Reckon®

Annual Report
2023

Reckon Limited Annual Report

ABN 14 003 348 730

For the Financial Year Ended 31 December 2023

Contents

Message from the Chairman

It is my pleasure to present to you Reckon Limited's Annual Report for the year ended 31 December 2023 (FY2023).

Reckon's operations during the year saw a continued and targeted investment in our cloud-based products for our two operating divisions – the Business Group and the Legal Group, with the aim of ultimately having all Reckon's revenue derived from our own proprietary cloud-based products. The Legal Group, trading as nQ Zebraworks, continued the development of its new "Queues" cloud-based platform and the end of the year saw solid progress on the new BillingQ and DataQ products.

FY2023 was the first complete year post the sale of the Accountant's Group, and the Board is pleased with management's delivery of revenue growth and profit over the period. There is still room for improvement and your Board is conscious of continuing to deliver returns to our shareholders.

To align the interests of management more directly with these objectives, the Board implemented new long term incentive plans for all our Business Group senior management, replacing the former Performance Rights Plan, and similar plans for our Legal Group management during the year. The new long term incentive plans include the Cash Distribution Incentive Plan for our Group CEO and Group CFO, which was approved by shareholders at the 2023 Annual General Meeting. These new long term incentive plans focus ultimately on the delivery of shareholder value.

We were pleased to continue our long history of dividend payments, with a $0.025 annual dividend paid in September 2023. We expect to continue paying a dividend once per year in September.

FY 2023 was my first year as Chairman after Greg Wilkinson stepped down to a non-executive director role after four and a half years in the Chair. Your Board is conscious that the time may come for a refresh of the Board and increased diversity, but at this stage we believe that the direct experience your Directors bring to their roles with Reckon is in the best interest of our shareholders.

I would like to take this opportunity to again thank the company's management team, led by CEO Sam Allert, our committed staff, partners, customer base and shareholders for their ongoing support – all of whom have contributed to growing Reckon into the established ASX tech company that it is today.

Mr C Rabie
Chairman
Sydney, 28 March 2024

Message from the Group CEO

I am proud to present our full year results for 2023, with the company displaying robust growth across the board and a consistent commitment to key areas of development.

The Business Group continues to maintain excellent cashflow alongside strong performances from the Legal Group – largely focused on the US and UK legal firm markets.

FY 2023 saw the Company delivering to our plan of maintaining revenue growth in the highly profitable and cash generating Business Group to provide the flexibility to invest in our proprietary product, Reckon One and the release of our new product Reckon Payroll, together with the high growth opportunities provided by our US and UK focused Legal Group.

Key highlights from the 2023 full year results

- $53m in revenue generated in 2023 with EBITDA of $20m and NPAT of $5m.
- An Annual Dividend of 2.5c fully franked was paid to investors in September 2023.
- Legal Group subscription revenue growth of 17%.
- Ongoing investment in cloud-based products to underpin future business growth.
- Over 105k cloud users on our SME products.
- 300k employees paid annually in Australia via Reckon products.
- Six of the world's top legal firms use our solutions.

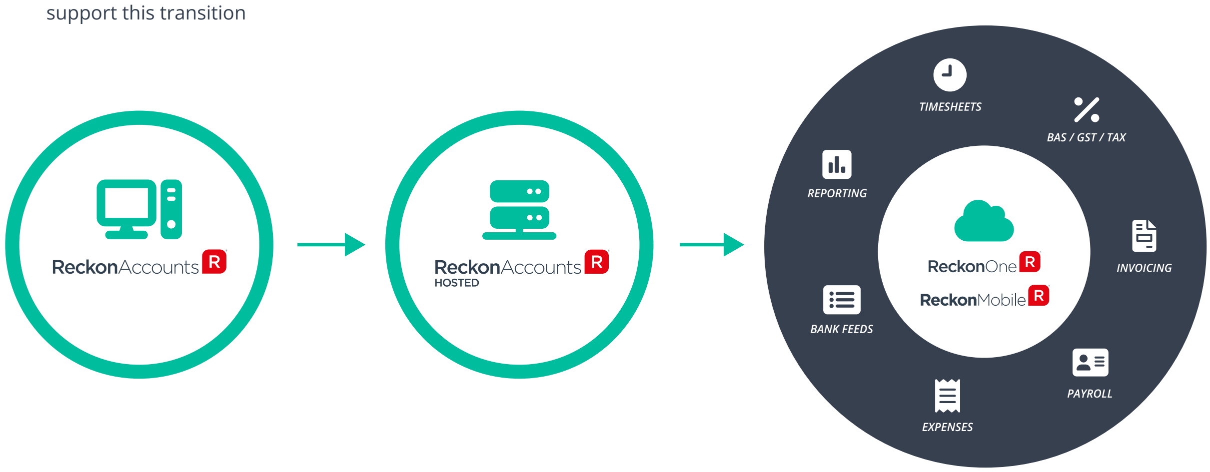
REVENUE	ARR	EBITDA
$53↑ million	$49↑ million	$20↑ million
↑ +4% over PcP	↑ +4% over PcP	↑ +10% over PcP

NPAT	DEVELOPMENT INVESTMENT	DIVIDEND PAID
$5↑ million	$14 million	2.5 cents per share fully franked
↑ +36% over PcP		

Message from the Group CEO (continued)

The investment in the ongoing development and feature set of Reckon One is critical to our strategy of delivering the leading Accounting and Payroll solution for SMEs whilst also moving away from our legacy desktop products and we anticipate continuing that development into the future The year saw the release of our new Reckon Payroll, a Reckon One codebase Single Touch Payroll 2.0 compliant product and mobile app, as evidence of our ability to deliver to our strategy.

- Increased focused on the transition to the Reckon One codebase now underway since the completion of Single Touch Payroll 2.0 upgrades
- Continued development investment into Reckon One and Mobile solutions to support this transition
- Ongoing product enhancements creating more valuable solutions for SME's and employees
- Journey to Reckon One expands options for the business and provides potential value creation for Reckon



The revenue growth in the Legal Group highlights the strength of the Legal Group's core systems (scan, print and cost recovery software). The cloud platform products BillingQ and DataQ provide a value-add solution to Law firms on top of their legacy practice management systems, and our investment in BillingQ and DataQ presents considerable upside opportunity for Reckon given the size of the addressable market in the US and UK.

- Core products upgraded to take advantage of increased market interest and opportunity
- Continued ongoing investment into Cloud based Platform solutions
- Client base includes 6 of the top 10 firms in the world and 8 of the top 25 firms in the US
- Newer platform solutions can be cross sold into Core client base
- Additional product integrations planned for Platform solutions creating larger addressable market
- Over $200k of ARR with 2200 users of Platform sales made

Core

- **ScanQ** and **MailQ** – scanning
- **PrintQ** – printing
- **CostQ** – cost tracking

Platform

- **BillingQ** – billing workflows
- **DataQ** – business intelligence

On a personal note, our recent employee engagement survey across the Australian employees produced outstanding results with 100% of respondents indicating that they would recommend Reckon as a great place to work. I am excited to lead the team at Reckon as we pursue our strategy and I cannot stress highly enough how important the Reckon team are to our past and future success.

I wish to thank all Reckon's workforce for their hard work and dedication during the year and I look forward to their continuing support. I also wish to join the Chairman in thanking Reckon's partners, customers and shareholders for their ongoing support and I look forward to the journey ahead with them.

Sam Allert
Group CEO

Directors' Report

The Directors of Reckon Limited submit these financial statements for the financial year ended 31 December 2023.

Board of Directors

Clive Rabie, Chairman

BCom

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 and was appointed Group MD on 1 July 2018. He has extensive management and operational experience in the IT and retail sectors as both an owner and director of companies. Clive is also a director of AIM listed, GetBusy PLC.

Greg Wilkinson, Independent Non-Executive Director

Chair of Remuneration Committee and Member of Audit & Risk Management Committee

Greg Wilkinson has over 35 years' experience in the computer software industry. Greg entered the industry in the early 1980s in London where he managed Caxton Software, which became one of the UK's leading software publishers. Greg co-founded Reckon in 1987 and was the Chief Executive Officer until February 2006. He was appointed to the position of Deputy Chairman in February 2006 and became a member of the board of the listed entity on 19 July 1999. He was appointed to the Audit & Risk Committee in February 2010 and Remuneration Committee in December 2011. He is also an investor and mentor to a number of cloud-based start-up companies.

Philip Hayman, Independent Non-Executive Director

Chair of Audit & Risk Management Committee and member of Remuneration Committee

Phil Hayman was appointed to the board on 1 July 2018. He was a co-founder of Reckon in 1987. He resigned from Reckon in 2004 but has maintained his interest in Reckon through his ongoing shareholding. Phil has had varied general entrepreneurial and commercial experience through his investments in companies in start-up and first round capital raising phases. Phil is presently a director of an unlisted public company with manufacturing interests in China and sales in Australia and New Zealand.

Samuel Allert, Chief Executive Officer and Executive Director

Group Chief Executive Officer and Director from 1 July 2018

Sam was one of the first employees in the Australian Reckon APS business in 1999. He has held numerous roles in that business from National Sales Manager, Managing Director AU/NZ, eventually becoming CEO of Reckon APS in 2013. Taking on more responsibility Sam led the Australian and New Zealand business in a newly formed position of Managing Director Australia/ New Zealand for the Reckon Group in 2015. In July 2018 Sam stepped into the Group Chief Executive Officer position and was appointed as an Executive Director on 1 July 2018.

Company Secretaries

Myron Zlotnick -Company Secretary (resigned 30 March 2023)

LLM, GCertAppFin, MAICD

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

Tom Rowe- Company Secretary (appointed 30 March 2023)

BA, LLB(Hons), GradDipAppFinInv, GradDipAppCorpGov

Tom Rowe has 25 years' experience as a corporate lawyer with extensive corporate governance experience across ASX listed companies in the financial services, manufacturing and software industries.

Review of Operations and Statement of Principal Activities

For the whole of FY2023, the Company operated two business divisions, the Business Group and the Legal Group. The Accountant Practice Management Group was sold on 1 August 2022 and the Company had no involvement in that business in FY2023.

The Business Group provides accounting and payroll software for small to medium sized businesses and personal wealth management software branded as Reckon One, Reckon Accounts Hosted, Reckon Accounts Business and Reckon Accounts Personal. The Business Group operates in Australia and New Zealand.

The Legal Group operates under the nQ Zebraworks brand. nQ Zebraworks is a document and billing workflow company that leverages the power of its Zebraworks cloud-based integration platform to deliver digitalization, billing and collections automation, cost recovery and analytics solutions for law firms and government and corporate legal departments. nQ Zebraworks seeks to accelerate the legal industry’s move to the cloud by leveraging its legal technology expertise together with its cloud platform to bring together core legal workflows in one place.

The nQ Zebrawork’s products are its server-based scan, print, document workflow, and cost recovery systems together with its cloud based “Queues” technology billings workflow solution, BillingQ and business intelligence tool, DataQ.

nQ Zebraworks is based in the USA with additional operations in the United Kingdom and re-sellers in other parts of the world.

Business Group

The Business Group distributes and supports a range of software products under the Reckon brand. These products are generally used by small to medium businesses in Australia and New Zealand.

The key product brands sold in this Group are: Reckon One, Reckon Accounts, and Reckon Accounts Hosted. Within the products are functions across accounting, payroll, timesheets, invoicing, payments and analytics.

Reckon Accounts and Reckon Accounts Hosted provide desktop and hosted solutions for medium to larger sized businesses for accounting and bookkeeping, invoicing, payroll, GST/BAS reporting, financial reporting, timesheets, and bank data feeds.

Reckon Accounts Hosted is a desktop application hosted in an Amazon Web Services cloud environment.

Reckon One is the Business Group’s new Software as a Service (SaaS) cloud-based accounting and payroll software platform and includes mobile app functionality. Reckon One is a proprietary product as distinct to the Intuit code based Reckon Accounts and Reckon Accounts Hosted products. Development of Reckon One was a focus for FY2023, and will continue to be for the medium term, as the business improves the functionality of Reckon One to meet and exceed the functions available in the Intuit code-based products.

During the year, Reckon One was upgraded to provided Single Touch Payroll 2.0 functions and is now the Company’s flagship payroll product. Similar upgrades to timesheet and invoicing functions are currently underway to Reckon One.

The Business Group continues to explore strategic partnerships with suppliers, particularly in financial services and point of sale payments to deliver additional revenue streams.

The Business Group is certified under ISO 27001 for its information security management systems.

Legal Group

During the year, the Company committed an additional $US4 million in the Legal Group to:

a. fund the continued development of its cloud-based products and the pursuit of its business development strategy; and,

b. acquire the shares of some minority shareholders in nQ Zebraworks, taking Reckon's shareholding to 76%.

The year saw the Legal Group continue it's transition from a cost recovery provider to a workflow solutions expert and expand its cloud offerings. At year end, the Legal Group had signed $200,000 of annual recurring revenue for its new cloud products, BillingQ and DataQ.

The Legal Group's client base includes 6 of the top 10 legal firms in the world and 8 of the top 25 firms in the United States.

Results of Operations

Results Headlines (IFRS and non-IFRS)

Continuing operations	2023	2022	%Growth
Revenue	$53.4 million	$51.2 million	+4.2%
EBITDA*	$19.7 million	$18.0 million	+9.7%
Depreciation and amortisation of other non-current assets	($14.4 million)	($13.1 million)	-
Finance Costs	($0.2 million)	($0.1 million)	-
Income tax expense	($0.2 million)	($1.2 million)	-
Net profit	$4.9 million	$3.6 million	+36.0%
Net profit attributable to members	$5.6 million	$4.6 million	+22.3%

Discontinued operations**	2023 -	2022** 7 months	%Growth
Revenue	-	$13.5 million	-100%
EBITDA**	-	$74.9 million	-100%
Net profit	-	$53.2 million	-
Net profit attributable to members**	-	$53.2 million	-100%

* Earnings before interest, tax, depreciation and amortisation.

** The Accountant Practice Management Group business was sold effective 1 August 2022 and the above results include the profit on sale of this business.

Group revenue from continuing operations was $53.4 million, up 4% on FY2022.

Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) during the year was $19.7 million, up 10% on FY 2022. Group Net Profit After Tax (NPAT) was $4.9 million, a 36% uplift on FY2022, due to the increased EBITDA and a lower effective tax rate as a result of the group's R&D investments, offsetting higher amortisation costs.

Group operating cashflow after accounting for $14.4 million of development spend was consistent with the prior year at $4.8 million (FY2022: $4.6 million).

Net Debt remained stable at $2.8 million compared to FY2022, following the payment of a 2.5 cent fully franked dividend paid on 29 September 2023. For the foreseeable future, the Board anticipates paying one dividend annually after the half year.

Business Group

- The Business Group continues to be a subscription business focused on online growth. Total revenue growth in this division was up 2% on 2022 to $41.7 million. This represents 5 consecutive years of growth.
- Momentum in the Business Group was highlighted by another strong year of cloud-based subscription revenue growth, which rose by 5% to $24.1 million comprising 58% of the Business Group's total revenue. The number of cloud users reached 105,000 users at year end, a slight decline on FY2022 as we discontinued free products.
- Subscription revenue for FY2023 represented 92% (2022: 92%) of revenue for the Business Group at $38.2 million. The balance of revenue was derived mainly from membership and training fees.

