26,913)
Share-based payments expenses		(1,300)	(1,027)
Marketing expenses		(2,471)	(3,106)
Premises and establishment expenses		(2,685)	(2,683)
Depreciation and amortisation of other non-current assets	2	(7,769)	(6,897)
Telecommunications		(920)	(995)
Legal and professional expenses		(981)	(889)
Finance costs		(161)	(303)
Other expenses		(4,752)	(4,761)
Profit before business acquisition restructure costs		22,399	18,988
Business acquisition restructure costs	2	-	(1,176)
Profit before income tax		**22,399**	**17,812**
Income tax expense	3	(5,151)	(4,210)
Profit for the year		**17,248**	**13,602**
Other comprehensive income			
Exchange difference on translation of foreign operations	21	(294)	(258)
Total comprehensive income for the year		**16,954**	**13,344**
Profit attributable to:			
Owners of the parent	22	16,478	13,226
Non-controlling interest		770	376
		17,248	**13,602**
Total comprehensive income attributable to:			
Owners of the parent		16,184	12,968
Non-controlling interest		770	376
		16,954	**13,344**
		Cents	Cents
Basic Earnings per Share	23	12.4	9.9
Diluted Earnings per Share	23	12.4	9.9

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 31 December 2010

		Consolidated	
		2010	2009
	Note	$'000	$'000
ASSETS			
Current Assets			
Cash and cash equivalents	28	8,095	2,350
Trade and other receivables	6	6,756	9,152
Inventories	5	831	1,159
Other assets	7	1,320	1,164
Total Current Assets		**17,002**	**13,825**
Non-Current Assets			
Receivables	6	236	617
Financial assets	8	56	64
Property, plant and equipment	9	3,760	3,768
Deferred tax assets	10	56	586
Intangible assets	11	46,438	45,270
Other assets	12	-	192
Total Non-Current Assets		**50,546**	**50,497**
Total Assets		**67,548**	**64,322**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	5,838	6,022
Borrowings	14	2	375
Current tax payables		920	813
Provisions	15	2,007	1,899
Deferred revenue		5,742	6,048
Deferred rent contribution		233	250
Total Current Liabilities		**14,742**	**15,407**
Non-Current Liabilities			
Borrowings	16	-	2,023
Deferred tax liabilities	17	1,607	1,972
Provisions	15	1,337	850
Deferred rent contribution		721	795
Total Non-Current Liabilities		**3,665**	**5,640**
Total Liabilities		**18,407**	**21,047**
Net Assets		**49,141**	**43,275**
Equity			
Issued capital	20	18,048	18,037
Reserves	21	(63)	239
Retained earnings	22	31,156	24,625
Equity attributable to owners of the parent		49,141	42,901
Non-controlling interest	29	-	374
Total Equity		**49,141**	**43,275**

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 31 December 2010

Consolidated	Issued capital	Foreign currency translation reserve	Share-based payments reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2010	18,037	(400)	639	24,625	42,901	374	43,275
Profit for the year	-	-	-	16,478	16,478	770	17,248
Other comprehensive income:							
Exchange differences on translation of foreign operations	-	(294)	-	-	(294)	-	(294)
Total comprehensive income for the year	-	(294)	-	16,478	16,184	770	16,954
Share based payments expense	-	-	324	-	324	-	324
Dividends paid	-	-	-	(9,947)	(9,947)	(1,144)	(11,091)
Treasury shares vested/lapsed	314	-	(314)	-	-	-	-
Transfer to share capital	18	-	(18)	-	-	-	-
Treasury shares acquired	(370)	-	-	-	(370)	-	(370)
Proceeds from issues of equity securities	49	-	-	-	49	-	49
Balance at 31 December 2010	**18,048**	**(694)**	**631**	**31,156**	**49,141**	**-**	**49,141**
Balance at 1 January 2009	17,566	(142)	958	20,003	38,385	(2)	38,383
Profit for the year	-	-	-	13,226	13,226	376	13,602
Other comprehensive income:							
Exchange differences on translation of foreign operations	-	(258)	-	-	(258)	-	(258)
Total comprehensive income for the year	-	(258)		13,226	12,968	376	13,344
Share based payments expense	-	-	311	-	311	-	311
Dividends paid	-	-	-	(8,604)	(8,604)	-	(8,604)
Treasury shares vested/lapsed	498	-	(498)	-	-	-	-
Transfer to share capital	132	-	(132)	-	-	-	-
Treasury shares acquired	(415)	-	-	-	(415)	-	(415)
Proceeds from issues of equity securities	256	-	-	-	256	-	256
Balance at 31 December 2009	**18,037**	**(400)**	**639**	**24,625**	**42,901**	**374**	**43,275**

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

Statement of Cash Flows

For the year ended 31 December 2010

		Consolidated	
		Inflows/(Outflows)	
		2010	2009
	Note	$'000	$'000
Cash Flows From Operating Activities			
Receipts from customers		101,523	93,451
Payments to suppliers and employees		(68,461)	(69,701)
Interest received		158	81
Interest paid		(161)	(303)
Income taxes paid		(4,879)	(4,647)
Net cash inflow from operating activities	**28(c)**	**28,180**	**18,881**
Cash Flows From Investing Activities			
Payment for purchase of business, net of cash acquired		-	(18,394)
Payments for purchase of intellectual property		(61)	(164)
Payment for capitalised development costs		(7,568)	(6,485)
Payment for property, plant and equipment		(1,387)	(1,822)
Proceeds/(payments) for security deposits		8	565
Net cash outflow from investing activities		**(9,008)**	**(26,300)**
Cash Flows From Financing Activities			
Proceeds from issues of equity securities		49	256
Proceeds from/(repayment of) borrowings		(2,396)	2,398
Payment for treasury shares		(370)	(415)
Dividends paid		(9,947)	(8,604)
Non-controlling interest dividends paid		(763)	-
Net cash outflow from financing activities		**(13,427)**	**(6,365)**
Net Increase/(Decrease) in cash and cash equivalents		**5,745**	**(13,784)**
Cash and cash equivalents at the beginning of the financial year		2,350	16,134
Cash and cash equivalents at the end of the financial year	**28(a)**	**8,095**	**2,350**

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

Notes to the Financial Statements

For the year ended 31 December 2010

1 Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the Financial Report are set out below. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. The Financial Report includes the consolidated entity consisting of Reckon Limited and its subsidiaries.

