Reckon®

Annual Report
2022

Reckon Limited Annual Report

ABN 14 003 348 730

For the Financial Year Ended 31 December 2022

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Message from the Chairman

It is my pleasure to present to you Reckon Limited's Annual Report for the year ended 31 December 2022 (FY2022) – a year in which the Company consolidated its standing as a top tier ASX-listed technology company.

Reckon's operations during the year were highlighted by the $100m all-cash sale of the Accountant Group division, with prudent capital management of the sale proceeds and strong execution on the group's cloud-based growth strategy for its continuing operations.

The sale of the assets used by the Accountants Practice Management Group marked a validation of the Company's ability to build software assets and generate strong returns for shareholders over the long term. In proceeding with the sale, the Board and management team determined that the $100m price offered by The Access Group represented good value relative to Reckon's market capitalisation, which was further reflected in the all-cash structure of the deal.

Upon receipt of funds, the Reckon Board prioritised the payment of a $0.57 special dividend to shareholders and its ongoing commitment to capital management, with a further 81% reduction in net debt to $2.8m as at 31 December 2022.

Pleasingly, those initiatives were accompanied by continued and targeted R&D investment towards the growth of Reckon's cloud-based product strategy for its two remaining operating divisions – the Business Group and the Legal Practice Management Group.

Through its quality cloud-based solutions that provide accounting and payroll solutions for SMEs, the Reckon Business Group has established a strong foothold in the Australasian market where it has over 117,000 cloud users and 400,000 employees now being paid through Reckon software.

With targeted R&D investment, Reckon's strategy heading into FY2023 is to leverage the Business Group's market position by accelerating organic growth through an expanded product offering. Strategically, the Business division also provides steady cash flow generation to complement Reckon's high-growth ambitions in the US legal services market.

The Legal division provides Practice Management and Workflow solutions for legal services firms, and during FY2022 it strengthened its early traction in the lucrative US legal industry. With five of the world's top legal firm's deploying Reckon's platform in the US market, the Legal division presents an exciting growth profile for FY2023.

Along with business development opportunities, the company's US team is focused on the next round of integrated product solution rollouts that are expected to underpin revenue and margin growth over the next 12 months.

Following a transformational year for the business, Reckon is now positioned with streamlined operations across its two core operating divisions, backed by the balance sheet strength to underpin R&D investments and capitalise on growth opportunities.

As announced in December 2022, I have elected to transition from the Chairman position after four and a half years in the role. In turn, I am pleased to hand over the reins to Clive Rabie, who assumed the Chairmanship effective from 1 January 2023. This marks an orderly transition in line with the Board's governance practices, and Mr Rabie is the ideal candidate in my view to lead the Company's next growth phase for its continuing operations.

My involvement with Reckon now dates back over 30 years, and 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.

Greg Wilkinson
Chairman (until 31 December 2022)

Message from the Group CEO

While FY2022 marked a particularly exciting year for the Company and its shareholders, the Reckon management team remains focused on a targeted growth strategy to build market share and drive revenue and margin growth from continuing operations.

Operationally, the successful $100m all-cash sale of the Accountants Practice Management Group leaves Reckon uniquely placed with the balance sheet strength and R&D budget to further capitalise on the established market footprint for the Business Group and the Legal Group.

During the period, Reckon achieved another period of steady growth through its Business Group, with a 7% increase in cloud subscription revenues to $23m, and a 3.2% increase in EBITDA to $21m on revenues of $40.8m (+2.5% on the previous corresponding period).

The results marked a consolidation of the strong growth achieved by the Business Group in recent years – a result of the Company's dedicated pursuit of cloud-based user growth which continues to underpin the positive revenue outlook. During FY2022, Reckon expanded capacity for the Business Group across cloud and mobile payroll solutions, with ongoing user growth supported by a successful integration with the Novatti platform which is already facilitating faster payments with cheaper transaction costs.

The Company made equally strong progress in its Legal Group, where our management team and dedicated staff implemented a number of operational rollouts to complement the group's exciting growth outlook in the US market.

Investments across the Legal Group's cloud-based software services offering included a major integration project to merge client Outlook programs to the core platform and the launch of new cloud modules, BillingQ and DataQ.

During FY2022, the Legal Group reported subscription revenues of $9.2m, up 5.5% annually, and the platform is now finding traction with a major market opportunity in the lucrative US legal market to transition client law firms to cloud-based practice management software from traditional desktop platforms.

Already, Reckon's product offering is serving five of the world's largest US-based law firms, and management is targeting further growth in a total addressable market opportunity estimated at more than US$2bn.

While Reckon reported steady annual revenue growth across its continuing operations, the Company also expects to benefit from the R&D investments and operational improvements that were implemented during the period, aided by the flagship $100m all-cash sale of the Accountants Practice Management Group.

With minimal debt, an established market position and plenty of upside opportunity across its product categories and respective market jurisdictions, I am excited to lead the Reckon management team in the execution of our strategy to build step-change growth with leading cloud-based, subscription revenue products.

I would like to join the Chairman in thanking Reckon's global workforce for their hard work, our partners, customers and shareholders for their ongoing support, and look forward to providing more updates on our operational development strategy over the next 12 months.

Sam Allert
Group CEO

Directors' Report

The Directors of Reckon Limited submit these financial statements for the financial year ended 31 December 2022

Clive Rabie, Chairman

Group Chief Executive Officer until 30 June 2018, Group Managing Director from 1 July 2018, Non-Executive Director from 1 May 2022, Chairman from 1 January 2023

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 GetBusy PLC.

Greg Wilkinson, Non-Executive Director

Independent Non-Executive Deputy Chairman until 30 June 2018, Chairman from 1 July 2018, Non-Executive Director from 1 January 2023

Greg Wilkinson has over 30 years' experience in the computer software industry. Greg entered the industry in the early 1980s in London where he managed Caxton Software, which became one of the UK's leading software publishers. Greg co-founded Reckon in 1987 and was the Chief Executive Officer until February 2006. He was appointed to the position of Deputy Chairman in February 2006 and became a member of the board of the listed entity on 19 July 1999. He was appointed to the Audit & Risk Committee in February 2010 and Remuneration Committee in December 2011. He is also an investor and mentor to a number of cloud-based start-up companies. Greg was appointed Chairman on 1 July 2018.

Philip Hayman, Non-Executive Director

Independent Non-Executive Director from 1 July 2018

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. He also consults to an agricultural company with extensive holdings in southern NSW. He currently owns and manages an accommodation company.

Samuel Allert, Executive Director

Group Chief Executive Officer and Director from 1 July 2018

Sam Allert was appointed as a director on 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 got involved with the Business Division in a newly formed position of MD AU/NZ for the Reckon Group in 2015. In July 2018 Sam stepped into the Group Chief Executive Officer position and was appointed to the board on 1 July 2018.

Myron Zlotnick LLM, GCertAppFin, MAICD

Company Secretary

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

Review of Operations and Statement of Principal Activities

At the commencement of the year reported the Company was structured in three Groups, a Business Group, a Legal Practice Management Group, and an Accountant Practice Management Group.

The focus has been to grow each Group independently, and where possible implement integrations, seek out opportunities to cross sell, and to explore synergies across the Groups. From an internal operations point of view, within Australia and New Zealand, the Accountant Practice Management Group and Business Group had centralised Sales, Support, Marketing, and Client Success teams to manage the across-Group opportunities more efficiently.

The Business Group provides accounting and payroll software for small to larger sized businesses and personal wealth management software branded as Reckon One and Reckon Accounts Hosted (cloud products), Reckon Accounts Business and Reckon Accounts Personal respectively. The divisions operate predominantly in Australia and New Zealand.

The Legal Practice Management Group provides practice management and workflow solutions to legal firms and corporations for document scanning and routing, print management and cost recovery solutions under the nQZebraworks brand. With a focus on releasing a new cloud practice management suite. It is operational predominantly in the USA and United Kingdom, with re-sellers in other parts of the world.

The Accountant Practice Management Group undertook the development, sales and support of practice management, compliance and efficiency tools for professional accounting firms under the Reckon APS and Reckon Elite brands. It is operational predominantly in Australia, New Zealand with a re-seller presence in the United Kingdom.

Effective 1 August 2022, the assets comprising the Accountant Practice Management group were sold to a buyer group comprising entities in the Access Group, namely Access Software Australia Pty Limited, Access Workspace NZ Limited, and Access UK Ltd. This was an all cash sale for $100 million.

Accordingly from 1 August 2022, the Company's operational structure is only comprised of the Business Group and the Legal Group.

This report still sets out the relevant information for all three Groups.

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

All the Groups have a loyal client base that run products and solutions based on desktop technology with very rich functions and features. Reckon has been on a transformation process developing or enhancing all products with a "cloud first" focus. The process is to provide an upgrade path for existing clients to the cloud, as well as providing new products that can attract and grow a new client base. The Business Group is furthest progressed on this strategy with the Accountant Practice Management Group and the Legal Practice Management Group also well poised for growth in the future.

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 larger businesses in Australia and New Zealand and, until recently, in the United Kingdom. The Company is no longer pursuing Business Group activities in the United Kingdom.

The key product brands sold in this Group are: Reckon Accounts, Reckon Accounts Hosted, Reckon One, Better Clinics, and Better HQ.