Legal Practice Management Group

- Reckon's core Business Group operations were complemented by a strong year of growth in the Legal Group, which reported a 17% (12% in constant currency) increase in subscription revenues to $10.8m, it's third year of subscription revenue growth. Total revenue was $11.7 million, up 12% on FY 2022 (+7% on a constant currency basis).
- Subscription revenue was 92% of the Legal Group's revenue (FY2022: 89%).
- The Legal Group continued its investment in sales and development teams with the year delivering $0.9 million EBITDA, a significant milestone for the Legal Group given its ($0.3) million EBITDA loss for FY 2022. Capitalised development costs for the year remained stable at $4.9 million compared to $4.8 million for FY 2022.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company during the financial year.

Future Developments, Business Strategies and Prospects for Future Financial Years

The Company intends to leverage the strong cash flow produced by its Business Group to continue investing in the development of cloud-based products in both the Business Group and the Legal Group.

The Business Group will continue to focus on products that deliver business efficiency tools for small to medium sized businesses while the Legal Group pursues revenue growth from its practice efficiency tools for legal firms.

The Business Group strategy over the next 5 years is:

- Continued development of Reckon One, Reckon's proprietary cloud based product to drive revenue growth;
- Maintenance of the customers currently using the Company's legacy Intuit code based products; and,
- The transition of those customers to Reckon One over time.

The Legal Group will continue to pursue revenue growth from its core systems (scan, print and cost recovery software). The longer-term focus is on the opportunity presented by the Legal Group's cloud-based products BillingQ and DataQ. These products provide a value-add solution to Law firms on top of their legacy practice management systems, and the investment in BillingQ and DataQ presents considerable upside opportunity for Reckon given the size of the addressable market in the US and UK. BillingQ also provides an opportunity for increased wallet share on the payments conducted through its collections process.

The Legal Group also intends to pursue further third party product integrations for its cloud based products to create a larger addressable market.

The Company will continue to assess corporate transactions

Material Business Risks, Climate and Social Risks

The Company and its divisions are subject to risks of both a general nature and ones that are specific to its business activities.

The Company's operations involve software development and sales activity with the vast majority of its products distributed through on-line channels. The major inputs into product development and sales and the available market for the Company's products are unlikely to be materially impacted by climate change, other than at a macro economic level.

The financial position of the Company has not been materially adversely affected by COVID 19 and COVID 19 does not materially adversely impact the Company's prospects for future financial years.

Material business risks, specific to the Company's strategies include, but are not limited to, the following:

Product Development Execution

The development of Reckon One as the Business Group's proprietary flagship product and nQ Zebrawork's development of its Queues technology are key to the Company's medium term strategy. There may be delays or cost increases as these projects continue through the medium term.

Increases to the timeline or cost of the projects would likely impact the cash flow of the Company.

Mitigation strategies include:

- Targeted customer and market research programs to inform product development priorities.
- Focus available resources on highest priority initiatives.

Recurring Revenue

A significant proportion of the Business Group's revenue and EBITDA is derived from the sale of the legacy products, Reckon Accounts and Reckon Accounts Hosted. These products utilise older software that may not readily allow for integration with third party services necessary to meet future market requirements, and in product developments to satisfy regulatory obligations of accounting and payroll services.

The inability to integrate or develop these products in the medium term may cause an acceleration to the decline in revenue from these products.

Mitigation strategies include:

- Reallocation of resources to meet development requirements.
- Migration to alternative products within Reckon One.

Information Security Management

The Company stores accounting, payroll and bank record data together with customer details with third party providers. Hacking or exploitation of any vulnerabilities in its network, or those of the third party providers, leading to the loss or disclosure of the data may negatively impact the revenue, profitability and reputation of the Company.

This risk, together with the Hosting Provider Disruption and Telecommunications and the Internet risks discussed below, are managed within the Business Group by an ISMS committee and its processes and procedures are subject to audit.

Competition

The Company, and particularly the Business Group, operates in a market dominated by much larger and well-resourced international competitors. The products offered by competitors in the future may be, or be perceived to be, superior to the Company's products or offered on commercial terms that the Company is unable to meet, thus limiting the commercial viability of the Company's products.

Hosting Provider Disruption

The Business Group relies on Amazon Web Services for the hosting of its cloud-based products. The Legal Group's cloud-based Queues technology is hosted on Microsoft Azure. Should Amazon Web Services or Microsoft Azure suffer outages, particularly the destruction of its data centres due to natural disaster, the relevant products and services offered would likely be disrupted.

The Legal Group's legacy products are installed on client's own servers. As the cloud-based Queues technology is developed and revenue increases on the BillingQ and DataQ products, hosting provider risk will increase for the Legal Group.

Telecommunications and the Internet

The Company's cloud-based SaaS products rely on the customer being able to access the products and services over the internet. An internet failure and the resulting reduction in consumer confidence in being able to access the products and services, regardless of whether the failure is the fault of the Company, is likely to have adverse financial consequences for the Company.

Remuneration Report (Audited)

1. Persons Covered by this Report

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

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

Non-Executive Directors

- Mr Clive Rabie, director since 24 May 2005
    - Group Managing Director from 1 July 2018 to 31 December 2022
    - Chairman from 1 January 2023
- Mr Greg Wilkinson, director since 19 July 1999
    - Chairman of the Board from 1 July 2018 to 31 December 2022
    - Risk and Audit Committee member since 1 February 2010
    - Remuneration Committee chair since 1 January 2023
    - Non-executive director from 1 January 2023
- Mr Philip Hayman, non-executive director since 1 July 2018
    - Risk and Audit Committee Chairman since 1 July 2018
    - Remuneration Committee Chairman until 31 December 2022
    - Remuneration Committee member since 1 July 2018

Senior Executives Classified as KMP

- Mr Sam Allert
    - Executive Director since 1 July 2018
    - Group Chief Executive Officer since 1 July 2018
- Mr Chris Hagglund
    - Group Chief Financial Officer (CFO) since 1 October 2004
- Mr Myron Zlotnick (Resigned 30 March 2023)
    - Company Secretary from 19 November 2002 to 30 March 2023
    - Corporate Counsel from 22 February 2021 to 30 March 2023

2. Context of KMP Remuneration

The Remuneration Committee and the board exercise their powers mindful of the various governance demands that impact on remuneration decisions and the interests of shareholders.

In 2023, the Board set a new KMP incentive plan to meet the strategic imperatives of the Company, the Cash Distribution Incentive Plan (CDIP). The CDIP was approved by shareholders at the 2023 AGM.

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

The Company is influenced in the governance of KMP remuneration by a wide range of sources, including:

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

The following outlines Reckon's remuneration governance framework.

3.1 Remuneration Committee

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

The Remuneration Committee in 2023 was comprised of two non-executive directors:

- Mr Philip Hayman (independent non-executive director)
- Mr Greg Wilkinson (independent, Chairman of the Board until 31 December 2022).

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

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

Under the Charter, the Remuneration Committee is to be composed of at least three non-executive members with the majority being independent directors. Given the size of the Company and the board, the Remuneration Committee presently is comprised of only two members and many remuneration matters are considered directly by the Board.

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

3.2 Executive Remuneration Policy

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

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

Taking account of the above, generally, remuneration structures are driven by the budget setting process and cost to company as well as the particular circumstances of the relevant KMP, their skill set, experience, and value to the Company.

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

3.3 Non-executive Director Remuneration Policy

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

- Remuneration may be composed of:
  - Board fees inclusive of superannuation
  - Other benefits (if appropriate) and
  - Equity (if appropriate at the time, currently not applicable)
- Committee fees do not form part of the NED remuneration policy because at present the workload of the Board is shared equitably amongst its members

- Remuneration will be managed within the aggregate fee limit (AFL) or fee pool approved by shareholders of the Company – currently $500,000 in accordance with the Company's constitution
- Termination benefits will not be paid to NEDs by the Company
- A policy level of Board Fees (being the fees paid for membership of the Board, inclusive of superannuation) will be set with reference to the P50 (median or middle) of the market of comparable ASX listed companies.

As at the commencement of FY24 the following fees apply:

Function	Role	Fee Including Super
Main Board	Chair	$169,830
	Member	$84,915
Audit & Risk Committee	Chair	n/a
	Member	n/a
Nomination & Remuneration Committee	Chair	n/a
	Member	n/a
Other Committee	Chair	n/a
	Member	n/a

During the FY23 reporting period the following fees were applicable:

Function	Role	Fee Including Super
Main Board	Chair	$166,125
	Member	$83,063
Audit & Risk Committee	Chair	n/a
	Member	n/a
Nomination & Remuneration Committee	Chair	n/a
	Member	n/a
Other Committee	Chair	n/a
	Member	n/a

3.4 Short Term Incentive (STI) Policy

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

- The STI should be paid in cash.
- The targets for the STI should be weighted towards KPI's that align with the creation of shareholder value and short term strategic goals.
- There should be a deferral of payment of part of the STI.

3.5 Long Term Incentive (LTI) Policy

The Performance Rights long term incentive plan applied to offers made to the CEO in 2019 and CFO in 2020 with a performance period ending on 31 December 2022. Performance Rights were offered is the Company Secretary in 2021 with a performance period ending on 31 December 2023. No subsequent offers of Performance Rights were made to KMP, although offers were made to employees who are not KMP. All KMP's Performance Rights were discharged during 2023 and no Performance Rights, or any equity-based long term incentives, are currently held by KMP.

The CDIP was established during 2023 to provide a cash based long term incentive plan for KMP.

Performance Rights

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

Further:

- The Performance Rights vest based on assessment of performance against objectives
- The Measurement Period should be three years
- There should be two measures of long-term performance, one which best reflects internal measures of performance and one which best reflects external measures of performance
- The measure that has strongest alignment with shareholders is total shareholder return (TSR), however it is recognised that absolute TSR is influenced by overall economic movements. Therefore, the TSR component of LTI is based on relative TSR which removes broad market movements from assessments of the Company's TSR performance and avoids windfall gains from broad market movements. Vesting only when the performance of the Company meets or exceeds the performance of the broader market
- Senior Executives are faced with significant and long-term business development and project-based challenges. Therefore the LTI should also be linked to the achievement of earnings growth objectives that will lead to value creation for shareholders, and the earnings per share (EPS) growth measure is considered the best measure of long term performance and value creation from an internal perspective, by the Board and by many stakeholders

Cash Distribution Incentive Plan

The policy behind the Cash Distribution Incentive Plan (CDIP) is to incentivise the executive KMP to pursue value accretive transactions, including the potential sale or disposal of assets or companies within the consolidated group, which have benefits for and will result in distributions to shareholders over the long term.

The CDIP aligns the interest of the executive KMP with shareholders by incentivising them to deliver a significant "cash" return to shareholders. The CDIP utilises a variation to "total shareholder return" as the performance measure but ignores changes in share price. Instead, the CDIP focuses solely on the value received by shareholders in terms of dividends and distributions paid on Reckon shares and the consideration received by shareholders for their shares if Reckon itself is acquired, such as under a takeover.

The CDIP is paid in cash.

3.6 Variable Executive Remuneration – The Short Term Incentive (STI)

Short Term Incentive (STI)	
Aspect	**Plan, Offers and Comments**
Purpose	The STI Plan's purpose is to give effect to an element of Senior Executive Remuneration. This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for Senior Executives to deliver and outperform annual business plans that will lead to sustainable superior returns for shareholders. Target-based STI's are also intended to modulate the cost to the Company of employing Senior Executives, such that risk is shared with the executives themselves and the cost to the Company is reduced in periods of poor performance.
Measurement Period	The Company's financial year i.e. from 1 January to the following 31 December.
Award Opportunities	**FY23 Offers** The CEO was offered a target-based STI equivalent to roughly 30% of the Base Package for target performance, with a stretch opportunity of up to 110% of the target. The CFO was offered a target-based STI equivalent of up to 29% of the Base Package for target performance with a stretch opportunity of up to 110% of the target. **Comments** The incentive levels offered in FY23 were consistent with the proportional opportunities (proportional to Base Package) offered in previous years. **FY24 Offers** The FY24 offers are substantially similar to the FY23 offers.
Key Performance Indicators (KPIs), Weighting and Performance Goals	**FY23 Offers** KPIs may vary to some extent between participants and reflect the nature of their roles, while creating shared objectives where appropriate. KPIs used for FY23 included: • Revenue • EBITDA • EPS Weightings are applied to the KPIs selected for each participant to reflect the relative importance of each KPI. Information on this aspect and specific KPIs is given in detail elsewhere in this report. **Comments** The Board selected KPI's that were identified as having the strongest links with long term value creation for shareholders at the Company level, and those objectives over which individuals had most control that would also be expected to contribute to long term value creation and sustainability for shareholders within a 12 month period, as well as KPIs to recognise individual role related objectives and business plans for FY23. **FY24 Offers** The FY24 offers are substantially similar to the FY23 offers but with an increased weighting towards revenue growth.

Award Determination and Payment	Calculations are performed following the end of the Measurement Period and the audit of Company accounts. Payments are in cash with PAYG tax deducted, paid following the completion of the Measurement Period and completed audited full year accounts. A portion of the STI (between one third and one half) is only paid a year later provided the KMP is still employed. Performance was determined in February 2024 following approved of the preliminary final report for FY2023.
Change of Control	The Board has discretion to terminate the STI for the Measurement Period and make pro-rata awards having regard to performance or make pro-rata awards based on performance and allow the plan to continue for the. Measurement Period or make no interim awards and allow the Plan to continue for the Measurement Period.
Plan Gate and Board Discretion	If the Company's overall performance during the Measurement Period is substantially lower than expectations and resulted in significant loss of value for shareholders, the Board may abandon the STI Plan for the Measurement Period or adjust STI payouts downward. The Board also has discretion to increase payouts, however, it has been determined that such discretion will only be applied in future when it would be substantially inappropriate not to do so, due to an anomaly during the Measurement Period, or because of exceptional circumstances, which would be explained in detail as part of the Remuneration Report.
Fraud, Gross Misconduct etc	If the Board forms the view that a Participant has committed fraud, defalcation or gross misconduct in relation to the Company then all entitlements in relation to the Measurement Period will be forfeited by that participant.
Clawback and Malus	A clawback policy is in place for cases of material misstatement or misconduct. The Remuneration Committee has the power to withdraw offers that have not vested or to clawback short-term incentives paid in the case of serious misconduct or material misstatement in the financial statements respectively.