Basis of preparation

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

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

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

Significant Accounting Policies

(a) Trade Payables

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

(b) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the fair value of the purchase consideration determined as at the date of acquisition. 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. Acquisition related costs are recognised in the profit or loss as incurred.

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

(c) Depreciation and Amortisation

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

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

(d) Employee Benefits

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

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

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

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

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

(e) Contributed Equity

Transaction Costs on the Issue of Equity Instruments

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

Notes to the Financial Statements

For the year ended 31 December 2010

(f) Foreign Currency Translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

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

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

(g) Goods and Services Tax

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

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

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

(h) Intangible assets

Goodwill

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

Intellectual Property

Acquired Intellectual Property is recognised at cost, less accumulated amortisation and any impairment losses, and is amortised on a straight line basis between 3-10 years.

Research and development costs

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

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

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

At each balance 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.

(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.

(j) Inventories

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

(k) Investments in subsidiaries

Investments in subsidiaries are recorded at cost.

Dividend revenue is taken to income on a receivable basis.

(l) Leased Assets

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

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

(m) Principles of Consolidation

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

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

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

(n) Receivables

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

(o) Impairment of assets

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

(p) Revenue Recognition

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

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

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

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

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 statement of comprehensive income over the contract period as the services are performed, normally 12 months. Refer note 1(p) for further detail.

(r) Earnings per share

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

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

(s) Cash and cash equivalents

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

(t) Other financial assets

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

(u) Provisions

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

(v) Fair Value estimation

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

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

(w) Rounding of amounts

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

(x) Significant accounting judgments, estimates and assumptions

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

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

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

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

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

Share based payments – the Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. The fair value has been determined using a model that adopts Monte Carlo simulation approach, and the assumptions related to this can be found in Note 19.

(y) New accounting standards not yet effective

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

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Financial Report.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 9 Financial Instruments, AASB 2009-11 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	31 December 2013
• AASB 124 Related Party Disclosures (2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	31 December 2011
• AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	1 February 2010	31 December 2011
• AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	1 January 2011	31 December 2011
• AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2010	31 December 2011
• AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2011	31 December 2011
• AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2011	31 December 2011
• AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011	31 December 2012
• AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB9 (December 2010)	1 January 2013	31 December 2013
• AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	1 January 2012	31 December 2012
• AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	31 December 2011

Notes to the Financial Statements

For the year ended 31 December 2010

2 Profit for the year

	Consolidated	
	2010 $'000	2009 $'000
Profit before income tax includes the following items of revenue and expense:		
Revenue		
Sales revenue		
Sale of goods and rendering of services	**90,042**	**85,231**
Other Revenue		
Other income	73	77
Interest revenue – bank deposits	158	81
	231	**158**
	90,273	**85,389**
Expenses		
Cost of Sales	19,374	18,827
Bad debt expense:		
Other Entities	51	103
Finance costs expensed:		
Bank loans and overdraft	161	303
Net transfers to/(from) provisions:		
Sales returns and rebates	158	149
Employee benefits	891	796
Allowance for doubtful debts	332	47
Depreciation of non-current assets:		
Property, plant and equipment	915	871
Amortisation of non-current assets:		
Leasehold improvements	422	425
Intellectual property	1,332	1,529
Development costs	5,100	4,072
Foreign exchange losses/(gains)	(83)	(59)
Research and Development costs	2,339	2,190
Operating lease rental expenses:		
Minimum lease payments	2,425	2,362
Business acquisition restructure costs	0	1,176

Business acquisition restructure costs in 2009 relate predominantly to surplus premises and staff redundancies

3 Income Tax

	Consolidated 2010 $'000	Consolidated 2009 $'000
(a) Income tax expense		
Current tax	5,114	4,215
Deferred tax	165	733
Under /(over) provided in prior years	(128)	(738)
	5,151	**4,210**

(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:

	2010 $'000	2009 $'000
Profit before income tax	**22,399**	**17,812**
Income tax expense calculated at 30% of profit	6,720	5,344
Tax Effect of:		
Effect of higher tax rates on overseas income	86	60
Tax effect of non-deductible/non-taxable items:		
Non-taxable income	(231)	(113)
Research and development claims	(787)	(389)
Sundry items	(79)	46
	5,709	4,948
Reversal of withholding tax on pre-acquisition dividend	(430)	-
Under/(over) provision in prior years	(128)	(738)
Income tax expense attributable to profit	**5,151**	**4,210**

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

	2010 $'000	2009 $'000
Tax losses:		
Revenue	-	-
Capital	2,295	2,295
	2,295	**2,295**

Notes to the Financial Statements

For the year ended 31 December 2010

4 Remuneration of Auditors

	Consolidated	
	2010	2009
	$	$
(a) Deloitte Touche Tohmatsu		
During the year, the auditors of the parent entity earned the following remuneration:		
Auditing and reviewing of financial reports	194,153	184,851
Tax compliance and consulting services, due diligence and other assurance services	98,765	71,617
	292,918	256,468
(b) Other Auditors		
Auditing and reviewing of financial reports	32,078	56,842
Tax compliance services	24,085	19,766
	56,163	76,608
	349,081	**333,076**

5 Inventories

	Consolidated	
	2010	2009
	$'000	$'000
Finished goods:		
At lower of cost and net realisable value	**831**	**1,159**