Reckon Accounts and Reckon Accounts hosted represent desktop and hosted cloud based solutions for small to larger sized and enterprise businesses for accounting and bookkeeping, invoicing, payroll, GST/BAS reporting, financial reporting, timesheets, and bank data feeds.

Reckon Accounts Hosted is hosted in an AWS environment.

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

While many of these functions reside within Reckon Accounts and Reckon Accounts Hosted, the Company also sells standalone solutions for payroll, invoicing, point of sale, scheduling and point of sale solutions for allied health professionals (branded as Better Clinics and BetterHQ), as well as personal finance software known as Reckon Accounts Personal.

A key focus in the Business Group is to grow the Reckon One cloud-based business accounting software.

Reckon One cloud-based accounting software is based on a "designed by you" concept that allows users to tailor the solution to their needs by choosing modules their business will use. The current modules available are: Core (which includes payments and receipts, budgets and reporting); Invoices; Payroll; BankData (automatic bank statement import into accounts and reconciliation); Projects (manage revenue, costs and forecasts by project); Time (timesheets); and Employee Expenses (expense management module); and an open API for third party applications.

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

The Payroll module in Reckon One includes the ability for small businesses to lodge their Single Touch Payroll reporting requirements, which is part of an overall strategy to integrate small business accounting with regulatory reporting under the Reckon GovConnect product brand.

Reckon One has also been made available as a "white label" version. This included relationships with The Institute of Public Accountants and the Queensland government bringing Reckon One to Indigenous communities branded as Deadly Digits. These initiatives in some instances have since been replaced with alternative strategies to better pursue the potential growth presented by these markets.

The company also has a large focus on adding new mobile based applications that compliment and integrate with the Reckon One cloud accounting modules. A free Single Touch Payroll reporting application was the first of these new mobile apps released in 2019.

In 2021 the company added a new mobile Payroll App, which is an ideal upgrade path from the free STP as it provides a complete feature rich payroll solution on the mobile. Reckon Mate, a new employee facing mobile app released at the end of 2020 compliments Reckon One Payroll and the Company's mobile strategy.

The Company is also working on new mobile apps including the recently launched Mobile Invoicing. Timesheets and Expenses are expected to be released in the future.

The Company continues to explore strategic partnerships with suppliers who can meet the feature demands of small business for their diverse needs.

Since 2017 the Company has partnered with Prospa in the "Fintech" space to bring small business loans to its customer base under the Reckon Loans brand.

In early 2022, the Company agreed terms with Novatti for the introduction of payment solutions for small business customers.

The Company also partnered with Ozedi to implement eInvoicing solutions for small business customers.

Legal Practice Management Group

Since February 2021 the Company merged its Legal Practice Management Group with the business of Zebraworks Inc (USA) into a 70/30 venture known as nQueue Zebraworks Inc. The team from Zebraworks Inc brings a history and pedigree of success in the development of practice management solutions for Legal Practices. The merged business presents a platform for new cloud technology development and new markets.

The Legal Practice Management Group, supplies software solutions for document scanning and routing, print management and cost recovery solutions that assist law firms clients. The present focus of the Legal Practice Management Group is the release of a new cloud practice management suite.

These solutions enhance the automation and processing of any operational and administrative expenses, including print, copy, scan, telephone, online searches, emails, court fees, car services, credit card charges, courier costs and more. The scan solution also presents an opportunity to expand to non-legal client markets.

These solutions can be embedded directly into multi-function devices or reside on tablet computers or terminals to provide clients with the knowledge required to run their businesses more profitably. Cloud Practice management modules introduced to the suite of products in 2021 include Billing Q and Data Q.

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

Accountant Practice Management Group

As noted above, the assets comprising this Group were divested effective 1 August 2022. The reporting below reflects the operations and activities to that date.

The Accountant Practice Management Group develops, distributes and supports the APS suite of solutions for professional service firms in Australia, New Zealand and, via a reseller arrangement, in the United Kingdom. For professional accountants these solutions include Practice Management, Tax and Accounts production. It also delivers a wide range of complementary integrated modules for business-critical functions in professional firms: Practice Management (PM); Business Intelligence and Reporting (PIQ); Taxation (Tax); Client Accounting (XPA); Client Relationship Management (CRM); Workpaper Management (WM); Sync Direct and others.

All the above modules were available in a hosted version called APS Private Cloud, if a client so requires. This platform has been moved to a more efficient solution using a new supplier and is now called APS Accountants' Workspace.

Consistent with the Group-wide philosophy, the Accountant Practice Management Group enhances products and develops new products under the "cloud first" concept. These products can and will integrate with existing Accountant Practice Management Group solutions and also provide an entirely new cloud-based suite that new clients can take on.

Cloud products include: Workflow and Contacts. Timesheets, Fees and Accounting are under development. From a branding point of view these cloud products are marketed as APS+, Workflow+, Contacts+, etc.

The BankData product (powered by Reckon One Bank Data technology) is also targeted at accountants and bookkeepers. The module enables accountants and bookkeepers to efficiently download and process bank transactions and provide reporting and analysis to their clients. This is also undergoing an integration with Open Banking.

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

The Reckon Elite product suite includes tax return preparation tools, practice management tools and related solutions mostly used by accountants and tax agents. Reckon Elite is predominantly used in small to medium sized accounting firms compared to Reckon APS which is predominantly used by larger firms. Reckon Elite is also available in a hosted cloud based version called Elite Workspaces.

Results of Operations

Results Headlines (IFRS and non-IFRS)

Continuing operations	2022	2021 Restated	%Growth
Revenue	$51.2 million	$49.5 million	+3.5%
EBITDA	$18.0 million	$17.3 million	+4.0%
Net profit	$3.6 million	$5.6 million	-36.4%
Net profit attributable to members	$4.6 million	$6.2 million	-27.2%

Discontinued operations	2022* 7 months	2021 12 months	%Growth*
Revenue	$13.5 million	$22.6 million	-40.3%
EBITDA**	$74.9 million	$12.2 million	+514.0%
Net profit**	$53.2 million	$3.6 million	+1392.6%
Net profit attributable to members**	$53.2 million	$3.6 million	+1392.6%

*The Practice Management Accountant Group business was sold effective 1 August 2022, hence 2022 represents 7 months trading compared to 12 months in 2021.

**2022 results include the gain on sale of the Practice Management Accountant Group of $67.2 million ($50.5 million after tax)

Revenue on a non-IFRS basis normalised for continuing businesses (at constant currency) is up 2% on the prior corresponding period.

$47 million of the $51 million revenue is annual recurring revenue, up 5% over the prior corresponding period. Annual recurring revenue represents 91% of total revenue. This is 2% up on the prior corresponding period.

EBITDA on a non-IFRS basis normalised for continuing businesses (at constant currency) is up 5% on the prior corresponding period.

NPAT normalised for continuing operations down 1% on the prior corresponding period.

Debt has been reduced from $14.7 million to $2.8 million, largely funded by the proceeds of the Sale of the assets comprising the business known as the Accountant Practice Management Group.

On 21 November 2022, the Company paid a 60% franked special dividend of 57 cents per share, from the proceeds of the consideration for the sale of the Accountant Practice Management Group. On 23 September 2022, the Company paid a dividend of 3 cents per share taking the total dividend to 60 cents per share in respect of the 2022 year (2021: 5 cents).

Cash spend on development (on a non-IFRS normalised basis) continues to focus on cloud products across the groups. Development spend in 2022 was $15.3 million in continuing operations compared with 2021 development spend of $12.7 million.

Cashflow before development spend from continuing operations is $19.9 million.

Business Group

- The Business Group continues to be a subscription business focused on online growth. Total revenue growth in this Group is up 3% on 2021. This represents 4 consecutive years of growth.
- Subscription revenue now represents 99% (2021: 97%) of available revenue in this Group.
- Cloud subscription revenue (from Reckon One and Reckon Accounts Hosted) has continued to grow strongly, up by 7% on 2021 and now represents 61% (2021: 59%) of this Group's available revenue. The number of cloud users has reached 117,000 users up 3% on 2021 (2021: 114,000).
- The free Payroll app for Single Touch Payroll is being discontinued. The new paid Payroll app now provides an ideal upgrade path for these users The total number of employees paid via Reckon payroll solutions in Australia stands at 400,000.
- New cloud products for the Business Group released in 2022 include Reckon Invoicing app.
- The Company set up an arrangement with Novatti to explore enhanced payment services for small businesses to be integrated with Reckon products. The Company also entered into an agreement with Ozedi to provide eInvoicing solutions to Reckon customers.

Legal Practice Management Group

- This Group continues to pursue a process of driving subscription revenue rather than upfront revenue. Subscription revenue grew 6% for the year (2021: 1%) on a constant currency basis.
- Subscription revenue is 89% of the Group's revenue (2021: 86%).
- Billing Q and Data Q were released in 2022. Billing Q is a cloud based module that integrates with on premises practice management systems for more efficient debtor/collections management. DataQ is a cloud business intelligence reporting tool used with on premises practice management systems for better practice reporting and insights.
- The USA market continues to represent growth opportunities for cloud based products especially in the longer term with a very large addressable market still using desktop solutions.