3.7 Variable Executive Remuneration – Long Term Incentive (LTI) – Performance Rights Plan (Retired)

Long Term Incentive (LTI) - Performance Rights	
Aspect	**Plan, Offers and Comments**
Purpose	The Performance Rights Plan's purpose was to give effect to an element of Senior Executive remuneration. This element of remuneration constituted part of a market competitive total remuneration package and aimed to provide an incentive for Senior Executives to deliver Company performance that will lead to sustainable superior returns for shareholders. Other purposes of the Performance Rights Plan were to act as a retention mechanism so as to maintain a stable team of performance focused Senior Executives, to create alignment with the interests and experiences of shareholders and to modulate the cost to the Company of employing executives such that in periods of poor performance the cost is lesser (applies to non-market measures under AASB 2). The Performance Rights Plan has no application to any KMP at the date of this report.
Measurement Period	Normally three years. **FY23 Offers** FY23 offers were not made to KMP, instead offers were made under the CDIP. **FY24 Offers** FY24 offers were not made. The Performance Rights Plan has been retired and is not offered to any employee.
Form of Equity	Performance Rights, which are either rights to: • ordinary Company shares, under the regular LTI plan, • or to a cash value equivalent to a share in the Company for each vested Performance Right share subject to the satisfaction of conditions related to long term performance and/ or service on an identical basis i.e. the form of equity has no bearing on the setting of vesting conditions etc. There is no entitlement to dividends on Performance Rights.
LTI Value	The Board retained the discretion to determine the value of Performance Rights to be offered each year, subject to shareholder approval in relation to Directors, when the Performance Rights are to be settled in the form of a new issue of Company shares.

Remuneration Report (Audited) (continued)

Vesting Conditions

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

FY23 Offers
No offers were made in FY 2023 for KMP, or any other employee.

The vesting scales for prior offers are:

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

Performance Level	Relative TSR of the Company as % of the S&P ASX 300 Accumulation Index	Vesting
Below Threshold	< Index	0%
Threshold	=Index (90%)	75%
Between Threshold and Target	>100%, <110%	Pro-rata
Target	110% of Index	125%

FY24 Offers of Performance Rights

FY24 offers have not been made to KMP, or any other employee.

Comments

Noting that the Performance Rights Plan was retired in 2023, the Board of Reckon recognises that it is important that shareholders understand why the Performance Rights vesting conditions selected are appropriate to the circumstances of the Company, and therefore seeks to be transparent in this regard.

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

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

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

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

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

Retesting	The Plan Rules do not contemplate retesting and therefore retesting is not a feature of the Performance Rights Plan.

Plan Gate and Board Discretion	A gate applies to the TSR component of the Performance Rights such that no vesting will occur if the Company's TSR is not positive. If the movement of the index is low over the Measurement Period, at less than 5%, then the Board will exercise its discretion to limit vesting to the threshold level, or an even lesser level. The Board has the power to exercise discretion to decline to allow an award to vest, for example in the circumstances of a "bad leaver".
Amount Payable for Performance Rights	No amount is payable for Performance Rights. The value of Performance Rights is included in assessments of remuneration and policy.
Dealing Restrictions on Shares	Shares that result from the exercise and vesting of Performance Rights will be subject to dealing restrictions as per the Company's trading policy applicable to officers of the Company.
Cessation of Employment During a Measurement Period	In the event of cessation of employment due to dismissal for cause all unvested Performance Rights are forfeited. In the event of cessation of employment due to resignation all unvested Performance Rights are forfeited, unless determined otherwise by the Board.
Change of Control of the Company	The Board retains discretion under the rules of the plans to over-rule the automatic vesting of incentives in the event of "capital events" such as takeovers or restructures.
Fraud, Gross Misconduct etc	If the Board forms the view that a Participant has committed fraud, defalcation or gross misconduct in relation to the Company then all entitlements in relation to the Measurement Period will be forfeited by that participant.
Clawback and Malus	A clawback policy is in place for cases of material misstatement or misconduct. The Remuneration Committee has the power to withdraw offers that have not vested or to clawback short-term incentives paid in the case of serious misconduct or material misstatement in the financial statements respectively.

Long Term Incentive (LTI) - Cash Distribution Incentive Plan	
Aspect	**Plan, Offers and Comments**
Purpose	The purpose of the CDIP is to comprise the long term incentive for executive KMP aligning their interests with the long term strategy of the Company and the delivery of shareholder value.
Measurement Period	24 May 2023- 31 December 2029
Form of Benefit	The CDIP will be settled entirely in cash.
CDIP Value	The CDIP was offered in 2023, following shareholder approval at the 2023 AGM, and the plan applies until 31 December 2029. There will be no further offers under the CDIP, although the Board may approve additional long-term incentives during the Measurement Period. Due to the Payment Conditions under the CDIP and the long Measurement Period the CDIP had minimal value at the date of offer. This value is disclosed in the table at Section 4 of the Remuneration Report.
Payment Conditions	The payment of cash under the CDIP is contingent on the following Payment Conditions: • the executive KMP being an employee of Reckon at 31 December 2029; and, • the cumulative total of the following payments in respect to Company shares paid or received by shareholders from 24 May 2023 to 31 December 2029 (**Shareholder Return**) being at least $150,000,000: • dividends; • distributions; and • if there is a change of control transaction occurring whereby 100% of the issued capital of Reckon Limited is acquired by a third party (**Control Transaction**), the consideration received by shareholders under the Control Transaction. If the Shareholder Return includes shares or securities in another entity unrelated to Reckon, whether in addition to or instead of cash, the Board may determine the value of the shares or securities (if any) that will be factored into the calculation of the Shareholder Return, in its discretion. The Shareholder Return will not be reduced for any tax payable by shareholders and will be adjusted upwards for the effect of franking credits.

Remuneration Report (Audited) (continued)

Cash Distribution	If the Payment Conditions are met, the amount of the cash payment (**Cash Distribution**) will be calculated by the Board based on the following Distribution Schedule. Within each Shareholder Return Band, the Cash Distribution will be paid pro rata in proportion to where the Shareholder Return sits within the relevant Shareholder Return Band. Distribution schedule:

Shareholder Return Bands	Cash Distribution – CEO	Cash Distribution - CFO
Under $150,000,000	No cash distribution (Award is forfeited)	No cash distribution (Award is forfeited)
$150,000,000 and up to $200,000,000	$770,000	$230,000
$200,000,000 and up to $250,000,000	$1,300,000	$400,000
$250,000,000 and up to $300,000,000	$2,600,000	$800,000
$300,000,000 or more	$5,700,000	$1,500,000

	Any cash award will be paid as soon as possible following the end of the assessment period or any early testing.
Retesting	Retesting is not a feature of the CDIP.
Variation to Payment Conditions and Cash Distribution	The Board may, in its discretion, amend the Shareholder Return Bands and Cash Distribution amounts as is reasonably necessary to maintain the alignment of the incentive created by the CDIP with the value received by shareholders, including by: • Reducing the Cash Distribution by any amount paid to a participant under a Reckon long term incentive plan between 24 May 2023 and 31 December 2029. • Making changes to the Shareholder Return Bands and/or the Cash Distribution amount to take into account any capital raising activities of the Company. • Reducing the thresholds under the Shareholder Return Bands in the event of early testing, as discussed below. • Increasing the Cash Distribution amount if the highest Shareholder Return Band is materially exceeded.
Cessation of Employment during Measurement Period	Unless the Board determines (in its absolute discretion) otherwise, if a participant's employment is terminated for cause or they resign (or give notice of their resignation) prior to the assessment date, all of their award will lapse. If a participant ceases employment in other circumstances prior to the assessment date, unless the Board determines otherwise, the Board will test the award and determine the amount of the Cash Distribution (if any) based on the Shareholder Return up to the date of cessation and pay any award to the participant following testing. The Board may, in its discretion, also factor the participant's contribution towards potential value accretive transactions that have not yet completed.

Change of Control of the Company	If, prior to 31 December 2029, there is a takeover bid or other event or circumstances arise which the Board considers should be treated in a similar way (**Change of Control Event**), the Board has the discretion to early test the award and to calculate the Shareholder Return and determine the Cash Distribution to be paid. When determining the Cash Distribution to be paid where there is a Change of Control Event, the Board may make such adjustments to the Cash Distribution or the Shareholder Return Bands as it deems reasonable in the circumstances. If a Control Transaction occurs but the Board has not exercised the discretion referred to above before this time, the award will be tested up to the date of the Control Transaction based on Shareholder Return up to that date and the participants will receive an award based on this assessment.
Fraud, Misconduct and Claw Back etc	The Board may determine that some or all of the entitlement under the CDIP lapses or that the participant must pay back, as a debt, any of the Cash Distribution that is paid, if the participant: • acted fraudulently or dishonestly; • engaged in gross misconduct; • acted in a manner which brought the Company or the Group into disrepute; • breached their duties or obligations to the Company (including acting in breach of the terms and conditions of their employment and/or the Company's code of conduct, as amended or replaced from time to time); • is convicted of an offence or have a judgement entered against them in connection with the affairs of the Company; • contributed to, either by act or omission, to a material misstatement or omission in the financial statements of the Company or any other circumstances or events which affect the Company's financial soundness or require re-statement of the Company's financial accounts, including, without limitation, as a result of misrepresentations, errors, omissions, or negligence; (**Disentitling Acts or Omissions**) and the result of the Disentitling Acts or Omissions is that the original outcomes which the CDIP was intended to incentivise have not been realised, or would not have been realised if not for the Disentitling Acts or Omissions. If the Board is considering whether Disentitling Acts or Omissions have occured, the Board may delay payment of any Cash Distribution, without any liability to compensate the participant for the delay

3.8 Securities Holding Policy

The Board sees a securities holding policy as unnecessary since a number of executives already hold significant numbers of shares voluntarily.

3.9 Clawback Policy

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

4. Remuneration Records for FY23 – Statutory Disclosures

The following table outlines the remuneration accrued for Key Management Personel of the Company during FY23 and FY22 prepared according to statutory disclosure requirements and applicable accounting standards:

Name	Role(s)	Year	Salary		Superannuation Contributions		Other Benefits[6]		Base Package Including Super and Other Benefits[6]		Non-deferred STI Awarded for the Financial Year		Deferred STI for the FY		LTI for the FY1		LTI - reversal of prior accruals[4]		LTI - settlement of LTI in cash[4]		Termination payment[8]		Make whole payment[7]		Actual Total Remuneration Package (TRP)
			Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	
Mr Clive Rabie[2]	Chairman	2023	$150,000	90%	$16,125	10%	$0	0%	$166,125	100%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$166,125
	Group MD, then non-executive director	2022	$99,892	38%	$10,194	4%	$149,973	58%	$260,059	100%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$260,059
Mr Chris Hagglund	Group CFO	2023	$514,755	77%	$26,600	4%	($40,074)	-6%	$501,281	75%	$83,411	12%	$72,364	11%	$11,400	2%	$0	0%	$0	0%	$0	0%	$0	0%	$668,456
	Group CFO	2022	$517,207	50%	$26,700	3%	$4,483	0%	$548,390	53%	$85,089	8%	$72,343	7%	$71,167	7%	$0	0%	$0	0%	$0	0%			$776,989
		2022 make whole payment																					$250,800	24%	$250,800
																									$1,027,789
Mr Sam Allert	Group CEO	2023	$605,718	71%	$27,500	3%	($8,555)	-1%	$624,663	74%	$122,814	14%	$62,026	7%	$38,100	4%	$0	0%	$0	0%	$0	0%	$0	0%	$847,603
	Group CEO	2022	$608,751	36%	$27,500	2%	$17,952	1%	$654,203	39%	$125,284	7%	$62,009	4%	$120,000	7%	$0	0%	$0	0%	$0	0%			$961,496
		2022 make whole payment																					$716,571	43%	$716,571
																									$1,678,067
Mr Myron Zlotnick[3]	Company Secretary and Corporate Counsel	2023	$41,750	21%	$13,489	7%	$404	0%	$55,643	27%	$0	0%	$0	0%	$14,750	7%	($132,750)	-66%	$178,000	88%	$86,711	43%	$0	0%	$202,354
	Company Secretary and Corporate Counsel	2022	$334,031	52%	$27,500	4%	$1,530	0%	$363,061	57%	$0	0%	$0	0%	$59,000	9%	$0	0%	$0	0%	$0	0%			$422,061
		2022 make whole payment																					$214,971	34%	$214,971
																									$637,032
TOTALS		**2023**	**$1,312,223**		**$83,714**		**($48,225)**		**$1,347,712**		**$206,225**		**$134,390**		**$64,250**		**($132,750)**		**$178,000**		**$86,711**		**$0**		**$1,884,538**
		2022	**$1,559,881**		**$91,894**		**$173,938**		**$1,825,713**		**$210,373**		**$134,352**		**$250,167**		**$0**		**$0**		**$0**		**$1,182,342**		**$3,602,947**

[1] The LTI value in 2022 and for Mr Zlotnick in 2023 is the amortised accounting charge of all grants that had not lapsed or vested at the beginning of the period. The amounts in 2023 are the accrual for the CDIP issued to Mr Allert and Mr Hagglund. Refer to Note 4 below for payment made during the period on the vesting of Mr Zlotnick's LTI.
[2] Mr Rabie was Group MD until 31 March 2022, from 1 April 2022 he was a non-executive director, and then Chairman from 1 January 2023. Mr Rabie's salary in 2023 is solely his non-executive directors fees and he does not have any STI or LTI component to his directors fees.
[3] Mr Zlotnick resigned effective 30 March 2023.
[4] On termination of his employment, Mr Zlotnick's 300,000 Performance Rights were vested by the Board and he received a payment of $178,000 cash in lieu of receiving shares in the Company. His Performance Rights were subsequently cancelled.
[5] The total amount paid to Mr Zlotnick in 2023 was $338,656.
[6] Other benefits include movement in annual leave and long service leave, and in the case of Mr Rabie his 2022 remuneration in relation to the Legal Group.
[7] "make whole" payments to accommodate the impact of the sale of the Accountant Group on long term incentive outcomes.
[8] Payment for notice period.

In November 2022, the Group CEO was paid a bonus in respect of 1,000,000 Performance Rights offered to him under a special incentive Performance Rights (reported in 2019); and a bonus was also paid to KMPs who held certain tranches of Performance Rights.

Under the CEO's special incentive offer and the rules of the LTI applicable to KMPs, holders of Performance Rights were not entitled to receive the special dividend that was paid to shareholders on 21 November 2022 after the completion of the sale of the Accountant Group.

However, the board was of the view that as there was a likelihood that the share price may diminish following payment of the special dividend, and with a strong probability that the Performance Rights would vest as a consequence of the sale of the Accountants Group, it was appropriate to pay these bonuses to "keep them whole".

The bonuses paid were approximately equal to the value of the special dividend the executive KMPs would have received had they been the owners of shares (as opposed to holders of Performance Rights) at the time the special dividend was paid.

The maximum total value of an STI for FY2024 and future financial years is $207,900 for the Group CEO and $174,983 for the Group CFO. The maximum value of the LTI is described at section 3.7. The minimum amount for both the STI and LTI is nil.

Remuneration received by non-executive directors in FY23 and FY22 is disclosed below. The Chairman's non-executive director fees are included in the table above. The non-executive directors do not have any bonus or equity incentive.

Name	Role(s)	Year	Board Fees	Committee Fees	Superannuation	Other Benefits	Equity Grant	Termination Benefits	Total
Mr Greg Wilkinson	Independent, non-executive director	2023	$75,000	$0	$8,063	$0	$0	$0	$83,063
	Independent, non-executive director, Chairman	2022	$126,072	$0	$12,919	$0	$0	$0	$138,991
Mr Philip Hayman	Independent, non-executive director	2023	$75,000	$0	$8,063	$0	$0	$0	$83,063
	Independent, non-executive director	2022	$84,048	$0	$8,613	$0	$0	$0	$92,661
TOTALS		**2023**	**$150,000**	**$0**	**$16,125**	**$0**	**$0**	**$0**	**$166,125**
		2022	**$210,120**	**$0**	**$21,532**	**$0**	**$0**	**$0**	**$231,652**

5. Performance Outcomes for FY23

5.1 Company Performance

All incentives paid for relevant periods for STI were measured strictly against the targets set.