6 Trade and Other Receivables

	Consolidated 2010 $'000	Consolidated 2009 $'000
Current:		
Trade receivables (i)	6,652	8,552
Allowance for doubtful debts	(542)	(261)
	6,110	8,291
Other receivables	646	861
	6,756	**9,152**
Non current:		
Other receivables: non-controlling interest holder	236	617
	236	**617**

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

	2010 $'000	2009 $'000
Past due 0 - 30 days	1,468	1,271
Past due 31 - 60 days	520	988
Past due 61+ days	1,058	1,474
Total	**3,046**	**3,733**

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

	2010 $'000	2009 $'000
Balance at beginning of the year	261	317
Amounts written off during the year	(51)	(103)
Increase in allowance recognised in the profit and loss	332	47
Balance at end of year	**542**	**261**

Notes to the Financial Statements

For the year ended 31 December 2010

7 Other Assets

	Consolidated 2010 $'000	Consolidated 2009 $'000
Prepayments	970	820
Other	350	344
	1,320	**1,164**

8 Other Financial Assets

	2010 $'000	2009 $'000
Security deposits	**56**	**64**

9 Property, Plant And Equipment

	2010 $'000	2009 $'000
Leasehold Improvements		
At cost	2,464	2,472
Less: Accumulated amortisation	1,234	858
Total leasehold improvements	**1,230**	**1,614**
Plant and equipment		
At cost	5,591	5,382
Less: Accumulated depreciation	3,061	3,228
Total plant & equipment	**2,530**	**2,154**
	3,760	**3,768**

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 on the next page.

9 Property, Plant And Equipment continued

Consolidated	Leasehold Improvements	Plant and Equipment	Total
	$'000	$'000	$'000
Carrying amount at 1 January 2010	1,614	2,154	3,768
Additions	38	1,349	1,387
Depreciation/amortisation expense	(422)	(973)	(1,395)
Balance at 31 December 2010	**1,230**	**2,530**	**3,760**

Consolidated	Leasehold Improvements	Plant and Equipment	Total
	$'000	$'000	$'000
Carrying amount at 1 January 2009	1,210	1,333	2,543
Additions	829	1,741	2,570
Depreciation/amortisation expense	(425)	(920)	(1,345)
Balance at 31 December 2009	**1,614**	**2,154**	**3,768**

10 Deferred Tax Asset

	Consolidated	
	2010	2009
	$'000	$'000
The balance comprises temporary differences attributable to:		
Doubtful debts	3	22
Employee benefits	29	319
Deferred revenue	-	65
Other provisions	24	180
	56	**586**

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

Reconciliation:

	2010	2009
Opening balance at 1 January	586	426
Credited/(charged) to profit or loss	(530)	(955)
Acquisition of businesses	-	1,115
Balance at 31 December	**56**	**586**

Notes to the Financial Statements

For the year ended 31 December 2010

11 Intangibles

	Consolidated 2010 $'000	Consolidated 2009 $'000
Intellectual property – at cost	11,950	12,588
Accumulated amortisation	(7,387)	(6,667)
	4,563	**5,921**
Development costs – at cost	30,732	23,107
Accumulated amortisation	(17,496)	(12,397)
	13,236	**10,710**
Goodwill – at cost	**28,639**	**28,639**
	46,438	**45,270**

Impairment test for goodwill

	2010 $'000	2009 $'000
Professional Division Australia	10,361	10,361
Professional Division New Zealand	1,742	1,742
Professional Division United Kingdom	426	426
nQueueBillback	2,449	2,449
Elite	2,536	2,536
Corporate Services	11,125	11,125
	28,639	**28,639**

The recoverable amount of a CGU is determined based on value-in-use calculations. Management has based the value in use calculations on the most recently completed Board approved budget for the forthcoming one year (2011) period. Subsequent cash flows are projected using constant growth rates of 3% per annum. An average post-tax discount rate of 13.4% (2009: 13.4%) (pre-tax rate: 18%) reflecting assessed risks associated with CGU's have been applied to determine the present value of future cash flow projections. No impairment write-offs have been recognized during the year (2009: nil). Should the projected growth rates reduce to 0%, an impairment would still not arise.

11 Intangibles continued

	Goodwill	Intellectual Property	Development Costs	Total
	$'000	$'000	$'000	$'000
Consolidated movements in intangibles				
At 1 January 2010	28,639	5,921	10,710	45,270
Additions	-	(26)	7,626	7,600
Amortisation charge	-	(1,332)	(5,100)	(6,432)
At 31 December 2010	**28,639**	**4,563**	**13,236**	**46,438**
At 1 January 2009	14,708	1,132	8,248	24,088
Additions	13,931	6,318	6,534	26,783
Amortisation charge	-	(1,529)	(4,072)	(5,601)
At 31 December 2009	**28,639**	**5,921**	**10,710**	**45,270**

12 Other Assets

	Consolidated	
	2010	2009
	$'000	$'000
Prepayments - other	-	192
	-	**192**

13 Trade and Other Payables

	2010 $'000	2009 $'000
Current:		
Trade payables and sundry accruals (i)	4,420	4,683
Employee benefits (Note 19)	1,418	1,339
	5,838	**6,022**

(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.

Notes to the Financial Statements

For the year ended 31 December 2010

14 Borrowings

	Consolidated	
	2010 $'000	2009 $'000
Current:		
Bank overdraft (i)	-	258
Other borrowings	2	117
	2	**375**

(i) During 2009 the consolidated entity secured bank facilities totaling $23 million. The facility comprises a bank overdraft facility, and a multi option facility (which includes a bill facility and bank guarantee/transactional facility). The facility covers a 3 year term, except for $1 million which is subject to annual review. The facility is secured over the Australian net assets of the Group ($48.4 million at 31 December 2010). The facilities, apart from the bank guarantee, are undrawn.