Accountant Practice Management Group

- The business remained entrenched as the product of choice amongst the major accounting firms.
- Revenue in the Accountant Practice Management Group was down on the previous year. This is because of the sale of the business effective 1 August 2022. Hence only 7 trading months are accounted for. FY22 trading revenue for 7 months was $13.5 million compared to FY21 for 12 months which was $22.6 million.

The sale of this business to the Access Group (Access Software Australia Pty Limited, Access Workspace NZ Limited, and Access UK Ltd) for a consideration of $100 million dollars is reflective of the value created in the business while it was part of the Reckon Group and why it represented an attractive commercial and strategic target for the purchaser.

Directors' Report (continued)

COVID-19 Impact

Operationally, the Company continued to manage the impact of COVID 19 smoothly so far as working from home was concerned as well as in terms of overall management of the business and its systems.

The infrastructure and business interruption processes were well designed to deal with these sorts of situations, and continue to do so.

The Company has displayed its resilience, by posting solid and stable results in challenging times for its customer base of small businesses and professional firms. As stated above there were performance impacts for the Legal Group.

That said, the operations of the Company as a whole have not been adversely impacted by COVID 19. The financial position of the Company has not been materially adversely affected by COVID 19.

At present, COVID 19 does not materially adversely impact the Company's prospects for future financial years. No impairment is considered necessary.

While it appears the world is learning to live with COVID 19, the impact of the COVID-19 pandemic is ongoing. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is fluid and is dependent on measures imposed by the Australian Government and other countries, such as vaccination requirements, renewed travel restrictions and any economic stimulus that may be provided.

Climate and Sustainability

The nature of the Company's operations on the face of it have low impacts on climate and sustainability. However, the board is mindful of the potential impact of climate change on economies at a macro level.

The board plans to understand and begin to assess existing and emerging risks that may be applicable to the company's business, including both physical and transitional climate risk. At present the board is comfortable there are none.

Significant Changes in State of Affairs

Effective on 1 August 2022, the Company reached agreement with Access Software Australia Pty Limited, Access Workspace NZ Limited, and Access UK Ltd to sell the assets comprising the Accountant Practice Management Group to the Access Group.

The purchase consideration was $100 million dollars.

Funds received were used to pay a special dividend of $0.57 per share to shareholders, to reduce Reckon's debt, to $2.8 million.

The Accountant Practice Management Group contributed revenue of $13.5 million, and EBITDA of $7.7 million to the 2022 Reckon Group results for 7 months in 2022.

Future Developments, Business Strategies and Prospects for Future Financial Years

Following on from the sale of the Accountant Practice Management Group, the Company is well positioned to direct focus on its remaining two businesses.

The Company's overall strategy conceptually remains to pursue creating a suite of solutions that deliver business efficiency tools for small to medium sized businesses – an ecosystem for business, together with practice efficiency tools for professional legal firms. The goal is to ultimately make it easy for small businesses to operate and perform, and for accountants, bookkeepers and legal firms to collaborate with their clients and ensure their compliance obligations are met.

Key to understanding the Company's strategy over the next 2 to 3 years is to appreciate the following, generally:

- there are untapped opportunities in targeted and niche products that complement and diversify the traditional efficiency software offered to businesses and professional firms.
- investment will also be focused on maintaining, refining and improving existing assets and acquiring or developing solutions to complement or differentiate our offerings, especially in the cloud.
- the businesses have a stable and loyal customer base.

Specifically, for 2023 and beyond in the Business Group the intention is to pursue cloud growth across the small business accounting and payroll market.

Development initiatives will be focused on fresh development of upgraded standalone versions of several of the Company's products, such as Payroll and Invoicing, and also to allow these new versions to integrate with the core functionality of flagship products such as Reckon One, Reckon Accounts and Reckon Accounts Hosted.

Special focus will be devoted to upgrades and expansion of Payroll solutions as well as migrating free product users to paid users of upgraded versions.

Price increases will also be considered to supplement organic growth.

Similar focus will be devoted to upgraded Invoicing solutions.

The Company continues to pursue opportunities to deploy various Fintech solutions through the customer base. This will generally be done via partnerships with payment solutions providers, and the like.

For the Legal Practice Management Group the aim is also to pursue growth with NQ scanning and print management solutions as well as with new cloud modules Billing Q and Data Q that compliment desktop competitor products that create new sales opportunities.

The Company continues to assess appropriate corporate transactions.

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
    - Chief Operating Officer from 1 January 2001
    - Executive Director since 24 May 2005
    - Group Chief Executive Officer from 22 February 2006
    - Group Managing Director since 1 July 2018
    - Chairman from 1 January 2023
- Mr Greg Wilkinson, director since 19 July 1999
    - Deputy Chairman since 1 February 2006
    - Chairman of the Board since 1 July 2018
    - 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, independent non-executive director since 1 July 2018
    - Risk and Audit Committee Chairman since 1 July 2018
    - Remuneration chair until 31 December 2022

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
    - General Counsel from 1 October 2002 until 2 July 2018
    - Company Secretary since 19 November 2002
    - Corporate Counsel from 22 February 2021

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. At the 2022 Annual General Meeting there was a vote of approval of 99.42% for remuneration practices. The board continues to endeavour to balance the idiosyncrasies of the Company and its unique demands with generally accepted governance practices for remuneration.

On the whole the contents of the report are substantially similar to prior years. At the time of writing this report and as was the case in 2021, the board has been in the process of trying to set new incentive plans to meet the strategic imperatives of the Company. It is hoped that at the Annual General Meeting of the Company in May 2023 shareholder approval will be obtained for new incentive plans finally developed as a result of this process.

As announced during 2021 and 2022 there was corporate activity underway that impacted the overall business and the board was reluctant to implement new incentive plans mindful that any performance targets set would potentially be unsuitable for the business after the impact of corporate activity.

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 2022 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 the aims and aspirations of Principle 8 of the ASX Corporate Governance Principles and Recommendations ("ASX Principles and Recommendations"), including that the majority of the committee should be composed of independent non-executive directors.

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

Under the Charter, the Remuneration Committee is to be composed of at least three non-executive members with the majority being independent directors. It should be noted that given the size of the Company and the board, the Remuneration Committee presently is comprised of only two members. Consideration will be given when relevant decisions need to be made to appointing a third independent member.

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

3.2 Trading Policy

The Trading Policy of the Company is available on the Company website. It contains the customary references to insider trading restrictions that are a legal requirement under the Corporations Act, as well as conditions associated with good corporate governance. To this end the policy specifies trading blackout periods during which officers of the Company may not trade in the securities of the Company. Officers must seek permission from the Chairman of the Company before trading in any periods outside blackout periods. The Trading Policy also requires officers to notify the Company Secretary of the transaction once it is completed and prohibits trading at all other times unless an exception provided by the Chairman following an assessment of the circumstances (e.g. financial hardship). Trading black outs operate in the period commencing one day before the end of a financial reporting period and end one day after the reporting for the relevant financial period has been announced to the public.

Officers generally includes directors and Senior Executives of the Company.

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

3.3 Executive Remuneration Policy

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

- Remuneration should be composed of:
  - Base Package (inclusive of superannuation, allowances, benefits and any applicable fringe benefits tax (FBT) as well as any salary sacrifice arrangements)
  - Short term incentive (STI) which provides a reward for performance against annual objectives
  - Long term incentive (LTI) which provides an equity-based 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 relativities and external market factors should be considered
- TRPs ought to be structured with reference to market practices and the circumstances of the Company at the time
- That the Base Package policy mid-points should be set with reference to P50 (the median or the middle) of the relevant market practice 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.

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

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

3.4 Non-executive Director Remuneration Policy

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

- Remuneration may be composed of:
  - Board fees inclusive of superannuation
  - Other benefits (if appropriate) and
  - Equity (if appropriate at the time, currently not applicable)
- Committee fees do not form part of the NED remuneration policy because at present the workload of the Board is shared equitably amongst its members
- Remuneration will be managed within the aggregate fee limit (AFL) or fee pool approved by shareholders of the Company – currently $400,000 in accordance with shareholder approval in 2008
- 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 FY23 the following fees apply:

Function	Role	Fee Including Super
Main Board	Chair	$165,750
	Member	$82,875
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 FY22 reporting period the following fees were applicable:

Function	Role	Fee Including Super
Main Board	Chair	$138,992
	Member	$92,661
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

3.5 Short Term Incentive (STI) Policy

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

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

3.6 Long Term Incentive (LTI) Policy

The current long term incentive plan applies to offers made to KMP in 2020 with a performance period ending on 31 December 2022. No subsequent offers were made to KMP, although offers were made to employees who are not KMP.

The current long term incentive plan so far as it applies to KMP is being reviewed by the board with a view to replacing it with a new plan which is hoped to be put to shareholders for approval at the next Annual General Meeting in May 2023.

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

Further:

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

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

Short Term Incentive (STI)	
Aspect	**Plan, Offers and Comments**
Purpose	The STI Plan's purpose is to give effect to an element of Senior Executive Remuneration. This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for Senior Executives to deliver and outperform annual business plans that will lead to sustainable superior returns for shareholders. Target-based STI's are also intended to modulate the cost to the Company of employing Senior Executives, such that risk is shared with the executives themselves and the cost to the Company is reduced in periods of poor performance.
Measurement Period	The Company's financial year i.e. from 1 January to the following 31 December.
Award Opportunities	**FY22 Offers** The CEO was offered a target-based STI equivalent to roughly 31% 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 31% of the Base Package for target performance with a stretch opportunity of up to 110% of the target. **Comments** The incentive levels offered in FY22 were consistent with the proportional opportunities (proportional to Base Package) offered in previous years. **FY23 Offers** The FY23 offers are substantially similar to the FY22 offers.
Key Performance Indicators (KPIs), Weighting and Performance Goals	**FY22 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 FY22 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 FY22. **FY23 Offers** The FY23 offers are substantially similar to the FY22 offers.