The Board is satisfied that the vesting of incentives correlates with performance.

The Board is mindful of the need to retain talent and believes that the KMPs are appropriately incentivised given that several parts of the business are almost in a start up phase. More impressive returns are only anticipated in the longer term if strategies are executed correctly.

As evidenced in this report, the Company as a whole has achieved:

- progress on cloud development to transition to a cloud first company;
- solid revenue, solid profits, and cash generation;
- stable growth;
- reduction in debt;
- increased strategic partnerships;
- ±4.4% gross yield by way of divided paid; and
- growth in annual recurring revenue.

Date	Revenue ($m)	Profit After Tax attributable to owners of the parent ($m)	Share Price	Change in Share Price	Dividends
31-Dec-23	$53.4	$5.6	$0.565	-$0.035	$0.025
31-Dec-22	$64.7[1]	$57.8[1]	$0.60	-$0.33	$0.60
31-Dec-21	$72.1[2]	$9.8[2]	$0.93	$0.15	$0.05
31-Dec-20	$75.6	$9.7	$0.78	$0.01	$0.05
31-Dec-19	$75.4	$8.1	$0.77	$0.10	$0.05

[1] The Accountant Group business was sold effective 1 August 2022 ($13.5 million of revenue was transferred to discontinued operations).
[2] The ReckonDoc business was sold effective 1 March 2021 ($0.8 million of revenue was transferred to discontinued operations).

5.2 Links Between Performance and Reward

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

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

The STI achieved in relation to the FY23 period was paid after the end of the period (during FY24) in February 2024. On average 102% of the target award opportunity or approximately 93% of the maximum award opportunity (being 110% of the target) available was paid. This level of award was considered appropriate under the STI scheme since the objectives were set and offers made in relation to the achievement of each KPI at the beginning of the financial year, and the majority of those objectives were met. During the FY23 period the objectives that were linked to the payment of STI included:

Name	Position Held at Year End	FY23 Company Level KPI Summary				Award Outcomes
		KPI Summary	Weighting	Target	Achievement	Total Award
Mr Chris Hagglund	Group CFO	Revenue EBITDA EPS	40% 40% 20%	$54.1m $19.3m 4.0cps	99% 102% 110%	$83,411
Mr Sam Allert	Group CEO	Revenue EBITDA EPS	40% 40% 20%	$54.1m $19.3m 4.0cps	99% 102% 110%	$122,814
Mr Myron Zlotnick	Company Secretary and Corporate Counsel	Revenue EBITDA EPS	40% 40% 20%	n/a	n/a	$0

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

The STI paid during the FY23 period related to performance during the FY22 period and was paid in cash in February 2023. On average 104% of the target award opportunity or 94% of the maximum award opportunity (being 110% of the target) available was paid. This level of award was considered appropriate under the STI scheme that was in place during FY22, which is summarised in the table below:

Name	Position Held at Year End	FY22 Company Level KPI Summary				Award Outcomes
		KPI Summary	Weighting	Target	Achievement	Total Award[1]
Mr Clive Rabie	Non-executive director	Revenue EBITDA EPS	40% 40% 20%	n/a	n/a	$0
Mr Chris Hagglund	Group CFO	Revenue EBITDA EPS	40% 40% 20%	$64.7m $24.2m 5.3cps	100% 106% 110%	$85,089
Mr Sam Allert	Group CEO	Revenue EBITDA EPS	40% 40% 20%	$64.7m $24.2m 5.3cps	100% 106% 110%	$125,284
Mr Myron Zlotnick	Company Secretary and Corporate Counsel	Revenue EBITDA EPS	40% 40% 20%	n/a	n/a	$0

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

Vesting of LTI incentives for the performance period 2020 to 2022 were paid in February 2023 to the Group CEO and the Group CFO, and for the performance period 2021 - 2023, in respect to the Company Secretary and Corporate Counsel, was paid in March 2023 based on achievement of KPIs set at follows:

Incumbent	Role	Target LTI Value (at grant date)	Tranche	Weighting %	Number of Shares Eligible to Vest for FY23	Performance Against Target	% of Grant Vested	Number of Shares or Appreciation Rights Vested
Mr Chris Hagglund	Group CFO	$213,500	TSR EPS	50/50	350,000	Achieved	112.5%	393,750
Mr Sam Allert	Group CEO	$400,000	TSR EPS	50/50	1,000,000	Achieved	100.0%	1,000,000
Mr Myron Zlotnick[1]	Company Secretary and Corporate Counsel	$177,000	TSR EPS	50/50	300,000	Achieved	100.0%	300,000[2]

[1] Early vesting as a good leaver on resignation from employment.
[2] Settled in cash for $178,000 rather than in Company Shares. Amount was negotiated and not determined solely by calculation of performance against target.

The Board is confident in stating that the links between Company performance and executive reward, both internally and externally measured, and over both the short and long term, are well aligned and appropriate to the Company. However, the Board will continue to make improvements and adjustments to these links as stakeholder expectations and Company circumstances evolve. In particular consideration is being given to the structure and performance targets for the LTI.

5.3 Links Between Company Strategy and Remuneration

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

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

Key strategies remain: investment in new technology; investment in new markets; and sustaining existing profitable businesses. It is important to fix remuneration mindful of maintaining morale and retaining talent.

6. Employment Terms for Key Management Personnel

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

Name	Position Held at Close of FY23	Employing Company	Duration of Contract	Period of Notice		Base Salary Excluding Superannuation	Termination Payments
				From Company	From KMP		
Mr Chris Hagglund	Group CFO	Reckon Limited	Open ended	3 months	3 months	$498,584	Up to 12 months*
Mr Myron Zlotnick[1]	Company Secretary and Corporate Counsel	Reckon Limited	Open ended	6 months	1 month	N/A	Up to 12 months*
Mr Sam Allert	Group CEO	Reckon Limited	Open ended	3 months[2]	3 months[2]	$583,190	Up to 12 months*

[1] Mr Zlotnick resigned on 30 March 2023. His contract was amended to provide 6 months notice by the Company in January 2023.

[2] Contract amended in November 2023.

* Under the Corporations Act any termination benefit is limited to a maximum of 12 months average salary (measured over 3 years) unless shareholder approval is obtained.

Executive KMP remuneration is determined by the Board in accordance with the remuneration policy stated in this Remuneration Report. Remuneration is currently paid entirely in cash. In past years the LTI component has been paid in equity.

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

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

Name	Position Held at Close of FY23	Employing Company	Duration of Contract	Period of Notice		Termination Payments
				From Company	From KMP	
Mr Greg Wilkinson	Non-executive Director	Reckon Limited	Open ended	None	None	None
Mr Phillip Hayman	Non-executive Director	Reckon Limited	Open ended	None	None	None
Mr Clive Rabie	Non-executive Chairman	Reckon Limited	Open Ended	None	None	None

7. Changes in KMP Held Equity

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

Name	Instrument	Number Held at Open 2023	Granted FY23	Forfeited	Vested	Purchased / Disposed / DRP	Number Held at Close 2023
		Number	Number	Number	Number	Number	Number
Mr Chris Hagglund	Shares	653,360	0	0	393,750	0	1,047,110
	Rights/ Options[2]	350,000	0	0	(393,750)	0	0
Mr Myron Zlotnick	Shares	0	0	0	0	0	0
	Rights/ Options	300,000	0	0	(300,000)[1]	0	0
Mr Sam Allert	Shares	487,779	0	0	1,000,000	0	1,487,779
	Rights/ Options[2]	1,000,000	0	0	(1,000,000)	0	0

[1] On his resignation, Mr Zlotnick was treated as a good leaver and his Performance Rights, which were still within the measurement period, were vested by the Board and Mr Zlotnick was paid $178,000 to discharge his entitlement to receive shares under the Performance Rights.

[2] Purchased on-market in November 2022. These shares formed part of a total of 1,650,000 shares purchased on-market (at $0.60 per share) to satisfy vesting of rights for KMPs and non-KMPs. An additional 81,249 shares were purchased on market in February 2023 (at 0.52 per share) to complete the number of shares required for vesting. The fair value at grant date of 1 September 2019 for Mr Allert is $0.40 per share. The fair value at grant date of 1 January 2020 for Mr Hagglund is $0.61 per share.

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

Name	Instrument	Number Held at Open 2023	Granted FY23	Forfeited	Vested	Purchased / DRP	Number Held at Close 2023
		Number	Number	Number	Number	Number	Number
Mr Clive Rabie	Shares	10,206,535	n/a	n/a	n/a	0	10,206,535
	Rights/Options	n/a	n/a	n/a	n/a	n/a	n/a
Mr Greg Wilkinson	Shares	8,019,374	n/a	n/a	n/a	0	8,019,374
	Rights/Options	n/a	n/a	n/a	n/a	n/a	n/a
Mr Philip Hayman	Shares	1,397,460	n/a	n/a	n/a	0	1,397,460
	Rights/Options	n/a	n/a	n/a	n/a	n/a	n/a

There was no equity granted during the year that may be realised in the future.

8. Other Remuneration Related Matters

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

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

This concludes the remuneration report which has been audited.

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

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

Directors' Meeting

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

Reckon Limited – Attendance Tables						
Directors	**Meeting**					
	Board		**Audit & Risk Committee**		**Remuneration Committee**	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Clive Rabie	10	10	-	-	-	-
Sam Allert	10	10	-	-	-	-
Greg Wilkinson	10	10	2	2	1	1
Philip Hayman	10	10	2	2	1	1

Non-Audit Fees

Details of the non-audit services can be found in note 6 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 6 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 pre- 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.

Subsequent Events

No events have occurred since 31 December 2023 and the date of this report that would require disclosure in the financial statements if they had occurred during the financial year.

Capital Structure

The Company has 113,294,832 fully paid ordinary shares on issue and no shares were issued during the year. There are no options on issue, unissued shares or shares to be issued on the exercise of options.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Auditor's Independence Declaration

The auditor's independence declaration is included after this report on page 40.

Rounding Off of Amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors,

Mr C Rabie
Chairman
Sydney 28 March 2024

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Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF RECKON LIMITED

As lead auditor of Reckon Limited for the year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Reckon Limited and the entities it controlled during the year.

Gareth Few

Gareth Few

Director

BDO Audit Pty Ltd

Sydney

28 March 2024

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Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Reckon Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Reckon Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

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

Revenue recognition

Key audit matter	*How the matter was addressed in our audit*
The Group has various revenue streams for which revenue is recognised as or when the performance obligation is satisfied by transferring the promised good or service. For bundled goods or service. For bundled goods or services, significant management judgement is required determining the fair value of the transaction price allocated to each separate performance obligation and the deferral of revenue at year end. At 31 December 2023 the Group has reported sales revenue of $53.4m (2022: $51.2m) from its continuing operations as disclosed in Note 4. The related contract liabilities as disclosed in the statement of financial position as at 31 December 2023 are $7.3m (2022: $7.1m) as disclosed in Note 16.	Our procedures, amongst others, included: • Obtaining an understanding of the Group's revenue recognition policies and assessing the policies applied for compliance with the relevant accounting standards • Identifying and testing the relevant controls over the recognition and measurement of revenue transactions • Selecting a sample of revenue transactions from the various streams throughout the year and tracing to supporting documentation, cash receipts and verifying whether revenue was accounted for appropriately by recalculating the fair value of each element of the bundled transaction • Recalculation of the deferred revenue for the year ensuring the completeness and accuracy by agreement, on a sample basis, to underlying supporting documentation and data sources • Assessing the adequacy of the disclosures in the financial statements.

Capitalised development costs

Key audit matter	*How the matter was addressed in our audit*
The carrying value of capitalised development costs as at 31 December 2023 is $28.9m (2022: $27.8m) as disclosed in Note 12 of the financial report. The Group conducts a significant level of development activities for which certain directly attributable costs are capitalised. The identification of these costs involves significant management judgement in assessing whether the costs are: • Eligible for capitalisation under the criteria prescribed by Australian Accounting Standards • Appropriate and directly attributable to the relevant product developed • Supportable to the extent to which these capitalised development costs will generate sufficient economic benefit to support their carrying values.	Our procedures, amongst others, included: • Obtaining an understanding of the processes and key controls in place over the recording and identification of development costs and products for which these costs have been capitalised • Evaluating the appropriateness and eligibility of costs capitalised, on a sample basis, by agreeing the costs to external invoices, supporting payroll and time records and cost allocation calculations • Assessing the recoverability of the carrying value of the capitalised development costs by major product, with reference to current product performance, historical and forecast cash flows • Assessing the adequacy of the disclosures in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2023, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2023

In our opinion, the Remuneration Report of Reckon Limited, for the year ended 31 December 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO

Gareth Few

Gareth Few
Director

Sydney, 28 March 2024

Directors’ Declaration

The directors of the company declare that:

1. the financial statements and notes as set out on pages 47 to 101, are in accordance with the Corporations Act 2001, and:
   - comply with Accounting Standards; and
   - give a true and fair view of the financial position as at 31 December 2023 and of the performance for the year ended on that date of the consolidated group;
2. in the directors opinion, the attached financial statements are in compliance with international financial reporting standards, as stated in note 1 to the financial statements,
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
4. the directors have been given the declarations required by Section 295A of the Corporations Act 2001.