	Bank overdraft	Bill facility	Bank guarantee facility
2010	$'000	$'000	$'000
The available, used and unused components of the facility at year end is as follows:			
Available	1,000	19,000	3,000
Used	-	-	1,078
Unused	**1,000**	**19,000**	**1,922**
The remaining contractual maturity for the facility (including both interest and principal) is as follows:			
0-12 months	-	-	1,078
12-24 months	-	-	-
Weighted average interest rate	8.26%	6.14%	-

Notes to the Financial Statements

For the year ended 31 December 2010

15 Provisions

	Consolidated 2010 $'000	Consolidated 2009 $'000
Current:		
Sales returns, volume rebates	181	339
Employee benefits (Note 19)	1,377	1,052
Commissions and sundry provisions	449	508
	2,007	**1,899**
Non-current:		
Employee benefits (Note 19)	**1,337**	**850**

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
2010 Consolidated			
Carrying amount at the start of the year	339	508	847
Released to profit or loss	(158)	(59)	(217)
Carrying amount at the end of the year	**181**	**449**	**630**

16 Borrowings

	Consolidated 2010 $'000	Consolidated 2009 $'000
Non–current:		
Bank loans (Note 14)	-	2,012
Other borrowings	-	11
	-	**2,023**

17 Deferred Tax Liabilities

	Consolidated 2010 $'000	Consolidated 2009 $'000
The temporary differences are attributable to:		
Withholding tax payable in event of distribution of pre-acquisition dividend	-	430
Doubtful debts	(137)	(54)
Employee benefits	(1,220)	(600)
Sales returns and volume rebates	(54)	(101)
Deferred revenue	(641)	(762)
Difference between book and tax value of non-current assets	4,307	3,387
Other provisions	(648)	(328)
	1,607	**1,972**

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

	Consolidated 2010 $'000	Consolidated 2009 $'000
Reconciliation:		
Opening balance at 1 January	1,972	640
Charged (credited) to profit or loss	(365)	(222)
Acquisition of businesses	-	1,554
Balance at 31 December	**1,607**	**1,972**

18 Parent Entity Disclosures

	Parent	
	2010 $'000	2009 $'000
Financial position		
Assets		
Current assets	9,054	2,953
Non-current assets	55,534	52,803
	64,588	**55,756**
Liabilities		
Current liabilities	12,918	11,081
Non-current liabilities	3,596	3,862
	16,514	**14,943**
Equity		
Share capital	18,049	18,037
Share based payments reserve	631	639
Retained earnings	29,394	22,137
	48,074	**40,813**
Financial performance		
Profit for the year	17,205	12,249
Other comprehensive income	-	-
Total comprehensive income	**17,205**	**12,249**
Capital commitments for the acquisition of property, plant and equipment		
Not longer than 1 year	**1,042**	**-**

Other

Reckon Limited assets have been used as security for the bank facilities set out in Note 14.

The parent entity has no contingent liabilities.

Notes to the Financial Statements

For the year ended 31 December 2010

19 Employee Benefits

	Consolidated	
	2010 $'000	2009 $'000
The aggregate employee benefit liability recognised and included in the financial statements is as follows:		
Accrued annual leave:		
Current (Note 13)	1,418	1,339
Long term incentive:		
Current (Note 15)	526	492
Non-current (Note 15)	892	407
Provision for long service leave:		
Current (Note 15)	851	560
Non-current (Note 15)	445	443
	4,132	**3,241**

Long-term incentive plan

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

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

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

No options were issued during the year (2009: nil).

357,873 (2009: 888,324) appreciation rights and 214,190 (2009:375,475) performance shares were issued during the year. The fair value of these rights was 48.9 cents (2009: 19.7 cents) and the shares were $1.48 (2009: $1.05), using a model that adopts the Monte Carlo simulation approach. The assumptions used in this model are: grant date share price of $1.85; expected volatility of 35.2%; dividend yield of 3.5%; and a risk free rate of 4.9%. The expense recognised in 2010 for appreciation rights/performance shares was $1,299,810 (2009: $1,027,823).

19 Employee Benefits continued

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

Performance Shares

Grant Date	Expiry Date	Shares Granted	Shares lapsed during the year		Shares vested during the year		Shares available at the end of the year	
			2010	2009	2010	2009	2010	2009
Jan'07	Dec'09	300,590	-	9,823	-	290,762	-	-
Jan'08	Dec'10	252,477	-	7,332	245,145	-	-	245,145
Jan'09	Dec'11	375,475	3,175	-	6,349	-	365,951	375,475
Jan'10	Dec'12	214,190	3,604	-	1,801	-	208,785	-

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	
			2010	2009	2010	2009	2010	2009
Jan'07	Dec'09	561,798	-	-	-	561,798	-	-
Jan'08	Dec'10	495,356	-	-	495,356	-	-	495,356
Jan'09	Dec'11	888,324	-	-	-	-	888,324	888,324
Jan'10	Dec'12	357,873	-	-	-	-	357,873	-

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% 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 $0.75 (2009: $0.67).

Notes to the Financial Statements

For the year ended 31 December 2010

19 Employee Benefits continued

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

Grant date	Expiry date	Exercise Price	Options Initially Granted	Options lapsed during the year		Options exercised and shares issued during the year		Options vested and available at the end of the year	
				2010	2009	2010	2009	2010	2009
Feb 01	Feb 06	$0.198	1,123,334	-	-	-	9,340	-	-
Mar 01	Mar 06	$0.162	22,145	-	-	-	5,937	-	-
Jun 03	Jun 08	$0.270	58,891	-	-	-	-	-	-
Sep 03	Sep 08	$0.505	115,002	-	8,339	950	18,050	-	950
Dec 03	Dec 08	$0.619	48,890	-	10,555	1,419	7,298	-	1,419
Jan 04	Jan 09	$0.551	1,061,159	-	217,076	633	161,168	-	633
Mar 04	Mar 09	$0.789	56,110	-	35,889	-	-	-	-
Jun 04	Jun 09	$0.960	76,668	-	45,389	-	24,278	-	-
Sep 04	Sep 09	$0.823	151,166	-	45,441	-	42,223	-	-
Dec 04	Dec 09	$0.796	250,554	-	78,281	171	80,315	-	171
Mar 05	Mar 10	$0.743	75,555	41,166	-	16,361	-	-	57,527
Jul 05	Jul 10	$0.741	79,999	30,349	-	19,527	-	-	49,876
Sep 05	Sep 10	$0.779	113,887	39,319	-	13,722	31,139	-	53,041
Dec 05	Dec 10	$0.722	144,445	68,087	-	13,722	-	-	81,809
				178,921	**440,970**	**66,505**	**379,748**	**-**	**245,426**
Number of shares that can be issued for unexercised options								**-**	**245,426**