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 following audit sign-off of the FY22 accounts.
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.

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

Long Term Incentive (LTI)	
Aspect	**Plan, Offers and Comments**
Purpose	The LTI Plan's purpose is to give effect to an element of Senior Executive remuneration. This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for Senior Executives to deliver Company performance that will lead to sustainable superior returns for shareholders. Other purposes of the LTI Plan is to act as a retention mechanism so as to maintain a stable team of performance focused Senior Executives, to create alignment with the interests and experiences of shareholders and to modulate the cost to the Company of employing executives such that in periods of poor performance the cost is lesser (applies to non-market measures under AASB 2). Currently the Company operates two performance rights plans, one which is settled in the form of Company shares (equity-based Rights), and one which is settled in the form of cash, but based on growth/change in the Company's share price (SARs), similar to an option (necessary to avoid potentially adverse tax treatment of certain executive KMP due to personal shareholdings).
Measurement Period	Normally three years. **FY22 Offers** FY22 offers were not made to KMP, pending the Remuneration Committee's review of the LTI plan as well as ongoing strategic reviews. **FY23 Offers** FY23 offers were not made to all KMP, pending the Remuneration Committee's review of the LTI plan. Any new plan that is proposed hopefully will be put to shareholders at the Annual General Meeting in May 2023.
Form of Equity	LTI is in the form of Performance Rights, which are either rights to: • ordinary Company shares, under the regular LTI plan, • or to a cash value equivalent to growth in the market value of a share in respect of each vested Performance Right, since the date of grant/calculation, under the share appreciation rights plan (SARs), both of which vest subject to the satisfaction of conditions related to long term performance and/or service on an identical basis i.e. the form of equity has no bearing on the setting of vesting conditions etc. There is no entitlement to dividends during the Measurement Period.
LTI Value	The Board retains discretion to determine the value of LTI to be offered each year, subject to shareholder approval in relation to Directors, when the Rights are to be settled in the form of a new issue of Company shares. The Board may also seek shareholder approval for grants to Directors in other circumstances, at its discretion.

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.

FY22 Offers
No offers were made for FY 2022 for KMP.

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%

	FY23 Offers FY23 offers have not been made to KMP, pending the Remuneration Committee's review of the LTI plan as well as ongoing strategic reviews. Any new plan that is proposed hopefully will be put to shareholders at the Annual General Meeting in May 2023. **Comments** Noting that the plan is likely to be changed for 2023 and beyond, the Board of Reckon recognises that it is important that shareholders understand why the current LTI vesting conditions selected are appropriate to the circumstances of the Company, and therefore seeks to be transparent in this regard. A form of total shareholder returns (TSR) was selected as it recognises the total returns (share price movement and dividends assuming they are reinvested into company shares) that accrue to shareholders over the Measurement Period. This measure creates the most direct alignment between the experience of shareholders and the scaling of rewards realised by Senior Executives. Relative TSR has been selected to ensure that participants do not receive windfall gains from broad market movements unrelated to the performance of the Senior Executives (which is the key feature that has led many companies to use relative TSR). Relative TSR achieves this by modulating the required TSR outcome of the Company based on indicators of overall market movements, and assessing performance in excess of broad market movements unrelated to the activities of the Company. While ranked TSR was considered, it was not possible to identify a comparator group of companies that was statistically robust enough to be meaningful and the Board was concerned that this would undermine the link between executive performance and reward outcomes. In addition, the comparator group used until very recently is no longer appropriate as several entities have failed or are no longer listed on the ASX. TSR relative to a robust indicator of market movements/performance will therefore apply to future grants of LTI. The relative TSR vesting scale requires that the Company deliver a TSR to shareholders that is at least as good or better than the market over the Measurement Period before any vesting may occur. Full vesting becomes available when the TSR of the Company reaches 100% of the TSR of the index over the Measurement Period. The Target of 110% of the index is considered by the Board to be challenging, but achievable, should the Board's assumptions in making that assessment prevail. While under such a TSR LTI approach, the market indicator is generic, the vesting scale reflects the expectations of the Board, management, shareholders and other stakeholders given the particular circumstances of the Company, relative to the broader market. This new measure is, in the view of the Board and based on advice, likely to better align the outcomes of the LTI plan with Company performance and shareholder interests than selecting a tailored but largely irrelevant comparator group of companies to which a generic vesting scale is then applied, which is the approach adopted by the vast majority of companies that use ranked TSR. Based on advice received by the Board from its independent remuneration advisor in 2016, it is understood to be good practice to have both an external (TSR) and internal measure of long-term Company performance in relation to the LTI. The internal measures that will most clearly align with shareholder value creation at this stage will be the achievement of the earnings growth targets specified by the Board in consideration of business plans and economic circumstances each year. Therefore, earnings per share growth (EPSG) is used as the second condition.
Retesting	The Plan Rules do not contemplate retesting and therefore retesting is not a feature of the Company's current LTI offers.

Plan Gate and Board Discretion	A gate applies to the TSR component of the LTI such that no vesting will occur if the Company's TSR is not positive. If the movement of the index is low over the Measurement Period, at less than 5%, then the Board will exercise its discretion to limit vesting to the threshold level, or an even lesser level. 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 Rights is included in assessments of remuneration and policy.
Exercise of Vested Performance Rights	Under the plan rules, vested Performance Rights will be available to be exercised, subject to the payment of any Exercise Price, until the last exercise date. Exercised Rights will be satisfied in the form of ordinary Company shares, except where the participant necessarily participates in the cash Rights (SAR) plan to address the tax issues faced by them as significant shareholders in the Company (see earlier discussion of this aspect). No amount is payable by participants to exercise vested Performance Rights.
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 or dismissal all unvested Performance Rights are forfeited.
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.

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

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

Remuneration Report (Audited) (continued)

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

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

This legacy arrangement has been phased out, with the final tranche vesting at the end of FY20 in respect of KMP.

3.9 Securities Holding Policy

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

3.10 Clawback Policy

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

4. Actual/Realised Remuneration Relevant to FY22

4.1 Senior Executive Remuneration

The statutory disclosure requirements do not provide clear information on value obtained by KMP during the current year as the statutory information attempts to match the disclosed remuneration with when the services are provided.

The following table outlines the non-deferred component of STI achieved during the financial year, and the LTI, if any, and/or any deferred STI that vested during the financial year in relation to the completion of the performance or vesting period at the end of the specified financial year:

Name	Role(s)	Year	Salary	Superannuation Contributions	Other Benefits[5]	Base Package		STI[1]		LTI[2,7]		Make whole payment[6]		Total Remuneration Package (TRP)
						Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	
Mr Clive Rabie[3]	Group MD, then non-executive director	2022	$99,892	$10,194	$149,973	$260,059	100%	$0	0%	$0	0%	$0	0%	$260,059
	Group MD	2021	$532,950	$26,773	$0	$559,722	100%	$0	0%	$0	0%	$0	0%	$559,722
Mr Sam Allert	Group CEO	2022 ongoing remuneration	$608,751	$27,500	$17,953	$654,204	38%	$183,490	11%	$149,448	9%			$987,142
		2022 make whole payment										$716,571	42%	$716,571
		2022 total												$1,703,713
	Group CEO	2021	$598,461	$26,250	$18,911	$643,622	65%	$175,636	18%	$169,816	17%	$0	0%	$989,074
Mr Chris Hagglund	Group CFO	2022 ongoing remuneration	$517,207	$26,700	$4,483	$548,390	52%	$154,231	15%	$99,632	9%			$802,253
		2022 make whole payment										$250,800	24%	$250,800
		2022 total												$1,053,053
	Group CFO	2021	$510,742	$25,200	$8,332	$544,274	69%	$145,687	18%	$104,377	13%	$0	0%	$794,338
Mr Myron Zlotnick[4]	Company Secretary and Corporate Counsel	2022 ongoing remuneration	$334,031	$27,500	$1,529	$363,060	63%	$0	0%	$0	0%			$363,060
		2022 make whole payment										$214,971	37%	$214,971
		2022 total												$578,031
	Company Secretary	2021	$278,370	$22,083	$16,761	$317,214	84%		0%	$59,000	16%	$0	0%	$376,214
TOTALS		**2022**	**$1,559,880**	**$91,894**	**$173,938**	**$1,825,713**		**$337,721**		**$249,080**		**$1,182,342**		**$3,594,856**
		2021	**$1,920,522**	**$100,306**	**$44,004**	**$2,064,832**		**$321,323**		**$333,193**		**$0**		**$2,719,348**

1 Note that the STI value reported in this table is the STI that was paid during the reporting period, being the award earned during the previous period. Incentive outcomes for the current and previous period are outlined elsewhere in this report.
2 Note that the LTI value reported in this table is the value at grant date of any equity that vested in the specified year.
3 Mr Rabie was Group MD until 31 March 2022, from 1 April 2022 he was a non-executive director.
4 Mr Zlotnick's services as Company Secretary were provided on an independent contractor basis until February 2021 at an annual fee of $160,745 (2020: $160,745). On 22 February 2021 Mr Zlotnick was engaged as an employee.
5 Other benefits include movement in annual leave and long service leave. In the case of Mr Rabie this represents the split of his remuneration in relation to the Legal Group.
6 On 14 November 2022, certain KMP were paid "make whole" payments to remedy the likelihood that the Company's share price may diminish following payment of a special dividend. Amounts paid were Mr Allert $716,571, Mr Hagglund $250,800 and Mr Zlotnick $214,971
7 The LTI shares where shareholders approved the waiving of performance targets for Mr Allert on 25 November 2022, were still subject to continuous employment requirements in 2022, and will vest in 2023.