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

On behalf of the directors,

Mr C Rabie
Chairman
Sydney, 28 March 2024

Consolidated Statement of Profit or Loss

for the year ended 31 December 2023

	Note	Consolidated	
		2023 $'000	2022 $'000
Continuing operations			
Revenue	3, 4	**53,405**	**51,228**
Product costs	3	(7,730)	(7,506)
Employee benefits expenses		(17,780)	(17,093)
Marketing expenses		(3,327)	(3,393)
Legal and professional expenses		(743)	(752)
Other expenses		(4,127)	(4,040)
Transaction related share based payment expenses		-	(483)
Depreciation and amortisation of other non-current assets	3	(14,391)	(13,133)
Finance costs	3	(199)	(72)
Profit before income tax		**5,108**	**4,756**
Income tax expense	5	(226)	(1,166)
Profit for the year attributable from continuing operations		**4,882**	**3,590**
Profit from discontinued operations	25(c)	-	53,224
Profit for the year		**4,882**	**56,814**
Profit attributable to:			
Owners of the parent		5,568	57,778
Non - controlling interest		(686)	(964)
Profit for the year		**4,882**	**56,814**
Earnings per share from continuing operations for profit attributable to the parent		Cents	Cents
Basic earnings per share	21	4.9	4.0
Diluted earnings per share	21	4.9	3.9
Earnings per share from discontinued operations for profit attributable to the parent			
Basic earnings per share		-	47.0
Diluted earnings per share		-	46.0
Earnings per share for profit attributable to the parent			
Basic Earnings per share		4.9	51.0
Diluted Earnings per share		4.9	49.9

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

	Note	Consolidated	
		2023 $'000	2022 $'000
Profit for the year		**4,882**	**56,814**
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations - continuing operations	20	(202)	695
Exchange difference on translation of foreign operations - discontinued operations	20	-	(154)
Fair value movement on interest rate swap	20	-	58
Total other comprehensive income/(loss), net of income tax		**(202)**	**599**
Total comprehensive income for the year		**4,680**	**57,413**
Total comprehensive income attribute to:			
Owners of the parent		5,366	58,377
Non - controlling interest		(686)	(964)
		4,680	**57,413**

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

Consolidated Statement of Financial Position

as at 31 December 2023

	Note	Consolidated	
		2023 $'000	2022 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	25	975	1,233
Trade and other receivables	7	2,196	1,949
Inventories		316	347
Current tax receivables		96	-
Other assets	8	1,683	1,448
Total Current Assets		**5,266**	**4,977**
Non-Current Assets			
Trade and other receivables	7	151	146
Property, plant and equipment	9	499	686
Deferred tax assets	11	1,979	985
Intangible assets	12	32,088	31,017
Other assets	8	32	96
Right of use assets	10	1,192	2,037
Total Non-Current Assets		**35,941**	**34,967**
Total Assets		**41,207**	**39,944**
LIABILITIES			
Current Liabilities			
Trade and other payables		2,829	3,329
Provisions	14	1,827	1,927
Contract liabilities	16	5,808	5,804
Current tax liabilities		423	299
Lease liabilities	10	1,211	1,091
Total Current Liabilities		**12,098**	**12,450**
Non-Current Liabilities			
Trade and other payables		906	250
Borrowings	13	3,754	4,074
Deferred tax liabilities	15	2,606	2,389
Provisions	14	463	206
Contract liabilities	16	1,519	1,330
Lease liabilities	10	237	1,329
Total Non-Current Liabilities		**9,485**	**9,578**
Total Liabilities		**21,583**	**22,028**
Net Assets		**19,624**	**17,916**
EQUITY			
Issued capital	19	20,524	19,534
Reserves	20	(49,106)	(48,087)
Retained earnings		48,148	45,698
Total Equity attributable to owners of the parent		**19,566**	**17,145**
Non - controlling interest		58	771
Total Equity		**19,624**	**17,916**

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

Consolidated	Issued capital $'000	Share buyback reserve $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Retained earnings $'000	Acquisition of non controlling interest reserve $'000	Non-controlling interest $'000	Total
Balance at 1 January 2023	**19,534**	**(42,018)**	**(1,148)**	**1,231**	**45,698**	**(6,152)**	**771**	**17,916**
Profit for the year	-	-	-	-	5,568	-	(686)	4,882
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	(202)	-	-	-	-	(202)
Total comprehensive income	-	-	(202)	-	5,568	-	(686)	4,680
Share based payments expense (note 3)	-	-	-	164	-	-	107	271
Dividends paid (note 26)	-	-	-	-	(2,832)	-	-	(2,832)
Vested shares	1,033	-	-	(980)	(286)	-	-	(233)
Treasury shares acquired	(43)	-	-	-	-	-	-	(43)
Non-controlling interest shares acquired by Reckon Limited	-	-	-	-	-	-	(881)	(881)
Shares issued to non-controlling shareholders	-	-	-	-	-	-	747	747
Exchange adjustment	-	-	-	(1)	-	-	-	(1)
Balance at 31 December 2023	**20,524**	**(42,018)**	**(1,350)**	**414**	**48,148**	**(6,152)**	**58**	**19,624**

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

Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2023

Consolidated	Issued capital $'000	Share buyback reserve $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Swap hedging reserve $'000	Retained earnings $'000	Acquisition of non controlling interest reserve $'000	Non-controlling interest $'000	Total
Balance at 1 January 2022	**20,524**	**(42,018)**	**(1,689)**	**1,291**	**(58)**	**58,631**	**(6,152)**	**1,294**	**31,823**
Profit for the year	-	-	-	-	-	57,778	-	(964)	56,814
Other comprehensive income:									
Exchange differences on translation of foreign operations	-	-	541	-	-	-	-	-	541
Fair value movement on interest rate swap	-	-	-	-	58	-	-	-	58
Total comprehensive income	-	-	541	-	58	57,778	-	(964)	57,413
Share based payments expense (note 3)	-	-	-	472	-	-	-	441	913
Dividends paid (note 26)	-	-	-	-	-	(70,243)	-	-	(70,243)
Vested shares	-	-	-	(1,003)	-	-	-	-	(1,003)
Treasury shares transferred to retained earnings	-	-	-	468	-	(468)	-	-	-
Treasury shares acquired	(990)	-	-	-	-	-	-	-	(990)
Exchange adjustment	-	-	-	3	-	-	-	-	3
Balance at 31 December 2022	**19,534**	**(42,018)**	**(1,148)**	**1,231**	**-**	**45,698**	**(6,152)**	**771**	**17,916**

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2023

	Note	Consolidated Inflows/(Outflows)	
		2023 $'000	2022[1] $'000
			Restated
Cash Flows From Operating Activities			
Receipts from customers		58,619	70,767
Payments to suppliers and employees		(38,359)	(43,536)
Interest (paid) / received		(151)	372
Income taxes paid		(975)	(759)
Net cash inflow from operating activities	25(b)	**19,134**	**26,844**
Cash Flows From Investing Activities			
Net proceeds from sale of business	25(c) and 25(d)	120	78,381
Acquisition of non-controlling interest		(881)	-
Payment for capitalised development costs		(14,361)	(19,157)
Payment for property, plant and equipment		(166)	(213)
Net cash inflow from investing activities		**(15,288)**	**59,011**
Cash Flows From Financing Activities			
Repayment of borrowings		(320)	(12,063)
Payments for lease liabilities capitalised under AASB 16		(1,200)	(1,631)
Payment for treasury shares		(276)	(1,993)
Dividends paid to owners of the parent	26	(2,832)	(70,243)
Proceeds from issue of shares to non-controlling interests		518	-
Net cash outflow from financing activities		**(4,110)**	**(85,930)**
Net Increase in cash and cash equivalents		**(264)**	**(75)**
Cash and cash equivalents at the beginning of the financial year		1,233	1,394
Cash transferred on sale of the Practice Management Accountant Group		-	(93)
Effects of exchange rate changes on cash and cash equivalents		6	7
Cash and cash equivalents at the end of the financial year	25(a)	**975**	**1,233**

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

1. 2022 cashflows include discontinued activities (refer note 25(c))

Notes to the Financial Statements

for the year ended 31 December 2023

1 Material Accounting Policies

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

Basis of preparation

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

Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of Reckon Limited comply with International Financial Reporting Standards (IFRSs). Consequently, this financial report has been prepared in accordance with and complies with IFRSs as issued by the International Accounting Standards Board.

The financial report has been prepared in accordance with the historical cost convention, except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair values of the consideration given in exchange for assets. The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

Material Accounting Policies

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the company gains control until the date when the company ceases to control the subsidiary.

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

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

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

(b) Business Combinations

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

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

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

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

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

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

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

(c) Depreciation and Amortisation

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

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

Right of use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset.

(d) 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.

(e) 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 in other comprehensive income and accumulated in a foreign exchange translation reserve.

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.

(f) Intangible assets

Goodwill

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

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

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

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

Intellectual Property

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

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

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

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

Research and development costs

Research expenditure is recognised as an expense when incurred.

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

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

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

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

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

(g) 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.

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of finance professionals within the Company and on specialist independent tax advice.

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

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

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

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

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

(h) 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.

(i) Share-based payments

Equity settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled shared-based transactions are set out in note 18.

The fair value determined at grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision is recognised in the profit or loss.

(j) Employee Benefits

A liability is recognised 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.

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

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

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

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

(k) Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

See hedge accounting policy regarding the recognition of exchange differences where the foreign currency risk component of a financial asset is designated as a hedging instrument for a hedge of foreign currency risk.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL (expected credit losses) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

(iii) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

(v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost or at fair value through profit or loss (FVTPL).

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss (note 3) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

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

Further details of derivative financial instruments are disclosed in notes 1(u).

(l) Impairment of assets

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

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

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

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

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

(m) Revenue Recognition

Sale of goods and services

The Group applies the following 5-step model for revenue recognition related to contracts with customers:

a. Identify the contract(s) with customer

b. Identify the performance obligation in the contract

c. Determine the transaction price

d. Allocate the transaction price to the performance obligation in the contract

e. Recognise revenue when or as the entity satisfied in performance obligations.

The Group recognises sales revenue related to the transfer of promised goods or services when a performance obligation is satisfied and when control of the goods or services passes to the customer, which is when the customer receives the product upon delivery. The amount of revenue recognised reflects the consideration to which the Group is or expects to be entitled in exchange for those goods or services. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled and only to the extent that it is highly probable that a significant reversal of revenue will not occur.

Contracts with customers can include various combinations of products and services, which are in certain circumstances bundled and in other circumstances are capable of being distinct and accounted for as separate performance obligations. Where a contract with multiple performance obligations that is not bundled, the revenue associated with each obligation is calculated based on its stand-alone selling price.

Revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits as the entity performs;
- the customer controls the asset as the entity creates or enhances it; or
- the seller's performance does not create an asset for which the seller has an alternative use and there is a right to payment for performance to date.

Where the above criteria is not met, revenue is recognised at a point in time.

The Group recognises revenue predominantly from the following sale of software and services:

Business Group desktop products

Business Group desktop products are sold with post-sale technical support services. These can be sold as a once-off package, or on an annual subscription basis. For all Business Group desktop products contracts that contain the sale of a licence, three distinct performance obligations are:

i. Sale of a software/upgrade licence; and

ii. The provision of minor maintenance updates which may be made available over the period of the contracts; and

iii. Post-sale technical support for a specified period of time.

Revenue is recognised for a Business Group desktop licence at the point of sale. This is because customers purchase a specific version of the software that exists at the time the licence is granted.

Revenue is recognised for the customer's entitlement to access additional maintenance updates and the provision of post-sale technical support over the time of the contract with the customer. This is due to the fact that Reckon may provide minor maintenance updates to which the customer may be entitled over the term of the contract. In relation to the post-sale technical support, the customer is deemed to simultaneously receive and consume the benefits provided by Reckon's performance of the post-sale technical support services as it is performed.

The price allocated to each performance obligation is based on the determined stand-alone selling prices of each obligation. The price allocated to the sale of the software licence has been determined by using the adjusted market assessment approach. The price allocated to the post-sale technical support has been determined on management's assessment by using an expected cost plus margin approach. The relative standalone selling price has been apportioned to each performance obligation based on these methods.

The revenue stream forms part of "Subscription revenue" and "Other recurring revenue" as outlined in Note 4.

Reckon One (Business Group)

Reckon One is a cloud software as a service (sold on a monthly subscription basis) that is accessible to a customer through their web browser and is sold with post-sale technical support services. Within these contracts, the contract promises generally are:

i. Sale of a licence;

ii. Ongoing maintenance of the cloud platform to ensure that it is accessible; and

iii. Post-sale technical support for a specified period of time.

As the customer is not able to benefit from the licence if the cloud is not accessible, two distinct performance obligations generally are:

i. Sale of a licence and ongoing maintenance for access to the cloud; and

ii. Post-sale technical support.

The transaction price is fixed in the contract entered into by the customer dependent on the specific modules purchased.

Revenue for the licence and ongoing maintenance for the Reckon One product is recognised over the time of the contract with the customer. Reckon is providing a continuous service of making the online portal available during the contract period and the customer simultaneously receives and consumes the benefits provided by Reckon's performance as Reckon delivers the service.

Revenue for the post-sale technical support provided is also recognised over time. This is due to the fact that the customer simultaneously receives and consumes the benefits provided by the Reckon's performance of the post-sale technical support services. The services are made available to the customer throughout the term of the contract.

Although there are two distinct performance obligations, both currently maintain the same contractual billing period and are recognised over time. Accordingly, Reckon have deemed it unnecessary to allocate the transaction price allocated to each performance obligation separately.

The revenue stream forms part of “Subscription revenue” as outlined in Note 4. Subscription revenue relates to streams where customers use the services over the life of the contract.

Reckon Accounts Hosted (Business Group)

Reckon Accounts Hosted is a hosted software where software is accessible via a web browser or through a desktop icon, and allows the customer to store data on the customer’s device or an external server. Reckon Accounts Hosted can be sold as on an annual or monthly subscription basis. For all Reckon Accounts Hosted contracts that contain the sale of a licence, the goods and services provided are:

i. Sale of a software licence;

ii. Post-sale technical support for a specified period of time; and

iii. Hosting services for a specified period of time.

Each of the contract promises are considered as a distinct performance obligation because the customer can benefit from the use of the software without the provision of the technical support and/or hosting services and they are distinct within the context of the contract.

Revenue is recognised for a Reckon Accounts Hosted licence at the point of sale. This is because customers purchase a specific version of the software that exists at the time the licence is granted.

Revenue for the hosting services and ongoing support is recognised over the time of the contract with the customer. Reckon is providing a continuous service of hosting the customer’s data and providing post-sale technical support over the contract period and the customer simultaneously receives and consumes the benefits provided by Reckon’s performance as Reckon performs. The services are made available to the customer throughout the term of the contract.

The price allocated to each performance obligation is determined based on the determined stand-alone selling prices of each performance obligation. The price allocated to the sale of the software licence has been determined by using the adjusted market assessment approach. The price allocated to the hosting services and post-sale technical support has been determined on management’s assessment by using an expected cost plus a margin approach. The relative standalone selling price has been apportioned to each performance obligation based on these methods.

This revenue stream forms part of “Subscription Revenue” as outlined in Note 4. Subscription revenue relates to streams where customers pay for the services over the life of the contract, rather than upfront at the commencement of the contract.

Membership fees (Business Group)

Membership revenue relates to fees obtained as part of the Reckon’s Partner Program. Memberships are sold on an annual basis. For all Membership contracts, the goods and services provided include:

i. The provision of software licences;

ii. Access to a dedicated partner support team;

iii. A partner resource kit;

iv. Invitations to exclusive events and training;

v. Marketing tool kits; and

vi. Annual partner awards.

Each of the contract promises above are considered to be a distinct performance obligations because the customer can benefit from the use the software without the provision of the other contract promises listed above and they are distinct within the context of the contract.

Revenue is recognised for a software licence at the point of sale. This is because customers purchase and obtain a specific version of the software that exists at the time the licence is granted.

Revenue for the remaining benefits of joining the membership is recognised over time. Reckon provides a range of different services which are delivered to the customer over the life of the contract. The nature of the services are such that the customer simultaneously receives and consumes the benefits provided by Reckon's performance as Reckon performs.

The price allocated to each performance obligation is determined based on the determined stand-alone selling prices of each performance obligation. The price allocated to the software licence has been determined based on the adjusted market assessment approach. The price allocated to the remaining performance obligations has been determined on management's assessment by using an expected cost plus a margin approach. The relative standalone selling price has been apportioned to each performance obligation based on these methods.

This revenue stream forms part of "Other Revenue" as outlined in Note 4.

Practice Management Accountant Group (Discontinued operation)

APS is a desktop/cloud hybrid software as a service (sold on a subscription basis) that is accessible to a customer for download through their web browser. This is sold with implementation services and the promise of specific upgrades to the software modules. Without the required upgrades, the software would not be functional for the customer. Technical support is also provided over the contract period.