20 Issued Capital

Fully Paid Ordinary Share Capital	2010 No.	2010 $'000	2009 No.	2009 $'000
Balance at beginning of financial year	133,317,555	18,766	132,937,807	18,378
Transfer from share-based payments reserve for options exercised during the year	-	18	-	132
Issue of shares	66,505	49	379,748	256
Balance at end of financial year	**133,384,060**	**18,833**	**133,317,555**	**18,766**
Less Treasury shares				
Balance at beginning of financial year	620,620	729	717,319	812
Shares purchased in current period	197,030	370	375,475	415
Shares lapsed	(6,779)	(10)	(17,155)	(20)
Prior year lapsed shares utilised	17,160	20	-	-
Shares vested	(253,295)	(324)	(455,019)	(478)
Balance at end of financial year	**574,736**	**785**	**620,620**	**729**
Balance at end of financial year net of treasury shares	**132,809,324**	**18,048**	**132,696,935**	**18,037**

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.

66,505 (2009: 379,748) options were exercised during the year with an average exercise price of $0.75. 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 $49,793 (2009: $255,419).

21 Reserves

	Consolidated	
	2010 $'000	2009 $'000
Foreign currency translation reserve		
Balance at beginning of financial year	(400)	(142)
Translation of foreign operations	(294)	(258)
Balance at end of financial year	**(694)**	**(400)**
Share-based payments reserve		
Balance at beginning of financial year	639	958
Treasury share expense	324	311
Treasury shares vested/lapsed	(314)	(498)
Transfer to share capital (options exercised)	(18)	(132)
Balance at end of financial year	**631**	**639**
	(63)	**239**

Nature and purpose of reserves

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

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

22 Retained Earnings

	Consolidated	
	2010 $'000	2009 $'000
Balance at beginning of financial year	24,625	20,003
Net profit	16,478	13,226
Dividends	(9,947)	(8,604)
Balance at end of financial year	**31,156**	**24,625**

23 Earnings Per Share

	Consolidated	
	2010 cents	2009 cents
Basic earnings per share	12.4	9.9
Diluted earnings per share	12.4	9.9
Weighted average number of ordinary shares used in the calculation of basic earnings per share	132,779,303	132,494,486
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	133,354,038	133,358,778

24 Contingent Liabilities

There are no material contingent liabilities as at 31 December 2010.

25 Commitments For Expenditure

(a) Capital Expenditure Commitments

The consolidated entity has capital expenditure commitments of $1,042 thousand as at 31 December 2010 (2009: $nil), payable within 12 months.

(b) Lease Commitments

	Consolidated	
	2010 $'000	2009 $'000
Operating Leases		
Within 1 year	2,520	1,976
Later than 1 year and not longer than 5 years	10,907	7,344
Later than 5 years	2,127	1,949
	15,554	**11,269**

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

Notes to the Financial Statements

For the year ended 31 December 2010

26 Subsidiaries

Name of Entity	Country of Incorporation	Ownership Interest 2010 %	Ownership Interest 2009 %
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
Reckon Docs Pty Limited	Australia	100	100
Independent Corporate Services Pty Limited	Australia	100	100
Quickdocs.com.au Pty Limited	Australia	100	100
Recount Expense Management Pty Limited	Australia	100	100
Billback Systems (UK) Limited[1]	United Kingdom	100	100
Billback LLC	United States of America	100	100
nQueue Billback LLC[1]	United States of America	67	67

All shares held are ordinary shares.

1. Subsequent to year end 25% of Billback Systems (UK) Limited has been sold to nQueue Inc in return for an additional 7% of nQueueBillback LLC.

27 Related Party Disclosures

	Consolidated	
	2010	2009
	$	$
(a) Key Management Personnel Remuneration		
Short term benefits	3,963,452	3,923,937
Post-employment benefits	354,747	262,861
Share based payments	1,273,156	955,653
	5,591,355	**5,142,451**

The names of and positions held by the key management are set out in note 27(d). 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) Other Related Party Transactions

Intuit Ventures Inc

Intuit Ventures Inc, a significant shareholder (11.1%) in Reckon Limited provides the rights for Reckon to market and distribute Intuit software throughout Australasia. In return for this, Intuit receives a royalty payment based on sales made throughout the territory. These royalties amounted to $4,714,664 (2009: $4,056,227) which is expensed in the month that the associated product was sold. The balance due at 31 December 2010 is $167,898 (2009: $161,238).