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

Note that in November 2022, the Group CEO was paid a bonus in respect of 1,000,000 performance shares offered to him under a special incentive performance share (plan reported in 2019); and a bonus was also paid to KMPs who hold certain tranches of performance shares. Refer to note 6 above.

Under the CEO's special incentive offer and the rules of the LTI applicable to KMPs, holders of performance shares 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 Practice Management 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 shares would vest, 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 CEO and KMPs would have received had they been the owners of shares (as opposed to holders of performance shares) at the time the special dividend was paid.

5. Maximum Available Executive Remuneration for FY22

The disclosures required under the Corporations Act and prepared in accordance with applicable accounting standards attempt to match remuneration reported with the services provided to earn that revenue in the relevant year. The table below, on the other hand, indicates remuneration offered to KMP to be earned in the current and future periods. For example, the LTI disclosed is not reflective of the offer made in the year being reported on due to the requirements of AASB 2. It should be noted that the table presents target incentive opportunities for achieving a challenging but achievable target level of performance. In the case of STI, the maximum incentive may be up to 10% higher (i.e. 110% of the target). It should be noted that the table presents target incentive opportunities for achieving a challenging but achievable target level of performance. In the case of STI, the maximum incentive may be up to 10% higher (i.e. 110% of the target).

Position	Incumbent	Base Package Including Super	Other Benefits[2]	Fixed % TRP	STI			LTI			Total Remuneration Package at Target Performance
					Target % of Base Package	Target STI Amount	STI % TRP	Target % of Base Package	Target LTI Amount	LTI % TRP	
Group MD, then non-executive director	Mr Clive Rabie[1]	$110,086	$149,973	100%	0%	$0	0%	0%	$0	0%	$260,059
Group CFO	Mr Chris Hagglund	$543,907	n/a	70%	31%	$166,650	21%	13%	$71,167	9%	$781,724
Group CEO	Mr Sam Allert	$636,251	n/a	66%	31%	$198,000	21%	19%	$120,000	13%	$954,251
Company Secretary and Corporate Counsel	Mr Myron Zlotnick	$361,531	n/a	86%	0%	$0	0%	16%	$59,000	14%	$420,531

1 Mr Rabie was Group MD until 31 March 2022, from 1 April 2022 he was a non-executive director.

2 Applicable to Mr Rabie only. In the case of Mr Rabie this represents the split of his remuneration in relation to the Legal Group.

The incentives presented in the table above is the target level of STI offered for FY22, and for LTI the anual cost of the value at the time of the grant.

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

No LTI offers were made for KMP in FY22.

6. Remuneration Records for FY22 – Statutory Disclosures

The following table outlines the remuneration accrued for Senior Executives of the Company during FY22 and FY21 prepared according to statutory disclosure requirements and applicable accounting standards:

Name	Role(s)	Year	Base Package Including Super and Other Benefits		Non-deferred STI awarded for the Financial Year		Deferred STI for the FY		LTI for the FY[1]		Make whole payment[4]		Actual Total Remuneration Package (TRP)
			Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	
Mr Clive Rabie[2]	Group MD, then non-executive director	2022	$260,059	100%	$0	0%	$0	0%	$0	0%	$0	0%	$260,059
	Group MD	2021	$559,722	100%	$0	0%	$0	0%	$0	0%	$0	0%	$559,722
Mr Chris Hagglund	Group CFO	2022 ongoing remuneration	$548,390	53%	$85,089	8%	$72,343	7%	$71,167	7%			$776,989
		2022 make whole payment									$250,800	24%	$250,800
		2022 total											$1,027,789
		2021	$544,274	68%	$83,368	10%	$70,863	9%	$99,632	12%	$0	0%	$798,137
Mr Sam Allert	Group CEO	2022 ongoing remuneration	$654,203	39%	$125,284	7%	$62,009	4%	$120,000	7%			$961,496
		2022 make whole payment									$716,571	43%	$716,571
		2022 total											$1,678,067
	Group CEO	2021	$643,622	66%	$122,750	13%	$60,740	6%	$149,448	15%	$0	0%	$976,560
Mr Myron Zlotnick[3]	Company Secretary and Corporate Counsel	2022 ongoing remuneration	$363,061	57%	$0	0%	$0	0%	$59,000	9%			$422,061
		2022 make whole payment									$214,971	34%	$214,971
		2022 total											$637,032
	Company Secretary	2021	$317,214	100%	$0	0%	$0	0%	$0	0%	$0	0%	$317,214
TOTALS		**2022**	**$1,825,713**		**$210,373**		**$134,352**		**$250,167**		**$1,182,342**		**$3,602,947**
		2021	**$2,064,832**		**$206,118**		**$131,603**		**$249,080**		**$0**		**$2,651,633**

1 Note that the LTI value reported in this table is the amortised accounting charge of all grants that have not lapsed or vested as at the start of the reporting period.
2 Mr Rabie was Group MD until 31 March 2022, from 1 April 2022 he was a non-executive director.
3 Mr Zlotnick's services as Company Secretary were provided on an independent contractor basis until February 2021 at an annual fee of $160,745 (2020: $160,745). On 4 February 2021 Mr Zlotnick was engaged as an employee.
4 On 14 November 2022, certain KMP were paid "make whole" payments to remedy the likelihood that the Company's share price may diminish following payment of a special dividend. Amounts paid were Mr Allert $716,571, Mr Hagglund $250,800 and Mr Zlotnick $214,971.

Note that in November 2022, the Group CEO was paid a bonus in respect of 1,000,000 performance shares offered to him under a special incentive performance share (reported in 2019); and a bonus was also paid to KMPs who hold certain tranches of performance shares.

Under the CEO's special incentive offer and the rules of the LTI applicable to KMPs, holders of performance shares 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 shares would vest, 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 CEO and KMPs would have received had they been the owners of shares (as opposed to holders of performance shares) at the time the special dividend was paid.

Remuneration Report (Audited) (continued)

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

Remuneration received by non-executive directors in FY22 and FY21 is disclosed below:

Name	Role(s)	Year	Board Fees	Committee Fees	Superannuation	Other Benefits	Equity Grant	Termination Benefits	Total
Mr Greg Wilkinson	Independent, non-executive Chairman	2022	$126,072	$0	$12,919	$0	$0	$0	$138,991
	Independent, non-executive Deputy Chairman	2021	$124,848	$0	$12,179	$0	$0	$0	$137,027
Mr Philip Hayman	Independent, non-executive director	2022	$84,048	$0	$8,613	$0	$0	$0	$92,661
	Independent, non-executive director	2021	$83,232	$0	$8,119	$0	$0	$0	$91,351
TOTALS		**2022**	**$210,120**	**$0**	**$21,532**	**$0**	**$0**	**$0**	**$231,652**
		2021	**$208,080**	**$0**	**$20,298**	**$0**	**$0**	**$0**	**$228,378**

7. Performance Outcomes for FY22

7.1 Company Performance

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

In the context of some lagged impact of COVID 19 and an extremely competitive market, especially for the Business Group, and the Accountant Group to some extent, 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 incentivized 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;
- ±8% 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-22	$64.7[1]	$57.8	$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
31-Dec-18	$75.4	$7.7	$0.67	-$0.90	$0.03

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).

7.2 Links Between Performance and Reward

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

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

The STI achieved in relation to the FY22 period was paid after the end of the period (during FY23) in February 2023. On average 104% of the target award opportunity or approximately 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 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 FY22 period the objectives that were linked to the payment of STI included:

Name	Position Held at Year End	FY22 Company Level KPI Summary				Award Outcomes
		KPI Summary	Weighting	Target	Achievement	Total Award
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 realised remuneration table presented earlier.