The following generally are the contract promises:

i. Sale of a licence;

ii. Implementation services;

iii. Specific upgrades for the functionality of the software;

iv. Ongoing maintenance of the hosted platform to ensure that the software is accessible; and

v. Post-sale technical support for a specified period of time.

A customer is not able to benefit from the software without the implementation services and the specific upgrades, as they are critical to the functioning of the software in its intended use. Knowledge of how to implement the software and pass on the upgrades is proprietary to Reckon and therefore only Reckon can perform this. Therefore, the customer is not able to use readily available resources to perform the implementation or pass on upgrades. Therefore, one distinct performance obligation has been identified for the bundle of the sale of a licence, implementation services, upgrades, and maintenance.

Post-sale technical support has been identified as a separate performance obligation. This is because the customer can benefit from the use the software without the provision of the technical support and:

i. The licence and technical support do not significantly modify or customise each other.

ii. The licence and technical support are not highly interdependent or highly interrelated as one does not significantly affect the other.

Revenue for the performance obligation (being the bundled licence, implementation services, upgrades and maintenance) is recognised over time. Reckon is providing a continuous service of making the software, upgrades and the online portal available during the contract period and the customer simultaneously receives and consumes the benefits provided by Reckon's performance as Reckon performs.

Accordingly, revenue is recognised for Practice Management Accountant Group post-sale technical support over the time of the contract with the customer.

As both performance obligations are recognised over the same period of time, Reckon has deemed it unnecessary to allocate the transaction price attributed to each performance obligation separately.

This revenue stream forms part of "Subscription Revenue" as outlined in Note 4. Subscription revenue relates to streams where customers pay for the services over the life of the contract, rather than upfront at the commencement of the contract.

Elite (Practice Management Accountant Group) (Discontinued operation)

Elite is a desktop/cloud hybrid software licence that is accessible to a customer for download through their web browser.

Revenue is recognised for this software licence at the point of sale. This is because customers purchase and obtain a specific version of the software that exists at the time the licence is granted.

Revenue is recognised as and when the performance obligation is transferred which is generally when the software has been delivered to the client.

Practice Management Legal Group

The Practice Management Legal Group sells nQueue software and some hardware to the customer. nQueue's product is a cost recovery software which allows customers to track the costs associated with printing, photocopying, and other disbursements and allocate these costs to their clients. nQueue also provides scanning and print solutions to its clients. nQueue licences are sold with implementation and post-sale technical support services. nQueue licences are sold either as a bundle including post-technical support services, but with implementation services sold separately (subscription model) or the software, support and implementation services are all sold separately (upfront model).

For Practice Management Legal Group upfront model, three distinct performance obligations have been identified:

i. The provision of the software licence; and

ii. The provision of implementation services; and

iii. The provision of support services over the life of the contract.

Revenue is recognised for the licence at the point of sale. This is because customers purchase a specific version of the software that exists at the time the licence is granted.

Revenue is recognised for the implementation services at point at which the services have been provided. These services are sold on an ad-hoc basis as required by a customer and deemed to have one distinct performance obligation for the services provided.

The support services have been deemed to be a separately distinct performance obligation. These services are provided to customers who have existing contracts with nQueue. Customers can choose to purchase the support services on a yearly basis. As such, the customer can benefit from support services on their own. It is noted that support services are all separately identifiable within the context of the contract because support services do not significantly modify the software.

The price allocated to the provision of the software licence and implementation services, and well as the price allocated to the support services is based upon a price list and is separately identifiable.

Revenue for the software licence and implementation services is recognised as and when the performance obligation is transferred which is generally when installation is completed.

Conversely, revenue for the provision of support services is recognised over the life of the contact as the benefits from any support is simultaneously consumed by the customer as it is provided. The services are made available to the customer throughout the term of the contract.

Revenue for the performance obligation related to the subscription model (being the bundled licence and support) is recognised over time. Reckon is providing a continuous service of making the software and support available so long as the customer continues to pay for the service. As the customer is not able to benefit from the software and support if Reckon does not grant continuous access, the performance obligation is transferred over the term of the contract. The customer simultaneously receives and consumes the benefits provided by Reckon's performance as Reckon performs.

This software licence and implementation services revenue above forms part of "other revenue" and revenue from the sale of subscription products and the provision of support services forms part of "subscription revenue" as described in Note 4.

Cost of obtaining a customer contract

AASB 15 requires that incremental costs associated with acquiring a customer contract, such as sales commissions, are recognised as an asset and amortised over a period that corresponds with the period of benefit.

An assessment of commissions paid by the Group was performed in connection with the sale of all products. The contracts for which commissions are paid vary in length however commissions are expensed over a maximum of 12 months.

There are no other costs incurred that are considered to be incremental.

The following table summarises the revenue recognition of major sale of software and services:

Revenue stream	Performance obligation	Timing of recognition
Business Group desktop products	Sale of a software licence	At the point of sale.
	Maintenance updates	Over the time of the contract with the customer.
	Post-sale technical support for a specified period of time	Over the time of the contract with the customer.
Reckon One	Sale of licence and ongoing maintenance for access to the cloud	Over the time of the contract with the customer.
	Post-sale technical support for a specified period of time	Over the time of the contract with the customer.
Reckon Accounts Hosted	Sale of a software licence	At the point of sale.
	Post-sale technical support for a specified period of time	Over the time of the contract with the customer.
	Hosting services for a specified period of time	Over the time of the contract with the customer.
Membership fees – sale of license	Sale of a software licence	At the point of sale.
Membership fees – support	Additional membership benefits	Over the time of the contract with the customer.
Practice Management Accountant Group (Discontinued operation)	Sale of a bundled licence, implementation services, upgrade and maintenance.	Over the time of the contract with the customer.
	Post-sale technical support	Over the time of the contract with the customer.
Practice Management Legal Group	The provision of the software licence and implementation services	At the point of sale.
	The provision of support services (upfront model) and software and support services (subscription model) over the life of the contract	Over the time of the contract with the customer.

Interest

Interest revenue relates to revenue recognised from the provision of loans to customers and is accounted for per the requirements of AASB 9 Financial Instruments. Interest revenue is recognised as interest accrues using the effective interest method, which is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(n) Contract liabilities

Contract liabilities relate to payments received from customers for performance obligations which have not yet been fulfilled. Contract liabilities arise when payment for performance obligations do not match the timing of when the performance obligations are satisfied. Contract liabilities are recognised at the inception of the contract and unwound as the performance obligation is satisfied over the life of the contract.

(o) 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.

(p) Cash and cash equivalents

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

(q) Borrowings

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

(r) 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.

(s) Fair Value estimation

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

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

(t) Government Grants

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

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

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

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

(u) Hedge Accounting

The Group enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps which is designated as cash flow hedges, where the risk is considered to be material.

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

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

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

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

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

(v) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate. This rate has been determined by considering the nature of the leased assets, the Group's credit rating and the borrowing rate of funds in similar economic environments.

Lease payments included in the measurement of the lease liability compromise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liabilities is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised leased payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'premises expenses or other expenses' in the statement of profit or loss.

(w) Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

(x) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

In applying the Group's accounting policies, management has made the following judgements 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 – The Group has made judgements in relation to the bundling of contract promises into a single distinct performance obligation by determining whether the contract promises are separately identifiable in the context of the contract. The Group has also used judgement in allocating the transaction price to revenue streams which have more than one performance obligation and where the stand-alone selling price is not directly observable. The Group has applied the expected cost plus a margin approach in estimating these prices as described in Note 1(m) above.

ECL on impairment of financial assets – An allowance for doubtful debts is recognised based on the expected credit loss (ECL from the time the receivable is initially recognised. The ECL is based on a provision matrix that reflects the Group's historical credit loss experience, adjusted for management's knowledge of specific customers' circumstances, as well as current collection trends and business conditions.

Basis of consolidation – In assessing whether it has control over the nQueue Zebraworks Inc. Group following the acquisition in February 2021, the Group has made some key judgements, including contractual arrangements between the Group and shareholders, which provides the Group with the ability to execute power over the relevant activities of nQueue Zebraworks Inc. Following this assessment, the Group concluded that it has control.

Significant accounting estimates and assumptions

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

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

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

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

(y) New Accounting Standards

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

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

The Group has not early adopted any new or revised Accounting Standards and Interpretations issued by AASB which are not yet effective during the year.

(z) Working capital deficiency

The consolidated statement of financial position indicates an excess of current liabilities over current assets of $6,832 thousand (2022: $7,473 thousand). This arises partly due to the adoption of AASB 16, whereby the right of use assets are treated as non-current assets, whereas a portion of the lease liabilities are treated as current liabilities. Net cash inflows from operating activities for the year net of payments for capitalised development costs were $4,773 thousand (2022: $7,687 thousand). Unused bank facilities at balance date was $20,019 thousand. Also, included in current liabilities are contract liabilities of $5,808 thousand (2022: $5,804 thousand), settlement of which will involve substantially lower cash outflows.

Given the above, the Directors believe that preparation of the financial report on a going concern basis is appropriate.

(aa) Restatement of comparatives

The comparative figures in the statement of cashflow have been restated to reflect the reclassification of capitalised development costs as cashflows from investing activities in the current year. Payment for capitalised development costs were previously disclosed as cashflows from operating activities. The reclassification of these payments has been carried out to align classification of these cashflows with requirements of AASB 107 Statement of Cashflows.

2 Segment Information

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

(a) Business segment information

The consolidated entity is organised into three operating divisions:

- Business Group
- Practice Management Group, Accountant (Discontinued in 2022)
- Practice Management Group, Legal

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

The principal activities of these divisions are as follows:

- Business Group - development, distribution and support of business accounting and personal financial software, as well as related products and services. Products sold in this division include Reckon Accounts and Reckon One.

2 Segment Information (continued)

- Practice Management Group, Legal - development, distribution and support of cost recovery, scan and cloud-based integration platforms under the nQ Zebraworks brand predominantly to the legal market.
- Practice Management Group, Accountant (Discontinued in 2022) - development, distribution and support of practice management, tax, client accounting and related software under the APS brand and Reckon Elite brand.

	Business Group $'000	Practice Management Legal Group $'000	Continuing Operations	Discontinued Operations	Consolidated Group
2023					
Operating revenue	41,703	11,702	53,405	-	53,405
Segment results					
EBITDA[1]	**21,539**	**897**	22,436	-	22,436
Depreciation and amortisation	(9,982)	(4,409)	(14,391)	-	(14,391)
Segment profit before tax	11,557	(3,512)	8,045	-	8,045
Central administration costs			(2,738)	-	(2,738)
Finance (costs) / income			(199)	-	(199)
Profit before income tax			5,108	-	5,108
Income tax expense			(226)	-	(226)
Profit for the year			**4,882**	**-**	**4,882**
2022					
Operating revenue	40,799	10,429	51,228	13,469	64,697
Segment results					
EBITDA[1]	**21,036**	**222**	21,258	**74,860**	96,118
Depreciation and amortisation	(8,692)	(4,441)	(13,133)	(4,591)	(17,724)
Segment profit before tax	12,344	(4,219)	8,125	70,269	78,394
Central administration costs			(2,814)	-	(2,814)
Transaction related share based payment expenses			(483)	-	(483)
Finance (costs) / income			(72)	531	459
Profit before income tax			4,756	70,800	75,556
Income tax expense			(1,166)	(17,576)	(18,742)
Profit for the year			**3,590**	**53,224**	**56,814**

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

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

No single customer contributed 10% or more of Group revenue for either 2023 or 2022.

2 Segment Information (continued)

Segment assets and liabilities	Assets 2023 $'000	Assets 2022 $'000	Liabilities 2023 $'000	Liabilities 2022 $'000	Additions to non-current assets 2023 $'000	Additions to non-current assets 2022 $'000
Business Group	20,037	19,418	8,244	8,564	9,953	10,787
Practice Management Group, Legal	16,342	15,919	6,555	6,702	5,092	4,985
Corporate Division	4,828	4,607	6,784	6,762	-	-
Continuing operations	41,207	39,944	21,583	22,028	15,045	15,772
Practice Management Group, Accountant (Discontinued)	-	-	-	-	-	4,212
	41,207	39,944	21,583	22,028	15,045	19,984

(b) Geographical information

	Revenue from external customers 2023 $'000	Revenue from external customers 2022 $'000	Non-current assets 2023 $'000	Non-current assets 2022 $'000
Australia	39,448	38,650	20,003	20,815
United States of America	9,792	8,740	12,893	13,730
Other countries (i)	4,165	3,838	3,045	422
Continuing operations	53,405	51,228	35,941	34,967
Discontinued operations	-	13,469	-	-
	53,405	64,697	35,941	34,967

(i) No other country outside of Australia and the United States of America are considered to generate revenues which are material to the group.

3 Profit for the Year

	Consolidated 2023 $'000	2022 $'000
Profit before income tax includes the following items of revenue and expense:		
Revenue		
Sales revenue		
Subscription revenue	49,051	46,708
Other recurring revenue	187	236
Loans revenue	173	186
Other revenue	3,994	4,098
Sale of goods and rendering of services	53,405	51,228
Expenses		
Product costs	7,730	7,506
Expected credit losses:		
Other Entities	51	67
Depreciation of non-current assets:		
Property, plant and equipment	288	824
Amortisation of non-current assets:		
Leasehold improvements	174	178
Right of use assets	660	699
Intellectual property	-	14
Development costs	13,269	11,418
Total depreciation and amortisation	14,391	13,133
Foreign exchange losses / (gains)	35	(14)
Employee benefits expense:		
Post employment benefits – defined contribution plans	1,932	1,988
Termination benefits	131	57
Equity settled share based payments	271	913
Finance costs/(income):		
Loans/overdrafts	151	179
Leases	48	72
Other	-	(179)
	199	72
Operating lease rental expenses:		
Minimum lease payments	141	224

4 Revenue

Primary segments	Product Description	Revenue recognition	Busines Group $'000	Practice Management Accountant Group $'000	Practice Management Legal Group $'000	Consolidated Group $'000
2023						
Subscription revenue	Licence, support and hosting	Over time	12,380	-	10,814	23,194
	Licence	Point in time	25,857	-	-	25,857
Other recurring revenue	Support	Over time	6	-	-	6
	Licence	Point in time	181	-	-	181
Loan income	Interest and commission	Over time	173	-	-	173
Other revenue	Membership support	Over time	355	-	-	355
	Membership fees - license	Point in time	1,796	-	-	1,796
	Licence and implementation	Point in time	-	-	888	888
	Other	Point in time	955	-	-	955
Total revenue for continuing operations			**41,703**	**-**	**11,702**	**53,405**
2022						
Subscription revenue	Licence, support and hosting	Over time	11,405	-	9,258	20,663
	Licence	Point in time	26,045	-	-	26,045
Other recurring revenue	Support	Over time	7	-	-	7
	Licence	Point in time	229	-	-	229
Loan income	Interest and commission	Over time	186	-	-	186
Other revenue	Membership support	Over time	382	-	-	382
	Membership fees - license	Point in time	1,883	-	-	1,883
	Licence and implementation	Point in time	-	-	1,171	1,171
	Other	Point in time	662	-	-	662
Total revenue for continuing operations			**40,799**	**-**	**10,429**	**51,228**
Discontinued operations						
Subscription revenue	Bundled licence, support, hosting and implementation	Over time	-	13,027	-	13,027
Other revenue	Licence and implementation	Point in time	-	442	-	442
			40,799	**13,469**	**10,429**	**64,697**