Notes to the Financial Statements

For the year ended 31 December 2010

27 Related Party Disclosures continued

d) Directors' and Key Management Equity Holdings

Options and Shareholding 2010

	Office	Shareholding at start of 2010	Shareholding at end of 2010[3]	Options at start of 2010	Options at end of 2010[1]	Performance shares at start of 2010	Performance shares vested in 2010	Performance shares issued in 2010	Performance shares held at end of 2010
Greg Wilkinson	Deputy Chairman, Non-executive Director	7,450,000	7,450,000	0	0	0	0	0	0
Clive Rabie	CEO, Executive Director	10,508,000	10,508,000	0	0	0	0	0	0
Brian Armstrong	CEO, Professional Division	768,673	776,107	0	0	229,508	58,656	45,946	216,798
Brian Coventry	MD, Professional Division United Kingdom	297,589	109,589	0	0	20,665	7,332	7,568	20,901
John Thame	Chairman,Non-executive Director	19,000	19,000	0	0	0	0	0	0
Myron Zlotnick	General Counsel & Co Secretary	28,204	50,215	0	0	107,075	27,018	27,027	107,084
Ian Ferrier	Non-executive Director	0	0	0	0	0	0	0	0
Chris Hagglund	Chief Financial Officer	111,130	162,454	0	0	165,857	51,324	41,216	155,749
Nigel Boland	GM, Development Professional Division	13,039	20,371	0	0	20,665	7,332	7,568	20,901
Paul James	GM Professional Division Australia[2]	0	15,482	0	0	16,856	15,482	5,405	0
Gavin Dixon	CEO Business Division	67,539	124,362	0	0	137,775	56,823	45,946	126,898
Grant Linton	GM, Professional Division New Zealand	0	0	0	0	9,524	0	5,405	14,929
Russell Scott	GM Reckon Docs	0	0	0	0	0	0	0	0
Richard Hellers	President & CEO nQueue Billback Division	0	0	0	0	0	0	0	0

1 No options were issued in 2010.

2 Mr James' employment ended on 31 December 2010 (6,779 performance shares lapsed).

3 Shareholdings as at the date of the Directors' Report remain unchanged.

27 Related Party Disclosures continued

d) Directors' and Key Management Equity Holdings continued

Options and Shareholding 2009

	Office	Shareholding at start of 2009	Shareholding at end of 2009	Options at start of 2009	Options at end of 2009[1]	Performance shares at start of 2009	Performance shares vested in 2009	Performance shares issued in 2009	Performance shares held at end of 2009
Greg Wilkinson	Deputy Chairman, Non-executive Director	7,450,000	7,450,000	0	0	0	0	0	0
Clive Rabie	CEO, Executive Director	10,508,000	10,508,000	0	0	0	0	0	0
Brian Armstrong	CEO, Professional Division	748,222	768,673	0	0	221,007	72,451	80,952	229,508
Brian Coventry	MD, Professional Division United Kingdom	287,766	297,589	0	0	17,155	9,823	13,333	20,665
John Thame	Chairman,Non-executive Director	19,000	19,000	0	0	0	0	0	0
Myron Zlotnick	General Counsel & Co Secretary	0	28,204	0	0	87,660	28,204	47,619	107,075
Ian Ferrier	Non-executive Director	0	0	0	0	0	0	0	0
Chris Hagglund	Chief Financial Officer	0	111,130	47,500	0	156,868	63,630	72,619	165,857
Nigel Boland	GM, Development Professional Division	23,222	13,039	0	0	17,155	9,823	13,333	20,665
Paul James	GM Professional Division Australia	0	0	0	0	7,332	0	9,524	16,856
Gavin Dixon	CEO Business Division	0	67,539	0	0	124,362	67,539	80,952	137,775
Grant Linton	GM, Professional Division New Zealand	0	0	0	0	0	0	9,524	9,524
Russell Scott	GM Reckon Docs	0	0	0	0	0	0	0	0
Andrew Moon[2]	GM BillBack	0	0	0	0	0	0	0	0
Richard Hellers[3]	President & CEO nQueue Billback Division	0	0	0	0	0	0	0	0

1 No options were issued in 2009.

2 Employment ended on 31 March 2009.

3 Mr Hellers was appointed President & CEO of the merged BillBack USA and nQueue business effective 1 July 2009.

Notes to the Financial Statements

For the year ended 31 December 2010

28 Notes to the Statement of Cash Flows

	Consolidated	
	2010 $'000	2009 $'000
(a) Reconciliation of Cash		
For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash (i)	8,095	2,350
	8,095	**2,350**

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

(b) Businesses Acquired

Corporate Services and BillBack businesses

	2010 $'000	2009 $'000
Consideration:		
Cash consideration (i)	-	18,000
Net debt acquired	-	228
Direct costs relating to the acquisition	-	1,045
Consideration yet to be paid	-	-
	-	**19,273**
Fair value of net assets of entity acquired:		
Receivables	-	3,437
Inventories	-	881
Intellectual property – customer contracts	-	4,210
Intellectual property – development and software	-	1,793
Intellectual property – trademarks and domain names	-	150
Fixed assets	-	728
Deferred tax liabilities	-	(439)
Trade payables	-	(772)
Deferred revenue	-	(3,361)
Other current liabilities	-	(1,121)
Other non-current liabilities	-	(138)
	-	5,368
Goodwill	-	13,905
	-	**19,273**

(i) On 25 February 2011 Reckon Limited settled legal proceedings against Espreon in relation to several claims. An amount of $700,000 was paid by Espreon to Reckon in full and final settlement of all claims.

28 Notes to the Statement of Cash Flows continued

(b) Businesses aquired continued

	Consolidated 2010 $'000	Consolidated 2009 $'000
nQueue Billback		
Consideration:		
Cash consideration	-	-
Direct costs relating to the acquisition	-	26
	-	26
Fair value of net assets of entity acquired:		
Receivables - current	-	334
Receivables - non current	-	684
Inventories	-	301
Fixed assets	-	20
Deferred revenue	-	(1,082)
Other current liabilities	-	(257)
	-	-
Goodwill	-	26
	-	**26**

Corporate Services and BillBack businesses

Reckon Limited acquired the Corporate Services and BillBack businesses previously owned by Espreon Limited effective from 2 January 2009 for $18 million. The acquisition was funded predominantly from existing cash reserves. Debt funding was used to fund the difference.

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

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

nQueue Billback

Reckon Limited merged its United States subsidiary of BillBack with nQueue Inc effective from 1 July 2009. Reckon holds a 67% controlling interest in the merged entity.

