

Results Summary

	2012 Result	2011 Result	% Change	Amount Change
Revenue	\$96.8 million	\$90.7 million	7% increase	\$6.1 million
Group EBITDA	\$34.0 million	\$31.3 million	9% increase	\$2.7 million
Group NPAT	\$17.8 million	\$16.7 million	6% increase	\$1.1million
EPS	13.4 cents per share	12.1 cents per share	11% increase	1.3 cents per share

CEO Commentary

Business Division

The Business Division finished the year strongly with revenue growth of 6% in the second half against 3% in the first half.

- Direct Revenue in SME accounting products has continued to trend upwards growing by 8% (7% in 2011). This was predominantly driven by volume growth of 18% offset by a net price/mix reduction of 10%. The adverse impact of the mix is expected to reduce over time.
- Hosted products (up 67%) and Enterprise products (up 16%) showed strong performances again, benefitting from a growing direct sales team.
- As with previous years, this business was impacted by a declining retail channel (down 36%). The materiality of the adverse impact of retail is also expected to minimise over time.
- Revenue in the Reckon Docs business grew by 17% which is again evidence of the contribution of a direct sales effort into the accountants' market.

In the second quarter of 2013 we expect to release a cloud solution under the "Reckon One" brand which will help us further build on our strong desktop and hosted offerings.

In March 2012, the company re-negotiated its distribution agreement with Intuit, with the key impacts being: zero royalties payable after February 2014; and a royalty free licence to Intuit's then latest Quicken and QuickBooks technology. The Quicken product range has already changed its name to Reckon Accounts with no negative effect on revenue. We expect to begin the name change from QuickBooks products to Reckon Accounts in May this year.

Reckon APS

Overall revenue growth for the APS business was up 8% over 2011. The Australian and New Zealand businesses both showed strong results.

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Effective 31 December 2012, the United Kingdom business has been sold to the previous managing director while Reckon will continue to enjoy a revenue stream from royalties on sales under a licensing arrangement.

2013 will see:

- Continued acquisition of new customers and consequent increased market share.
- Continued roll out of more modules of the integrated APS suite, targeting an increase from the current 4 modules per client to 7 modules per client over the next few years. Specifically the major movers are expected to be: Company Secretarial; Workpaper Management and Document Management (Virtual Cabinet).
- APS Private Cloud, our hosted solution, which has been successfully launched expanding the addressable market for the APS suite of products.

Reckon Virtual Cabinet

This business, based in the United Kingdom, develops and distributes Document Management and Client Portal technology was acquired in July 2012. Its first six months performance was as expected with continued strong growth in its traditional markets. It is anticipated that there will be further growth with roll out of products in Australia and New Zealand and from resellers in other parts of the world.

The company is also testing the feasibility of distribution in the United States through our existing channels.

Reckon nQueue Billback

The Group has consolidated its shareholding in the United Kingdom and United States business by acquiring the minority interests. The United Kingdom business showed particularly strong growth. New clients were again added in the United States, but the average price per client was lower compared to 2011.

The Australian nQueue Billback business (previously reported as part of the Professional Division) has been moved under the management of the Reckon nQueue Billback team. Investment in personnel and increased marketing expenditure has been made to reignite this market.

The anticipated product development for 2012 was delayed, but it is expected that a refreshed product roll out in 2013 will present sales opportunities.

Dividends

The Board has declared a final dividend of 4.75 cents per share (2012: final dividend of 4.5 cents per share). The dividend will be franked to 90%.

The final dividend will be paid to shareholders recorded on the Company's Register as at record date of 15 February 2013 (see following announcement).

The total dividend paid for 2012 represents an increase of 6% over the prior year.

Share Buy Back

On 4 February 2013 the board of directors resolved to keep in place an on-market share buy-back of not more than 10% of the shares in the company. During the year 3.4 million shares were purchased at an average price of \$2.27 per share.

Acquisitions and disposals

On 11 April 2012 the company acquired a strategic minority investment in Connect2Field Holdings Pty Ltd for \$0.7 million.

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On 1 July 2012 the company acquired an initial interest in Linden House Software Limited for \$9.2 million with an option to acquire 100% based upon the performance of the business over the next 3 years.

Effective 31 July 2012 the company acquired the outstanding minority investments in the nQueue Billback companies in the United Kingdom (25%) and the United States (26%) for \$4.5 million.

Commencing on 22 February 2012 and ending on 30 March 2012, the company sold its minority interest of less than 5% in Melbourne IT Limited.

Reckon Group CEO, Clive Rabie said:

“Reckon remains unique as the only supplier to our market offering Desktop, Hosted and soon to be released Cloud Solutions.

We are pleased to finish the year on a strong note with a better performance in the second half in all our businesses.

Our soon to be released Cloud solution, Reckon One; document management in the form of Virtual Cabinet released to our markets; APS Private Cloud moving to full release; and the impact of our direct sales approach to our business significantly expands the opportunities for our group.

A number of opportunities that we have been pursuing for some time have now become real revenue opportunities with proven demand.”

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