5 Income Tax

	Consolidated	
	2023 $'000	2022 $'000
(a) Income tax expense recognised in profit and loss		
Current tax	1,773	18,631
Deferred tax	(777)	180
Over provided in prior years	(770)	(69)
	226	18,742
(b) The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit before income tax from continuing operations	5,108	4,756
Profit before income tax from discontinued operations	-	70,800
Profit before income tax	5,108	75,556
Income tax expense calculated at 30% of profit	1,532	22,667
Tax Effect of:		
Effect of lower tax rates on overseas income	74	110
Utilisation of prior period capital tax losses not previously brought to account	-	(152)
Tax effect of non-deductible/non-taxable items:		
Proceeds on sale of business	72	(3,282)
Research and development claims	(830)	(646)
Sundry items	148	114
	996	18,811
Over provision in prior years	(770)	(69)
Income tax expense attributable to profit	226	18,742
Comprising:		
Continuing operations	226	1,166
Discontinued operations	-	17,576
	226	18,742

The tax rate used for the 2023 and 2022 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

(c) Future income tax benefits not brought to account as an asset:		
Tax losses:		
Revenue	459	460
Capital	1,202	1,204
	1,661	1,664

6 Remuneration of Auditors

	Consolidated 2023 $	Consolidated 2022 $
(a) BDO		
During the year, the auditors of the parent entity earned the following remuneration:		
BDO		
Auditing and reviewing of financial reports	213,500	233,402
Tax compliance and other consulting services	61,598	64,033
	275,098	297,435

	Consolidated 2023 $	Consolidated 2022 $
(b) Other Auditors		
Auditing and reviewing of financial reports	29,904	59,258
Tax compliance and other consulting services	18,470	61,317
	48,374	120,575

7 Trade and Other Receivables

	Consolidated	
	2023 $'000	2022 $'000
Current:		
Trade receivables (i)	1,821	1,881
Allowance for Expected Credit Loss (ECL)	(65)	(30)
	1,756	1,851
Receivables from non-controlling interests(ii)	229	-
Other receivables	211	98
	2,196	1,949

Non-current:		
Other receivables	151	146

(i) The ageing of past due receivables at year end is detailed as follows:		
Past due 0 – 30 days	910	1,005
Past due 31 – 60 days	210	73
Past due 61⁺ days	144	138
Total	1,264	1,216

The movement in the ECL in respect of trade receivables is detailed below:

Balance at beginning of the year	30	149
Amounts written off during the year	(51)	(67)
Increase in ECL recognised in the profit and loss	86	(52)
Balance at end of year	65	30

(ii) In March 2023 Reckon announced that it, together with minority shareholders, had committed to provide US$4m of growth capital for the Legal Group. The capital to be provided by Reckon and Legal Group CEO Bill Bice is staggered based upon requirements. This receivable represents the remaining contribution from Bill Bice.

7 Trade and Other Receivables (continued)

To determine the expected credit loss of trade receivables, a provision matrix is determined based on historic credit loss rates for each group of customers, adjusted for any material expected changes to the customers' future credit risk. On that basis, the credit loss allowance as at 31 December 2023 was determined as follows:

2023

Receivables	Business Group $'000	Legal Practice Management Group $'000	Group $'000
Current	290	267	557
Past due 1 to 30 days	93	817	910
Past due 30 to 60 days	36	174	210
Past due over 60 days	32	112	144
Total receivables	451	1,370	1,821
Allowance based on historic credit losses	(1)	(4)	(5)
Adjustment for expected changes in credit risk[1]	(13)	(47)	(60)
Credit loss allowance	(14)	(51)	(65)
Net carrying amount	437	1,319	1,756

1 Adjustment to reflect the expected change in the probability of default relating to customers that are over 60 days past due and those customers specifically identified.

7 Trade and Other Receivables (continued)

2022

Receivables	Business Group $'000	Legal Practice Management Group $'000	Group $'000
Current	342	324	666
Past due 1 to 30 days	39	965	1,004
Past due 30 to 60 days	15	58	73
Past due over 60 days	25	113	138
Total receivables	421	1,460	1,881
Allowance based on historic credit losses	(3)	(14)	(17)
Adjustment for expected changes in credit risk[1]	(13)	-	(13)
Credit loss allowance	(16)	(14)	(30)
Net carrying amount	405	1,446	1,851

1 Adjustment to reflect the expected change in the probability of default relating to customers that are over 60 days past due and those customers specifically identified.

8 Other Assets

	Consolidated	
	2023 $'000	2022 $'000
Current:		
Prepayments	1,666	1,448
Other	17	-
	1,683	1,448

Non current:		
Prepayments	29	59
Other	3	37
	32	96

9 Property, Plant and Equipment

	Consolidated	
	2023 $'000	2022 $'000
Leasehold Improvements		
At cost	1,056	1,082
Less: Accumulated amortisation	(952)	(896)
Total leasehold improvements	104	186
Plant and equipment		
At cost	4,762	5,056
Less: Accumulated depreciation	(4,367)	(4,556)
Total plant and equipment	395	500
	499	686

	Leasehold Improvements $'000	Plant and Equipment $'000	Total $'000
Consolidated			
Carrying amount at 1 January 2023	186	500	686
Additions net of disposals	1	165	166
Effect of foreign currency exchange differences	-	5	5
Capitalised lease incentive reallocated	91	-	91
Depreciation/amortisation expense	(174)	(275)	(449)
Balance at 31 December 2023	104	395	499
Consolidated			
Carrying amount at 1 January 2022	712	1,098	1,810
Additions net of disposals	(103)	207	104
Effect of foreign currency exchange differences	(2)	25	23
Capitalised lease incentive reallocated	143	-	143
Sale of Practice Management Accountant Group (refer note 25(c))	(271)	(203)	(474)
Depreciation/amortisation expense	(293)	(627)	(920)
Balance at 31 December 2022	186	500	686

10 Right of Use Assets/Lease liabilities

	Consolidated	
	2023 $'000	2022 $'000
Right of use assets		
At cost	6,369	6,363
Less: Accumulated amortisation	(5,177)	(4,326)
	1,192	2,037
Lease liabilities		
Current	1,211	1,091
Non-current	237	1,329
	1,448	2,420
Lease liabilities maturity profile		
Year 1	1,211	1,091
Year 2	237	1,136
Year 3	-	193
	1,448	2,420
Consolidated Right of Use Assets		
Carrying amount at 1 January	2,037	4,362
Additions	151	98
Effect of foreign currency exchange differences	4	(9)
Sale of Practice Management Accountant Group (refer note 25(c))	-	(1,010)
Depreciation/amortisation expense	(1,000)	(1,404)
Balance at 31 December	1,192	2,037

Leases relate to office premises with lease terms of between 1 to 7 years.

11 Deferred Tax Assets

	Consolidated	
	2023 $'000	2022 $'000
The balance comprises temporary differences attributable to:		
Expected credit loss	2	-
Employee benefits	2	2
Recoverable losses	1,975	983
	1,979	985
Details of unrecognised deferred tax assets can be found in Note 5(c)		
Reconciliation:		
Opening balance at 1 January	985	42
(Charged) / credited to profit or loss	994	943
Balance at 31 December	1,979	985

12 Intangibles

Intellectual property – at cost (i)	9,901	14,655
Accumulated amortisation	(9,901)	(14,655)
	-	-
Development costs – at cost	113,360	99,658
Accumulated amortisation	(84,412)	(71,812)
	28,948	27,846
Goodwill – at cost	3,140	3,171
	32,088	31,017

(i) The intellectual property carrying amount comprises of customer contracts.

Consolidated movements in intangibles	Note	Goodwill $'000	Intellectual Property $'000	Development Costs $'000	Total $'000
At 1 January 2023		3,171	-	27,846	31,017
Additions		-	-	14,728	14,728
Sale of business		(45)	-	(446)	(491)
Effect of foreign currency exchange differences		14	-	89	103
Amortisation charge		-	-	(13,269)	(13,269)
At 31 December 2023		3,140	-	28,948	32,088
At 1 January 2022		18,349	14	39,839	58,202
Additions		-	-	19,782	19,782
Sale of Practice Management Accountant Group	25 (c)	(14,641)	-	(16,504)	(31,145)
Impairment to goodwill		(684)	-	-	(684)
Effect of foreign currency exchange differences		147	-	437	584
Amortisation charge		-	(14)	(15,708)	(15,722)
At 31 December 2022		3,171	-	27,846	31,017

12 Intangibles (continued)

	Consolidated	
	2023 $'000	2022 $'000
Impairment test for goodwill		
Goodwill is allocated to the Group's cash generating units (CGUs) identified based on how the businesses are managed and reported on and taking into account the use of shared resources, as follows		
Business Group	-	46
Practice Management Group, Legal	3,140	3,125
	3,140	3,171

The recoverable amount of a CGU is the higher of its fair value less costs of disposal or its value in use. The Group has used the value in use assessment method in the current year.

In assessing impairment using value in use for the Business Group, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 13.52% (2022:13.10%) which reflects current market assessments of the time value of money and the risks specific to the GCU for which the estimates of future cash flows have not been adjusted. Value in use calculations utilise the most recently completed approved budgets for the forthcoming year. Subsequent cash flows are projected using constant long term average growth rates of 2.5% per annum (2022:2.5%).

In assessing impairment using value in use for the Legal Group, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 12.75% (2022:10.7%) for the existing business and 24% for the new practice management business recently commenced), which reflects current market assessments of the time value of money and the risks specific to the CGU for which the estimates of future cash flows have not been adjusted. Value in use calculations utilise the most recently completed approved budgets for the forthcoming year and forecasts for a further 3 years. Subsequent cash flows are projected using constant long term average growth rates of 3% per annum (2022:3%)

Within the Business Group Segment, an impairment charge of $684 thousand has been incurred against the goodwill recorded on a CGU in the prior year. Management reassessed the free cashflows and the expected achievement of the earn out targets has resulted in a decrease in the value of the goodwill from $730 thousand (31 December 2021) to $46 thousand and a corresponding decrease in the associated deferred consideration, and as a result there is no impact in the statement of profit or loss. Management assessed the carrying value using a value in use discounted cash flow model with a discount rate of 10.8%. No impairment losses have been recognised during the current year.

Sensitivity analysis performed indicates that if a change in profit and associated development costs reflected in the models were to decrease by up to 15% for the respective CGU's there would be no impairment.

13 Borrowings

	Consolidated	
	2023 $'000	2022 $'000
Current:		
Bank overdraft (i)	-	-
Non-current		
Bank borrowings (i)	3,754	4,074

(i) The consolidated entity has bank facilities of $25 million (2022 : $25 million). The facility comprises variable rate bank overdraft facilities, loan facilities, and bank guarantee and transactional facilities. The facilities expire in 31 March 2025. The facility is secured over the Australian, New Zealand and United Kingdom net assets.

2023	Loan facility $'000	Bank overdraft and bank guarantee $'000
The available, used and unused components of the facility at year end is as follows:		
Available	22,000	3,000
Used	3,754	1,227
Unused	18,246	1,773
The remaining contractual maturity for the facility is as follows:		
0-1 year	-	222
1-2 years	3,754	1,005
Weighted average interest rate	5.44%	6.08%

14 Provisions

	Consolidated	
	2023 $'000	2022 $'000
Current:		
Employee benefits – annual leave	686	833
Employee benefits – long service leave	1,141	1,094
	1,827	1,927
Non-current:		
Employee benefits – incentive plans	222	-
Employee benefits – long service leave	241	206
	463	206

15 Deferred Tax Liabilities

	Consolidated	
	2023 $'000	2022 $'000
The temporary differences are attributable to:		
Expected credit loss	(4)	(4)
Employee benefits	(510)	(800)
Contract liabilities	(431)	(434)
Difference between book and tax value of non-current assets	3,827	3,676
Other provisions	(276)	(49)
	2,606	2,389
Reconciliation:		
Opening balance at 1 January	2,389	3,995
Charged / (credited) to profit or loss	217	1,123
Sale of Practice Management Accountant Group (refer note 25(c))	-	(2,729)
Balance at 31 December	2,606	2,389

Details of unrecognised deferred tax assets can be found in Note 5(c)

16 Contract liabilities

	Consolidated	
	2023 $'000	2022 $'000
The unsatisfied performance obligations are as set out below:		
Current		
Subscription revenue	5,672	5,659
Other revenue	136	145
	5,808	5,804
Non-current		
Subscription revenue	1,519	1,330

17 Parent Entity Disclosures

	Parent	
	2023 $'000	2022 $'000
Financial position		
Assets		
Current assets	1,928	1,741
Non-current assets	40,811	37,130
	42,739	38,871
Liabilities		
Current liabilities	6,938	7,243
Non-current liabilities	7,913	8,573
	14,851	15,816
Equity		
Share capital	20,524	19,534
Share buyback reserve	(42,018)	(42,018)
Swap hedging reserve		-
Share based payments reserve	281	1,145
Acquisition of non-controlling interest reserve	(1,657)	(1,657)
Foreign currency translation reserve	(476)	(476)
Retained earnings	51,234	46,527
	27,888	23,055
Financial performance		
Total comprehensive income	7,372	37,091
Capital commitments for the acquisition of property, plant and equipment		
Not longer than 1 year	-	-

Other

Reckon Limited assets have been used as security for the bank facilities set out in note 13.

The parent entity has no contingent liabilities.

Working capital deficiency - refer note 1(z).

18 Employee Benefits

Long-term incentive plan

The long-term incentive plan previously comprised two possible methods of participation: the grant of equity under a performance share plan; or cash payments under a share appreciation plan. The board has discretion to make offers to applicable employees to participate in these plans. Performance shares offered (all in respect of the company's ordinary shares) and/or share appreciation rights do not vest before three years after their grant date and are conditional on the participant remaining employed at vesting date, subject to board discretion. Vesting is also conditional upon the company achieving defined performance criteria.

From 2011 onwards performance shares were also offered with longer term vesting periods. The single vesting condition is that participants must remain employed for the term required. To achieve 100% vesting employees must remain in employment for an effective 10 years from the date of the initial offer. Participation in this programme is no longer offered.

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

There are two performance criteria that must be met. The first is achievement of budgeted earnings per share growth (EPS) over the performance period. The second is a comparison of the company's total shareholder return over the performance period measured against the change in the S&P/ASX 300 over the performance period. The criteria carry equal weighting. Vesting against both criteria occurs on a sliding scale. In the case of EPS 75% of entitlements vest if the target EPS is achieved and 100% of entitlement will vest on achievement of 110% of target EPS, on a sliding scale capped at 100% of entitlement. In the case of TSR, 75% of entitlements vest if the target TSR is achieved, 100% of entitlements will vest on achievement of 110% of target TSR, and a prorata vesting occurs between 100% and 110% of target TSR capped at 110%.

Share based payments are expensed over the vesting period for each tranche offered.

No options were issued during the year (2022: Nil).