The merged entity brings together the best of the parties cost recovery and cost management products and service offerings in the USA and gives the business greater scale.

28 Notes to the Statement of Cash Flows continued

	Consolidated	
	2010 $'000	2009 $'000
(c) Reconciliation of Profit After Income Tax to Net Cash		
Profit after income tax	17,248	13,602
Depreciation and amortisation of non-current assets	7,769	6,897
Non-cash employee benefits expense – share based payment	324	311
Increase/(decrease) in current tax liability/asset	107	(1,106)
Increase/(decrease) in deferred tax balances	165	733
Unrealised foreign currency translation amount	(294)	(258)
(Increase)/decrease in assets:		
Current receivables	2,396	(388)
Current inventories	328	463
Other current assets	36	(309)
Non-current receivables	-	(125)
Increase/(decrease) in liabilities:		
Current trade payables	11	(371)
Other current liabilities	(323)	(629)
Other non-current liabilities	413	61
Net cash inflow from operating activities	**28,180**	**18,881**

29 Outside Equity Interests in Controlled Entities

	2010 $'000	2009 $'000
Interest in:		
Share Capital	-	-
Accumulated profits	-	374
	-	**374**

30 Dividends – ordinary shares

	2010 $'000	2009 $'000
Final franked dividend for the year ended 31 December 2009 of 4.0 cents (2008: 3.5 cents) per share paid on 5 March 2010	5,307	4,636
Interim dividend for the year ended 31 December 2010 of 3.5 cents per share franked to 90% (2009: 3.0 cents) paid on 10 September 2010	4,640	3,968
	9,947	**8,604**
Franking credits available for subsequent financial years based on a tax rate of 30% (2009: 30%)	**1,441**	**1,932**

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 is exposed to interest rate risk on the cash held in bank deposits and on bank borrowings. Cash deposits of $8,095 thousand were held by the consolidated entity at the reporting date, attracting an average interest rate of 4.2% (2009: 1.5%). If interest rates had been 50 basis points higher or lower (being the relevant volatility considered relevant by management) and all other variables were held constant, the Group's net profit would increase/decrease by $40 thousand (2009: $12 thousand).

Borrowings by the consolidated entity at the reporting date were $2 thousand. Borrowings during the year attracted an average interest rate of 8.26% on overdraft facilities and 6.14% on bank bill facilities (2009: 4.33%).

The Board of Directors monitors these exposures and does not presently hedge against these risks.

(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'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			
	Liabilities		Assets	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Euro	-	-	21	33
US Dollar	-	-	-	28

31 Financial Instruments continued

At 31 December 2010, if the Euro weakened against the UK Pound by 10% (being the relevant volatility considered relevant by Management), with all other variables held constant the net profit of the consolidated entity would increase by $2 thousand (2009: $3 thousand). At 31 December 2010, if the New Zealand Dollar, US Dollar and UK Sterling weakened against the Australian Dollar by 10% (being the relevant volatility considered relevant by management), with all other variables held constant the net profit of the consolidated entity would increase by $37 thousand (2009: $231 thousand). This latter sensitivity relates to inter-group loan balances denominated in Australian Dollars, which are eliminated on consolidation.

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

(f) Liquidity

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

(g) Capital risk management

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

(h) Fair Value

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets, is determined with reference to quoted market prices. The fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable market transactions. The carrying amount of financial assets and financial liabilities recorded in the financial report approximates their respective fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2010

32 Segment Information

The Group has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

(a) Business segment information

The consolidated entity is organised into three operating divisions:

Business Division
Professional Division
nQueueBillback Division

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

The principal activities of these divisions are as follows:

- Business Division - development, distribution and support of personal financial and accounting software, as well as related products and services to professional partners. Products sold in this division include QuickBooks, Quicken, ReckonDocs and Reckon Elite.
- Professional Division - development, distribution and support of practice management, tax, client accounting, cost management and related software under the APS and BillBack brands.
- nQueue Billback Division – distribution and support of cost recovery, cost management and related software to the USA legal market.

Segment revenues and results	Business Division		Professional Division		nQueue Billback Division		Total	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Operating revenue	**56,050**	**49,854**	**26,803**	**28,115**	**7,262**	**7,339**	**90,115**	**85,308**
Interest revenue							158	81
Total revenue							**90,273**	**85,389**
Segment EBITDA	**20,720**	**15,677**	**10,837**	**11,021**	**3,109**	**2,205**	**34,666**	**28,903**
Depreciation and amortisation	(2,017)	(1,865)	(5,053)	(4,703)	(699)	(545)	(7,769)	(7,113)
Total segment profit before tax	**18,703**	**13,812**	**5,784**	**6,318**	**2,410**	**1,660**	**26,897**	**21,790**
Central administration costs							(4,495)	(3,756)
Interest revenue/(Financing costs)							(3)	(222)
Profit before income tax							**22,399**	**17,812**
Income tax expense							(5,151)	(4,210)
Profit for the year							**17,248**	**13,602**

The revenue reported above represents revenue generated from external customers.

Segment profit represents the profit earned by each segment without allocation of central administration costs, finance costs and income tax expense, all of which are allocated to corporate head office. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessing performance.

32 Segment Information continued

Segment assets and liabilities	Assets		Liabilities		Additions to non-current assets	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Business Division	29,308	23,331	15,794	12,613	2,196	6,673
Professional Division	36,052	35,107	6,215	9,182	5,461	8,152
nQueueBillback Division	8,760	10,486	2,970	3,854	1,330	7,081
Total of all segments	74,120	68,924	24,979	25,649	8,987	21,906
Eliminations	(6,572)	(4,602)	(6,572)	(4,602)	-	-
Consolidated	**67,548**	**64,322**	**18,407**	**21,047**	**8,987**	**21,906**

(b) Geographical information

	Revenues from external customers		Non-current assets	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Australia	73,199	67,628	37,137	36,512
Other countries (i)	16,916	17,680	13,409	13,985
	90,115	**85,308**	**50,546**	**50,497**

(i) No single country outside of Australia is considered to generate revenues which are material to the Group.