The STI paid during the FY22 period related to performance during the FY21 period and was paid in cash in February 2022. On average 102% of the target award opportunity or 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 that was in place during FY21, which is summarised in the table below. Therefore, there were strong links between internal measures of Company performance and the payment of short-term incentives:

Name	Position Held at Year End	FY21 Company Level KPI Summary				Award Outcomes
		KPI Summary	Weighting	Target	Achievement	Total Award[1]
Mr Clive Rabie	Group MD	Revenue EBITDA EPS	40% 40% 20%	n/a	n/a	n/a
Mr Chris Hagglund	Group CFO	Revenue EBITDA EPS	40% 40% 20%	$72.9m $28.9m 5.9cps	99% 102% 110%	$83,368
Mr Sam Allert	Group CEO/ MD ANZ	Revenue EBITDA EPS	40% 40% 20%	$72.9m $28.9m 5.9cps	99% 102% 110%	$122,750
Mr Myron Zlotnick	Company Secretary and Corporate Counsel	Revenue EBITDA EPS	40% 40% 20%	n/a	n/a	n/a

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

Vesting of LTI incentives for the performance period 2020 to 2022 were paid in February 2023 based on achievement of KPIs set at follows:

Incumbent	Role	Target LTI Value (at grant January 2019) to Vest for FY22[1]	Tranche	Weighting %	Number of Shares Eligible to Vest for FY22	Performance Against Target	% of Grant Vested	Number of Shares or Appreciation Rights Vested
Mr Clive Rabie	Group MD	n/a	TSR EPS	n/a	n/a	n/a	n/a	n/a
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	Company Secretary and Corporate Counsel	n/a	TSR EPS	n/a	n/a	n/a	n/a	n/a

1 For Mr Allert the grant date was 1 September 2019

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. Any proposed changes hopefully will be put to shareholders for approval at the Annual General Meeting in May 2023.

7.3 Links Between Company Strategy and Remuneration

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

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

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

8. Employment Terms for Key Management Personnel

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

Name	Position Held at Close of FY22	Employing Company	Duration of Contract	Period of Notice		Termination Payments
				From Company	From KMP	
Mr Clive Rabie[1]	Group MD and then non-executive director	Reckon Limited	Open ended	1 month	1month	Up to 12 months*
Mr Chris Hagglund	Group CFO	Reckon Limited	Open ended	3 months	3 months	Up to 12 months*
Mr Myron Zlotnick[2]	Company Secretary and Corporate Counsel	Reckon Limited	Open ended	1 month	1 month	Up to 12 months*
Mr Sam Allert	Group CEO	Reckon Limited	Open ended	1 month	1 month	Up to 12 months*

1 Mr Rabie was Group MD until 31 March 2022, from 1 April 2022 he was a non-executive director.

2 Mr Zlotnick's services as Company Secretary were provided on an independent contractor basis until February 2021. On 22 February 2021 Mr Zlotnick was engaged as an employee.

* 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.

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 FY22	Employing Company	Duration of Contract	Period of Notice		Termination Payments
				From Company	From KMP	
Mr Greg Wilkinson	Independent non-executive Chairman	Reckon Limited	Open ended	None	None	None
Mr Phillip Hayman	Independent Non-executive Director	Reckon Limited	Open ended	None	None	None

9. Changes in KMP Held Equity

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

Name	Instrument	Number Held at Open 2022	Granted FY22	Forfeited	Vested[1]	Purchased / Disposed / DRP	Number Held at Close 2022
		Number	Number	Number	Number	Number	Number
Mr Clive Rabie	Shares	10,597,141	0	0	0	(390,606)	10,206,535
	Rights/ Options	0	0	0	0	0	0
Mr Chris Hagglund	Shares	941,500	0	0	0	(288,140)	653,360
	Rights/ Options[2]	350,000	0	0	0	0	350,000
Mr Myron Zlotnick	Shares	0	0	0	0	0	0
	Rights/ Options	300,000	0	0	0	0	300,000
Mr Sam Allert	Shares	487,779	0	0	0	0	487,779
	Rights/ Options[2]	1,000,000	0	0	0	0	1,000,000

1 1 January 2023.

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 2022	Granted FY22	Forfeited	Vested	Purchased / DRP	Number Held at Close 2022
		Number	Number	Number	Number	Number	Number
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

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

2022 Equity Grants		Tranche	Total Value at Grant	Value Expensed in FY22	Max Value to be Expensed in Future Years	Min Value to be Expensed in Future Years
Name	Role					
Mr Clive Rabie	Group MD	TSR	n/a	n/a	n/a	n/a
		EPS	n/a	n/a	n/a	n/a
		Service	Must be employed at end of performance period			
Mr Chris Hagglund	Group CFO	TSR	$0	$0	$0	$0
		EPS	$0	$0	$0	$0
		Service	Must be employed at end of performance period			
Mr Myron Zlotnick	Company Secretary	TSR	$0	$0	$0	$0
		EPS	$0	$0	$0	$0
		Service	Must be employed at end of performance period			
Mr Sam Allert	Group CEO	TSR	$0	$0	$0	$0
		EPS	$0	$0	$0	$0
		Service	Must be employed at end of performance period			
TOTALS			**$0**	**$0**	**$0**	**$0**

10. Other Remuneration Related Matters

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

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

The rules state that in all cases save as the rules provide otherwise, the Board has an over-riding discretion in relation to any of its powers under the Rules.

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
Greg Wilkinson	12	12	2	2	2	2
Clive Rabie	12	12	n/a	n/a	n/a	n/a
Phil Hayman	12	12	2	2	2	2
Sam Allert	12	12	n/a	n/a	n/a	n/a

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 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

Reckon Limited advised on 9 March 2023 that it, together with minority shareholders, has made a commitment to provide approximately US$4 million in funding to its Legal Practice Management Group ("Legal Group"), which operates under the nQZebraworks brand in the US. Certain other existing investors ("co-investors") in the Legal Group, including the nQZebraworks CEO, have also agreed to provide growth capital on a pro-rata basis. Minority shareholders that elect not to contribute, will dilute.

Reckon's portion of the investment will be staged over 24 months and funded through earnings from Reckon's existing operations, with capital deployed towards scaling operations in the rapidly growing US legal market.

The strategic rationale for the capital injection is underpinned by the view of the Reckon management team that the Company now has a major opportunity to leverage its footprint in the US legal market and generate a step-change in revenues and group earnings.

Reckon's increased investment will be deployed towards a targeted business development strategy in the USA, where it already provides scan and print management workflow solutions practice management software to five of the world's largest legal firms and has increased capacity to scale up its client base.

Additional funds will also be allocated to product optimisation amid the ongoing transition from desktop-based products to innovative cloud-based solutions. The Company is confident that the new funding will provide considerable financial flexibility to capitalise on growth over the next 24 months.

Alongside the new funding commitment, Reckon will seek to implement a long-term incentive plan for the Legal Group's USA management and staff to pursue growth and exit opportunities. Details of this incentive plan will be subject to shareholder approval, to be sought at the next Annual General Meeting.

The investment highlights Reckon's ongoing commitment to unlocking growth opportunities for practice management solutions in the large US legal services industry.

In addition, Reckon will also acquire existing securities in the Legal Group, issued to previous management.

These transactions will increase Reckon's ownership in the division from 70% to 76% at a total cash cost of US$4 million.

Auditor’s Independence Declaration

The auditor’s independence declaration is included after this report on page 42.

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.

On behalf of the directors,

Mr C Rabie
Chairman
Sydney 30 March 2023

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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 2022, 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

30 March 2023

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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 2022, the consolidated statement of profit or loss, 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 a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2022 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 services, significant management judgment is required in 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 2022 the Group has reported sales revenue of $51.2m (2021: $49.5m) 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 2022 are $7.1m (2021: 5.9m) as disclosed in Note 17.	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 2022 is $27.8m (2021: $39.8m) 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 judgment in assessing whether the costs are: • Eligible for capitalisation under the criteria prescribed by Australian Accounting Standards • Appropriate and directly attributable to relevant products developed • Supportable to the extent to which these capitalised development costs will generate sufficient economic benefit to support their carrying values.	Our procedures, amongst other, 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.

Disposal of Practice Management Accountant Group

Key audit matter	*How the matter was addressed in our audit*
On 20 May 2022, the Group announced the proposed sale of the Practice Management Accountant Group for an all-cash sale valued at $100m. The completion of the sale took place on 1 August 2022 as disclosed in note 26(e) of the financial report. Due to the significance of this transaction to the financial statements, we identified this transaction as a key audit matter.	Our procedures, amongst others, included: • Obtaining and reviewing the sale contract documentation, assessing compliance with the terms and conditions therein; • On a sample basis, performing a substantive audit of the discontinued operation and asset held for sale note including vouching the cash receipt to the bank documentation; • Assessing the calculation of profit on disposal in accordance with AASB 5 Non-

	current assets held for sale and discontinued operations ensuring correct cut off of transactions at disposal date; and • 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 2022, 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 2022.