At the 2023 AGM shareholders approved a cash based long-term incentive plan for the CEO and CFO, replacing the previous share based payment plans. Similarly, cash based incentive plans are also replacing share based payment plans for senior executives, hence nil senior executive rights (2022: 475,000, nil appreciation rights (2022: nil, and nil performance shares (2022: nil, were issued during the year. The expense recognised in 2023 for the rights/ performance shares was $116 thousand (2022: $430 thousand. Remaining share based payments of $155 thousand (2022: $483 thousand relates to nQueue Zebraworks Inc.

18 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	Vesting Date	Shares Granted	Shares lapsed during the year		Shares vested during the year		Shares available at the end of the year	
			2023	2022	2023	2022	2023	2022
Jan'15	Dec'21	37,500	-	-	-	8,250	-	-

Nil shares have been acquired for future grants.

Senior Executive Rights								
Grant Date	Expiry Date	Rights Granted	Rights lapsed during the year		Rights vested during the year		Rights available at the end of the year	
			2023	2022	2023	2022	2023	2022
Jan'19	Dec'21	860,000	-	34,271	-	788,229	-	-
Sep'19	Dec'22	1,000,000	-	-	1,000,000	-	-	1,000,000*
Jan'20	Dec'22	737,500	-	-	650,000	87,500	-	650,000*
Jan'21	Dec'23	595,000	15,000	37,778	300,000**	42,222	200,000	515,000
Jan'22	Dec'24	475,000	50,000	92,639	-	22,361	310,000	360,000

* Purchased on market ($0.60 per share) in November 2022 in respect of rights that vested for the reporting period.
** Settled in cash during 2023.

Short-term incentive plan

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

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

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

19 Issued Capital

	2023		2022	
	No.	$'000	No.	$'000
Fully Paid Ordinary Share Capital				
Balance at beginning of financial year	113,294,832	20,524	113,294,832	20,524
Dividend re-investment plan	-	-	-	-
Balance at end of financial year	113,294,832	20,524	113,294,832	20,524
Less Treasury shares				
Balance at beginning of financial year	1,650,000	990	-	-
Shares purchased in current period	81,249	43	1,650,000	990
Shares vested	(1,731,249)	(1,033)	-	-
Balance at end of financial year	-	-	1,650,000	990
Balance at end of financial year net of treasury shares	113,294,832	20,524	111,644,832	19,534

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

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

During the year nil shares were bought back.

No options were exercised during the year.

The Group implemented a dividend re-investment plan in 2016.

20 Reserves

Nature and purpose of reserves

(a) Foreign currency translation reserve

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

(b) Swap hedging reserve

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

(c) Share buyback reserve

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

(d) Share-based payments reserve

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

(e) Acquisition of non-controlling interest reserve

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

21 Earnings per Share

	Consolidated	
	2023 cents	2022 cents
Basic earnings per share – continuing operations	4.9	4.0
Diluted earnings per share – continuing operations	4.9	3.9
Weighted average number of ordinary shares used in the calculation of basic earnings per share	113,294,832	113,294,832
Weighted average number of ordinary shares and potential ordinary shares (in relation to employee performance shares) used in the calculation of diluted earnings per share	113,804,832	115,819,832

Earnings used in the calculation of earnings per share is $5,568 thousand (2022: $4,554 thousand), and for discontinued operations in 2022 $53,224 thousand.

22 Contingent Liabilities

There are no material contingent liabilities as at 31 December 2023 (2022: Nil).

23 Commitments for Expenditure

(a) Capital Expenditure Commitments

The consolidated entity has capital expenditure commitments of $nil as at 31 December 2023 (2022: $nil).

	Consolidated	
	2023 $'000	2022 $'000
(b) Other Commitments		
Within 1 year	205	186
Later than 1 year and not longer than 5 years	34	212
	239	398

24 Subsidiaries

Name of Entity	Country of Incorporation	Ownership Interest	
		2023 %	2022 %
Parent Entity			
Reckon Limited	Australia		
Subsidiaries			
Reckon Australia Pty Limited	Australia	100	100
Reckon Limited Performance Share Plan Trust	Australia	100	100
Reckon New Zealand Limited	New Zealand	100	100
Reckon Accountants Group Pty Limited	Australia	100	100
Reckon Holdings NZ Pty Limited	New Zealand	100	100
Reckon One Limited	United Kingdom	100	100
Reckon Docs Pty Limited	Australia	100	100
nQ Zebraworks Pty Limited (Previously nQueue Pty Limited)[1]	Australia	76	70
nQ Zebraworks Limited (Previously nQueue Billback Limited)[1]	United Kingdom	76	70
nQ Zebraworks Inc	United States of America	76	70
nQ Zebraworks LLC[1]	United States of America	76	70
Reckon Accounts Pte Limited[2]	Singapore	-	-

1 Wholly owned subsidiaries of nQ Zebraworks Inc.

2. Struck off in 2022

All shares held are ordinary shares.

25 Notes to the Statement of Cash Flows

	Consolidated	
	2023 $'000	2022 $'000
		Restated
(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)	975	1,233
Bank overdraft	-	-
	975	1,233
(i) Cash balance is predominantly in the form of short-term money market deposits, which can be accessed at call.		
(b) Reconciliation of Profit After Income Tax To Net Cash Flows From Operating Activities		
Profit after income tax	4,882	56,814
Depreciation and amortisation of non-current assets	14,391	17,724
Non-cash interest	48	(87)
Non-cash employee benefits expense – share based payment	271	913
(Gain) / loss on disposal of business	238	(50,472)
Increase in current tax liability/asset	28	719
Increase/(decrease) in deferred tax balances	(777)	180
Unrealised foreign currency translation amount	(319)	38
(Increase)/decrease in assets net of acquisitions:		
Current receivables	107	(254)
Current inventories	18	(31)
Other current assets	(235)	297
Non-current receivables	(5)	(146)
Non-current other	64	74
Increase/(decrease) in liabilities net of acquisitions:		
Current trade payables	(591)	(498)
Other current liabilities	(88)	305
Other non-current liabilities	1,102	1,268
Net cash inflow from operating activities	19,134	26,844

25 Notes to the Statement of Cash Flows (continued)

(c) Discontinued operations - Disposal of Practice Management Accountant Group

The Practice Management Accountant Group was sold to Access Group effective 1 August 2022. The principal activities of this division are set out in note 2.

The completion accounts have since been agreed and all proceeds received. The proceeds were used to retire debt and pay a special dividend to shareholders (refer note 26)

	Consolidated	
	2023 $'000	2022 $'000
Net assets sold:		
Cash	-	93
Trade and other receivables	-	1,274
Other assets	-	192
Property, plant and equipment	-	474
Intangible assets	-	31,145
Right of use assets	-	1,010
Trade and other payables	-	(856)
Provisions	-	(1,437)
Contract liabilities	-	(71)
Lease liabilities	-	(1,186)
Deferred tax liability	-	(2,729)
Carrying amount of net assets sold	-	27,909
Proceeds on sale comprise:		
Cash settlement from Access Group	-	100,000
Completion accounts-working capital adjustment	-	(8)
Transaction costs and other adjustments	-	(4,887)
Income tax paid	-	(16,724)
	-	78,381
Gain on sale before income tax	-	67,196
Income tax expense on gain	-	(16,724)
Gain on sale after income tax	-	50,472
Trading results for the Practice Management Accountant Group, business:		
Revenue	-	13,469
Expenses	-	(5,805)
EBITDA	-	7,664
Amortisation and depreciation	-	(4,591)
Interest income / (expense)	-	531
Profit before income tax	-	3,604
Income tax expense	-	(852)
Profit after income tax of discontinued operation	-	2,752
Net cash from operating activities	-	6,998
Net cash from investing activities	-	74,410
Net cash from financing activities	-	(398)
Net cash and cash equivalents from discontinued operations	-	81,010

25 Notes to the Statement of Cash Flows (continued)

(d) Disposal of Better Clinics business

The Better Clinics business was sold effective 31 March 2023.

	Consolidated	
	2023 $'000	2022 $'000
Net assets sold:		
Intangible assets	491	-
Provisions	(8)	-
Carrying amount of net assets sold	483	-
Proceeds on sale comprise:		
Cash received	125	-
Deferred settlement (receivable 31 March 2024)	125	-
Transaction costs	(5)	-
	245	-
Loss on sale of business	238	-

(e) Assets and liabilities

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

Note		Cash	Non-cash	
	Balance at 1 Jan 2023 $'000	Financing cash flows (i) $'000	Fair value adjustment $'000	Balance at 31 Dec 2023 $'000
Borrowings	4,074	(320)	-	3,754

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

Note		Cash	Non-cash	
	Balance at 1 Jan 2022 $'000	Financing cash flows (i) $'000	Fair value adjustment $'000	Balance at 31 Dec 2022 $'000
Borrowings	16,137	(12,063)	-	4,074
Interest rate swap fair value hedge or economically hedging financing liabilities	58	-	(58)	-
Total liabilities from financing activities	16,195	(12,063)	(58)	4,074

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

26 Dividends – Ordinary Shares

	Consolidated	
	2023 $'000	2022 $'000
A fully franked final dividend for the year ended 31 December 2021 of 2 cents per share was paid on 25 March 2022.	-	2,266
A partially franked special dividend of 57 cents was paid on 21 November 2022	-	64,578
A fully franked dividend for the year ended 31 December 2023 of 2.5 cents (2022: 3 cents) per share was paid on 29 September 2023.	2,832	3,399
	2,832	70,243
Franking credits available for subsequent financial years based on a tax rate of 30% (2022: 30%)	377	379

27 Financial Instruments

(a) Financial Risk Management Objectives

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

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

(b) Interest Rate Risk

The group is exposed to interest rate risk on the cash held in bank deposits and on bank borrowings. Cash deposits of $975 thousand were held by the consolidated entity at the reporting date, attracting an average interest rate of 3.58% (2022: 2.75%). Interest bearing borrowings by the consolidated entity at the reporting date were $3,754 thousand (2022: $4,074 thousand). Interest rate risk is not considered material, and so is not hedged. Variable rate borrowings during the year attracted an average interest rate of 6.08% (2022: 2.21%) on overdraft facilities and 5.44% on loan facilities (2022: 2.61%). 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 $19 thousand (2022: $20 thousand).

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

The maturity profile for the consolidated entity's cash ($975 thousand) that is exposed to interest rate risk is one year, and interest-bearing borrowings ($3,754 thousand) that are exposed to interest rate risk, is one year. On the assumption that interest bearing borrowings and variable interest rates remain at the current level, the annual interest costs are expected to be $204 thousand.

Further details are set out in note 13.

27 Financial Instruments (continued)

c) Credit Risk

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

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

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

The average credit period on sale of goods is 45 days. Interest is generally not charged. The group has assessed the expected credit loss on receivables and have used a provision matrix to measure the Group's estimated impairment losses (refer note 7).

(d) Foreign Currency Risk

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

(e) Liquidity

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

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

Further details are set out in notes 1 and 13.

(f) Capital risk management

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

(g) Fair Value

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

28 Subsequent Events

No events occurred post 31 December 2023 that impact the consolidated statement of financial position.

29 Related Party Disclosures

(a) Key Management Personnel Remuneration

	Consolidated	
	2023 $	2022 $
Short term benefits	1,754,613	2,288,664
Post-employment benefits	186,550	113,426
Share based payments	109,500	250,167
Make whole payment	-	1,182,342
	2,050,663	3,834,599

The names of and positions held by the key management are set out on page 14 of the Remuneration Report. 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 and other key management personnel apart from those disclosed in this note.

(c) Directors' and Key Management Equity Holdings

Refer to the tables on page 35 of the Remuneration Report.

(d) other related party transactions

There were no other related party transactions apart from as disclosed in note 7.

30 Company Information

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

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

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

The financial report was authorised for issue by the directors on 28 March 2024.

Additional Information

as at 3 March 2024 (Unaudited)

Corporate Governance Statement

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

Twenty Largest Holders of Quoted Equity Securities

Name	Units	% Units
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	13,507,390	11.92
CITICORP NOMINEES PTY LIMITED	9,732,267	8.59
BNP PARIBAS NOMINEES PTY LTD	8,889,284	7.85
GREGORY JOHN WILKINSON	6,280,487	5.54
NATIONAL NOMINEES LIMITED	6,083,505	5.37
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,966,227	5.27
MICROEQUITIES ASSET MANAGEMENT PTY LTD	5,858,147	5.17
DJZ INVESTMENTS PTY LTD	5,690,000	5.02
MR CLIVE ALAN RABIE	2,516,535	2.22
RAWFORM PTY LTD <THE RECKON SOFTWARE S/F A/C>	1,330,306	1.17
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,305,879	1.15
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	1,123,103	0.99
ROUND ETERNAL INVESTMENTS PTY LTD	1,085,907	0.96
HYGROVEST LIMITED	1,000,000	0.88
MR SAMUEL JAMES ALLERT	909,279	0.80
VELKOV FUNDS MANAGEMENT PTY LTD	900,000	0.79
BIATAN PTY LTD	835,049	0.74
MS KYLIE LYNETTE NUSKE + MR MATTHEW JAMES COOK	834,093	0.74
DMX CAPITAL PARTNERS LTD	825,000	0.73
MR PHILIP ROSS HAYMAN	650,909	0.57
TOTAL	75,323,367	66.48

Number of Holders of Equity Securities

113,294,832 fully paid ordinary shares are held by 3,083 individual shareholders. Each share entitles the holder to one vote.

Less than marketable parcels

505 shareholders holding less than a marketable parcel of 901 ordinary fully paid shares.

Additional Information

as at 3 March 2024 (Unaudited) (continued)

Distribution of Holders of Equity Securities

Range	Total holders	Units	% Units
1 - 1,000	824	504,668	0.45
1,001 - 5,000	1,241	3,326,742	2.94
5,001 - 10,000	413	3,258,144	2.88
10,001 - 100,000	513	15,205,481	13.42
100,001 Over	92	90,999,797	80.32
Total	3,083	113,294,832	100.00

Substantial Holders

Substantial Holder	Number of Shares	Voting Power
Spheria Asset Management Pty Ltd/ Pinnacle Investment Management Group Limited	8,817,089	7.23%
Microequities Asset Management Pty Ltd	16,142,284	14.25%
1851 Capital Pty Ltd	6,518,138	5.75%

Securities Purchased On-Market

During the financial year, 81,249 fully paid ordinary shares in the Company were purchase on-market at an average price of $0.52 per share to satisfy the entitlements of holders of Performance Rights.

On-Market Buy-Back

There is no current on-market buy-back.

Unquoted Equity Securities

Performance Rights	Number on Issue	Number of Holders
Performance Period 2021-2023	200,000	6
Performance Period 2022-2024	310,000	6

Additional Information

as at 3 March 2024 (Unaudited) (continued)

Registered Office

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

Share Registry

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

Stock Exchange Listings

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

Company Secretary

Tom Rowe

Annual General Meeting

The Annual General Meeting for Reckon Limited will be held **on 24 May 2024 at 10:00am at Level 2, 100 Pacific Highway, North Sydney, NSW**.

Pursuant to Article 13.3 of the Company's Constitution, the closing date for receipt of director nominations is 11 April 2024.

Important Information – Corporate Notices

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

Please go to: www.computershare.com/au and then Login to Investor Centre to register your request to opt in to receive TO RECEIVE ALL NOTICES AND REPORTS IN ELECTRONIC FORMAT.

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