(c) Segment revenues

	External sales	
	2010 $'000	2009 $'000
Business and wealth management products	49,694	44,433
Accounting industry products	28,298	28,203
Legal industry products	12,123	12,672
	90,115	**85,308**

Notes to the Financial Statements

for the year ended 31 December 2010

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 agreement was renegotiated effective from December 2010 to ensure that it also catered for the emerging online market. The initial term of the agreement is 5 years with automatic rolling terms of 3 years. The agreement is subject to commercial terms relating to royalties and termination. Previously the term of the agreement was 10 years and was subject to annual market growth objectives being achieved.

34 Subsequent Events

Subsequent to the end of the financial year:

Share buy back

A share buy back of up 10% of the company's share capital, was announced on 8 February 2011, as part of the Company's strategy to manage its capital base.

Dividend

The Board has declared a dividend of 4.5 cents per share to shareholders on 8 February 2011. The dividend will be 90% franked. The record date for the dividend is 18 February 2011. The impact on the franking account balance of unrecognised dividends is $2,561 thousand.

nQueue Billback UK

Subsequent to year end 25% of Billback Systems (UK) Limited has been sold to nQueue Inc in return for an additional 7% of nQueue Billback LLC.

Espreon Litigation

On 25 February 2011 Reckon Limited settled legal proceedings against Espreon Limited in relation to several claims. An amount of $700,000 was paid by Espreon to Reckon in full and final settlement of all relevant claims.

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:

Up to 17 April 2011
35 Saunders Street
Pyrmont
Sydney NSW 2009

From 18 April 2011
Level 12, 65 Berry Street
North Sydney
NSW 2060

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

The Financial Report was authorised for issue by the Directors on 30 March 2011

Additional Information

as at 16 March 2011

Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholder	Number	Percentage
National Nominees Limited	16,448,564	12.33
Intuit Ventures Inc	14,828,304	11.12
JP Morgan Nominees Australia Limited	14,579,653	10.93
HSBC Custody Nominees (Australia) Limited	9,595,769	7.19
Gregory John Wilkinson	6,247,800	4.68
UBS Nominees Pty Limited	4,843,475	3.63
DJZ Investments Pty Limited	4,690,000	3.52
RBC Dexia Investor Services Australia Nominees Pty Ltd	4,526,483	3.39
Cogent Nominees Pty Limited	4,507,389	3.38
Citicorp Nominees Pty Limited	4,378,728	3.28
Australian Executor Trustees NSW Ltd	4,322,759	3.24
Mr Clive Rabie and Mrs Kerry Rose Rabie	4,285,611	3.21
Mr Stephen James Rickwood	2,651,062	1.99
Mr Clive Alan Rabie	1,532,389	1.15
Rawform Pty Ltd	1,202,200	0.90
Mr Philip Ross Hayman	1,000,000	0.75
Reckon Australia Pty Ltd	987,883	0.74
Citicorp Nominees Pty Limited	941,204	0.71
Queensland Investment Corporation	695,757	0.52
Mr Philip Ross Hayman	679,264	0.51
	102,944,294	**77.17**

Number of Holders of Equity Securities

Ordinary Share Capital

133,384,060 fully paid ordinary shares are held by 4,000 individual shareholders as at 16 March 2011.

All issued ordinary shares carry one vote per share.

Shareholdings less than marketable parcels

The number of shareholdings held in less than marketable parcels is 69.

Additional Information

as at 16 March 2011

Distribution of Holders of Equity Securities

As at 16 March 2011

Number of Ordinary Shares	Number of Shareholders
1 – 1,000	930
1,001 – 5,000	1,871
5,001 – 10,000	602
10,001 – 100,000	549
100,001 and over	48
Total	4,000

Substantial Shareholders

As at 16 March 2011

	Ordinary Shares (Number)	Ordinary Shares (Percentage)
National Nominees Limited	16,448,564	12.33
Intuit Ventures Inc	14,828,304	11.12
JP Morgan Nominees Australia Limited	14,579,653	10.93
Mr Clive Rabie and Mrs Kerry Rose Rabie	10,508,000	7.88
HSBC Custody Nominees (Australia) Limited	9,595,769	7.19
Gregory John Wilkinson	7,450,000	5.58

Principal Registered Office

Up to 17 April 2011
Ground Floor, 35 Saunders Street
Pyrmont NSW 2009
Tel: (02) 9577 5000

From 18 April 2011
Level 12, 65 Berry Street
North Sydney NSW 2060
Tel: (02) 9577 5000

Share Registry

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

Auditors

Deloitte Touche Tohmatsu
225 George Street
Sydney NSW 2000

Principal Administration Office

Up to 17 April 2011
Ground Floor, 35 Saunders Street
Pyrmont NSW 2009
Tel: (02) 9577 5000

From 18 April 2011
Level 12, 65 Berry Street
North Sydney NSW 2060
Tel: (02) 9577 5000

Stock Exchange Listings

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

Company Secretary

Mr Myron Zlotnick

Additional Information

as at 16 March 2011

Annual General Meeting

The Annual General Meeting for Reckon Limited will be held on Tuesday 24 May 2011 at 10:00am at **level 12, 65 Berry Street, North Sydney, NSW.** If you are unable to attend, you are invited to complete the Proxy Form included with your Notice of Meeting. The completed Proxy Form must be received no later than 48 hours before the Annual General Meeting.

Important Information – Corporate Notices

Securityholders will be aware that they have options as to how they want 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.au
- Click on ‘Investor Centre’
- Click on ‘Update my details’ and select 'communications options'
- 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 ‘Login’
- 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 to shareholders@reckon.com.au to receive the Annual Report, corporate and statutory notices electronically.