In our opinion, the Remuneration Report of Reckon Limited, for the year ended 31 December 2022, 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

Sydney, 30 March 2023

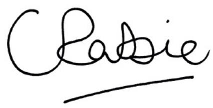
Directors’ Declaration

The directors of the company declare that:

1. the financial statements and notes as set out on pages 49 to 105, 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 2022 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, 30 March 2023

Consolidated Statement of Profit or Loss

for the year ended 31 December 2022

	Note	Consolidated	
		2022 $'000	2021 $'000
			Restated[1]
Continuing operations			
Revenue	3, 4	**51,228**	**49,517**
Product costs	3	(7,506)	(7,003)
Employee benefits expenses		(17,093)	(17,276)
Marketing expenses		(3,393)	(3,136)
Premises and establishment expenses		(600)	(561)
Telecommunications		(335)	(343)
Legal and professional expenses		(752)	(837)
Other expenses		(3,105)	(2,791)
Transaction costs		-	(411)
Transaction related share based payment expenses	26(c)	(483)	(1,099)
Other income - Cares Act loan forgiveness	3	-	1,202
Depreciation and amortisation of other non-current assets	3	(13,133)	(11,370)
Finance costs	3	(72)	(433)
Profit before income tax		**4,756**	**5,459**
Income tax expense	5	(1,166)	190
Profit for the year attributable from continuing operations		**3,590**	**5,649**
Profit from discontinued operations	26(e)	53,224	3,566
Profit for the year		**56,814**	**9,215**
Profit attributable to:			
Owners of the parent		57,778	9,822
Non - controlling interest		(964)	(607)
Profit for the year		**56,814**	**9,215**
Earnings per share for profit attributable to the parent		Cents	Cents
Basic Earnings per Share		51.0	8.7
Diluted Earnings per Share		49.9	8.4
Earnings per share from continuing operations for profit attributable to the parent			
Basic earnings per share	22	4.0	5.5
Diluted earnings per share	22	3.9	5.4
Earnings per share from discontinued operations for profit attributable to the parent			
Basic earnings per share		47.0	3.2
Diluted earnings per share		46.0	3.0

1 Restated to reflect the sale of the Practice Management Group, Accountants business, refer 26(e)

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 2022

	Note	Consolidated	
		2022 $'000	2021 $'000
			Restated[1]
Profit for the year		**56,814**	**9,215**
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	21	695	219
Exchange difference on translation of foreign operations - discontinued operations	21	(154)	(3)
Fair value movement on interest rate swap	21	58	199
Total other comprehensive income/(loss), net of income tax		**599**	**415**
Total comprehensive income for the year		**57,413**	**9,630**
Total comprehensive income attribute to:			
Owners of the parent		58,377	10,237
Non - controlling interest		(964)	(607)
		57,413	**9,630**

1 Restated to reflect the sale of the Practice Management Group, Accountants business, refer 26(e)

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 2022

	Note	Consolidated	
		2022 $'000	2021 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	26	1,233	1,394
Trade and other receivables	7	1,949	2,969
Inventories		347	566
Current tax receivables		-	420
Other assets	8	1,448	1,937
Total Current Assets		**4,977**	**7,286**
Non-Current Assets			
Trade and other receivables	7	146	-
Property, plant and equipment	9	686	1,810
Deferred tax assets	11	985	42
Intangible assets	12	31,017	58,202
Other assets	8	96	170
Right of use assets	10	2,037	4,362
Total Non-Current Assets		**34,967**	**64,586**
Total Assets		**39,944**	**71,872**
LIABILITIES			
Current Liabilities			
Trade and other payables		3,329	4,468
Provisions	15	1,927	3,022
Contract liabilities	17	5,804	5,912
Other financial liabilities	14	-	58
Current tax liabilities		299	-
Lease liabilities	10	1,091	1,737
Total Current Liabilities		**12,450**	**15,197**
Non-Current Liabilities			
Trade and other payables		250	1,183
Borrowings	13	4,074	16,137
Deferred tax liabilities	16	2,389	3,995
Provisions	15	206	268
Contract liabilities	17	1,330	-
Lease liabilities	10	1,329	3,269
Total Non-Current Liabilities		**9,578**	**24,852**
Total Liabilities		**22,028**	**40,049**
Net Assets		**17,916**	**31,823**
EQUITY			
Issued capital	20	19,534	20,524
Reserves	21	(48,087)	(48,626)
Retained earnings		45,698	58,631
Total Equity attributable to owners of the parent		**17,145**	**30,529**
Non - controlling interest		771	1,294
Total Equity		**17,916**	**31,823**

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 2022

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 27)	-	-	-	-	-	(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 Changes in Equity (continued)

for the year ended 31 December 2022

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 2021	**20,524**	**(42,018)**	**(1,905)**	**679**	**(257)**	**54,508**	**(6,152)**	**-**	**25,379**
Non - controlling interest at date of acquisition (note 26 (c))	-	-	-	-	-	-	-	849	849
Profit for the year	-	-	-	-	-	9,822	-	(607)	9,215
Other comprehensive income:									
Exchange differences on translation of foreign operations	-	-	216	-	-	-	-	-	216
Fair value movement on interest rate swap	-	-	-	-	199	-	-	-	199
Total comprehensive income	-	-	216	-	199	9,822	-	(607)	9,630
Share based payments expense (note 3)	-	-	-	598		-	-	1,059	1,657
Dividends paid (note 27)	-	-	-	-	-	(5,665)	-	-	(5,665)
Vested shares	-	-	-	(43)	-	22	-	-	(21)
Treasury shares transferred to retained earnings	-	-	-	56	-	(56)	-	-	-
Exchange adjustment	-	-	-	1	-	-	-	(7)	(6)
Balance at 31 December 2021	**20,524**	**(42,018)**	**(1,689)**	**1,291**	**(58)**	**58,631**	**(6,152)**	**1,294**	**31,823**

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 2022

	Note	Consolidated Inflows/(Outflows)	
		2022 $'000	2021 $'000
Cash Flows From Operating Activities			
Receipts from customers		70,767	80,195
Payments to suppliers and employees		(43,536)	(47,447)
Payment for capitalised development costs		(19,157)	(20,347)
Interest (paid) / received		372	(548)
Income taxes paid		(759)	(1,068)
Net cash inflow from operating activities	26(b)	**7,687**	**10,785**
Cash Flows From Investing Activities			
Proceeds from sale of business	26(e) and 26(d)	78,381	12,892
Cash balance on acquisition of subsidiary	26(c)	-	613
Loan repayments received		-	131
Payment for property, plant and equipment		(213)	(739)
Net cash inflow from investing activities		**78,168**	**12,897**
Cash Flows From Financing Activities			
Repayment of borrowings		(12,063)	(15,651)
Payments for lease liabilities capitalised under AASB 16		(1,631)	(2,121)
Payment for treasury shares		(1,993)	(21)
Dividends paid to owners of the parent	27	(70,243)	(5,665)
Net cash outflow from financing activities		**(85,930)**	**(23,458)**
Net Increase in cash and cash equivalents		**(75)**	**224**
Cash and cash equivalents at the beginning of the financial year		1,394	1,134
Cash transferred on sale of the Practice Management Accountant Group		(93)	-
Effects of exchange rate changes on cash and cash equivalents		7	36
Cash and cash equivalents at the end of the financial year	26(a)	**1,233**	**1,394**

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

Notes to the Financial Statements

for the year ended 31 December 2022

1 Summary of Significant Accounting Policies

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

Basis of preparation

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

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 statements were authorised for issue by the directors on 30 March 2023.

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.

COVID-19 Impact

The Reckon Group has again displayed its resilience, by posting revenue growth in these extraordinary times. This is despite revenue growth being hampered by COVID-19 in the Legal Group where there is a reliance on on-site sales and installation activity.

No impairment is considered necessary.

The impact of the COVID-19 pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Significant 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 19.

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 14) 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) and 14.

(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

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)

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.

Corporate Services (Practice Management Accountant Group)

Corporate Services revenue relates to the provision of services including the registration of companies, provision of template trust deeds and provision of company search information. These services are sold as once-off products on an ad-hoc basis as required by a customer and deemed to have one distinct performance obligation for the services provided.

Revenue is recognised for corporate services at the point of sale. This is because the services are provided to the customer immediately once payment is made and there is not further obligation linked to this good.

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

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	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.
Corporate Services Revenue	Provision of corporate services	At the point of sale.
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.

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 nonfinancial 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.

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

(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 judgments, estimates and assumptions

Significant accounting judgments

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

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

Revenue recognition – 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 19 and 26 (c).

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.

Deferred consideration - the Group assesses the likelihood of the payment of deferred consideration on its business combinations based on budgeted and forecast performance.

(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 $7,473 thousand (2021: $7,911 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 were $7,687 thousand (2021: $10,785 thousand). Unused bank facilities at balance date was $19,477 thousand. Also, included in current liabilities are contract liabilities of $5,804 thousand (2021: $5,912 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.

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.
- Practice Management Group, Accountant - development, distribution and support of practice management, tax, client accounting and related software under the APS brand and Reckon Elite brand (Discontinued in 2022).
- 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.

2 Segment Information (continued)

	Business Group $'000	Practice Management Legal Group $'000	Continuing Operations	Discontinued Operations	Consolidated Group
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 (refer note 26(c))			(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**
2021 Restated[3]					
Operating revenue	39,881	9,636	49,517	22,556	72,073
Segment results					
EBITDA[1]	**20,379**	**514**	**20,893**	**12,185**	**33,078**
Depreciation and amortisation	(7,771)	(3,599)	(11,370)	(7,534)	(18,904)
Segment profit before tax	12,608	(3,085)	9,523	4,651	14,174
Central administration costs			(3,323)	-	(3,323)
Transaction costs[2]			(411)	-	(411)
Transaction related shared based payment expenses (refer note 26(c))			(1,099)	-	(1,099)
Other income - Cares Act loan foregiveness (refer note 3)			1,202	-	1,202
Finance costs			(433)	(342)	(775)
Profit before income tax			5,459	4,309	9,768
Income tax expense			190	(743)	(553)
Profit for the year			**5,649**	**3,566**	**9,215**

1 EBITDA means earnings before interest tax, depreciation and amortisation.
2 Transaction costs relate to merger of the Legal Group and Zebraworks.
3 Restated to reflect the sale of the Practice Management Group, Accountants business, refer 26(e)

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 2022 or 2021.

2 Segment Information (continued)

Segment assets and liabilities	Assets 2022 $'000	Assets 2021 $'000	Liabilities 2022 $'000	Liabilities 2021 $'000	Additions to non-current assets 2022 $'000	Additions to non-current assets 2021 $'000
Business Group	19,418	19,576	8,564	10,603	10,787	9,148
Practice Management Group, Legal	15,919	14,027	6,702	5,154	4,985	4,676
Corporate Division	4,607	4,113	6,762	20,554	-	-
Continuing operations	39,944	37,716	22,028	36,311	15,772	13,824
Practice Management Group, Accountant (Discontinued)	-	34,156	-	3,738	4,212	8,663
	39,944	71,872	22,028	40,049	19,984	22,487

(b) Geographical information

	Revenue from external customers 2022 $'000	Revenue from external customers 2021 $'000	Non-current assets 2022 $'000	Non-current assets 2021 $'000
Australia	38,650	37,686	20,815	19,835
United States of America	8,740	7,760	13,730	8,689
Other countries (i)	3,838	4,071	422	2,893
Continuing operations	51,228	49,517	34,967	31,417
Discontinued operations	13,469	22,556	-	33,169
	64,697	72,073	34,967	64,586

(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	
	2022 $'000	2021 $'000
		Restated[1]
Profit before income tax includes the following items of revenue and expense:		
Revenue		
Sales revenue		
Subscription revenue	46,708	43,898
Other recurring revenue	236	1,051
Loans revenue	186	248
Other revenue	4,098	4,320
Sale of goods and rendering of services	51,228	49,517
Expenses		
Product costs	7,506	7,003
Expected credit losses:		
Other Entities	67	333
Depreciation of non-current assets:		
Property, plant and equipment	824	817
Amortisation of non-current assets:		
Leasehold improvements	178	251
Right of use assets	699	826
Intellectual property	14	25
Development costs	11,418	9,451
Total depreciation and amortisation	13,133	11,370
Foreign exchange losses / (gains)	(14)	31
Employee benefits expense:		
Post employment benefits – defined contribution plans	1,988	2,088
Termination benefits	57	84
Equity settled share based payments	913	1,657
Finance costs/(income):		
Loans/overdrafts	179	246
Leases	72	97
Other	(179)	90
	72	433
Operating lease rental expenses:		
Minimum lease payments	224	404
Other income - Cares Act loan forgiveness	-	1,202

In the prior year, the Legal Group in the USA received a loan under the "CARES" Act. This was received as part of the USA stimulus package to assist small businesses during the COVID-19 crisis. The loan was able to be forgiven if the use of the loan met certain criteria, which included retaining our USA employees. The criteria have been met and so the loan has been forgiven.

1 Restated to reflect the sale of the Practice Management Group, Accountants business, refer 26(e)

4 Revenue

Primary segments	Product Description	Revenue recognition	Busines Group $'000	Practice Management Accountant Group $'000	Practice Management Legal Group $'000	Consolidated Group $'000
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**
2021 Restated						
Subscription revenue	Licence, support and hosting	Over time	10,334	-	8,307	18,641
	Licence	Point in time	25,257	-	-	25,257
Other recurring revenue	Support	Over time	32	-	-	32
	Licence	Point in time	1,019	-	-	1,019
Loan income	Interest and commission	Over time	248	-	-	248
Other revenue	Membership support	Over time	399	-	-	399
	Membership fees - license	Point in time	2,030	-	-	2,030
	Licence and implementation	Point in time	-	-	1,329	1,329
	Other	Point in time	562	-	-	562
Total revenue for continuing operations			**39,881**	**-**	**9,636**	**49,517**
Discontinued operations						
Subscription revenue	Bundled licence, support, hosting and implementation	Over time	-	21,357	-	21,357
Other revenue	Licence and implementation	Point in time	-	430	-	430
	Corporate services	Point in time	-	769	-	769
			39,881	**22,556**	**9,636**	**72,073**

5 Income Tax

	Consolidated	
	2022 $'000	2021 $'000
(a) Income tax expense recognised in profit and loss		
Current tax	18,631	2,027
Deferred tax	180	(960)
Over provided in prior years	(69)	(514)
	18,742	553
(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	4,756	5,459
Profit before income tax from discontinued operations	70,800	4,309
Profit before income tax	75,556	9,768
Income tax expense calculated at 30% of profit	22,667	2,930
Tax Effect of:		
Effect of lower tax rates on overseas income	110	(17)
Utilisation of prior period capital tax losses not previously brought to account	(152)	(1,135)
Tax effect of non-deductible/non-taxable items:		
Proceeds on sale of business	(3,282)	-
Research and development claims	(646)	(780)
Sundry items	114	69
	18,811	1,067
Over provision in prior years	(69)	(514)
Income tax expense attributable to profit	18,742	553
Comprising:		
Continuing operations	1,166	(190)
Discontinued operations	17,576	743
	18,742	553

The tax rate used for the 2022 and 2021 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	460	694
Capital	1,204	1,155
	1,664	1,849

6 Remuneration of Auditors

	Consolidated	
	2022 $	2021 $
(a) BDO and Deloitte Touche Tohmatsu		
During the year, the auditors of the parent entity earned the following remuneration:		
BDO		
Auditing and reviewing of financial reports	233,402	168,000
Tax compliance and other consulting services	64,033	46,000
	297,435	214,000
Deloitte Touche Tohmatsu		
Auditing and reviewing of financial reports	-	46,350
Tax compliance and other consulting services	-	86,740
	-	133,090
	297,435	347,090

(b) Other Auditors		
Auditing and reviewing of financial reports	59,258	65,306
Tax compliance and other consulting services	61,317	62,325
	120,575	127,631

7 Trade and Other Receivables

	Consolidated	
	2022 $'000	2021 $'000
Current:		
Trade receivables (i)	1,881	2,739
Allowance for Expected Credit Loss (ECL)	(30)	(149)
	1,851	2,590
Other receivables	98	379
	1,949	2,969

Non-current:		
Other receivables	146	-

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

Past due 0 – 30 days	1,005	1,124
Past due 31 – 60 days	73	85
Past due 61+ days	138	445
Total	1,216	1,654

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

Balance at beginning of the year	149	463
Amounts written off during the year	(67)	(337)
Increase in ECL recognised in the profit and loss	(52)	23
Balance at end of year	30	149

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 2022 was determined as follows:

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.

7 Trade and Other Receivables (continued)

2021

Receivables	Business Group $'000	Legal Practice Management Group $'000	Accountant Practice Management Group $'000	Group $'000
Current	254	294	537	1,085
Past due 1 to 30 days	27	1,017	80	1,124
Past due 30 to 60 days	28	30	27	85
Past due over 60 days	34	229	182	445
Total receivables	343	1,570	826	2,739
Allowance based on historic credit losses	1	52	3	56
Adjustment for expected changes in credit risk[1]	6	75	12	93
Credit loss allowance	7	127	15	149
Net carrying amount	336	1,443	811	2,590

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	
	2022 $'000	2021 $'000
Current:		
Prepayments	1,448	1,877
Other	-	60
	1,448	1,937

Non current:		
Prepayments	59	61
Other	37	109
	96	170

9 Property, Plant and Equipment

	Consolidated	
	2022 $'000	2021 $'000
Leasehold Improvements		
At cost	1,082	2,594
Less: Accumulated amortisation	(896)	(1,882)
Total leasehold improvements	186	712

Plant and equipment		
At cost	5,056	10,736
Less: Accumulated depreciation	(4,556)	(9,638)
Total plant and equipment	500	1,098
	686	1,810

	Leasehold Improvements $'000	Plant and Equipment $'000	Total $'000
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 26(e))	(271)	(203)	(474)
Depreciation/amortisation expense	(293)	(627)	(920)
Balance at 31 December 2022	186	500	686

Consolidated			
Carrying amount at 1 January 2021	713	1,209	1,922
Additions	261	491	752
Effect of foreign currency exchange differences	7	29	36
Capitalised lease incentive reallocated	181	-	181
Depreciation/amortisation expense	(450)	(631)	(1,081)
Balance at 31 December 2021	712	1,098	1,810

10 Right of Use Assets/Lease liabilities

	Consolidated	
	2022 $'000	2021 $'000
Right of use assets		
At cost	6,363	11,324
Less: Accumulated amortisation	(4,326)	(6,962)
	2,037	4,362
Lease liabilities		
Current	1,091	1,737
Non-current	1,329	3,269
	2,420	5,006
Lease liabilities maturity profile		
Year 1	1,091	1,737
Year 2	1,136	1,544
Year 3	193	1,474
Year 4	-	251
	2,420	5,006
Consolidated Right of Use Assets		
Carrying amount at 1 January	4,362	5,960
Additions	98	263
Effect of foreign currency exchange differences	(9)	11
Sale of Practice Management Accountant Group (refer note 26(e))	(1,010)	-
Depreciation/amortisation expense	(1,404)	(1,872)
Balance at 31 December	2,037	4,362

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

11 Deferred Tax Assets

	Consolidated	
	2022 $'000	2021 $'000
The balance comprises temporary differences attributable to:		
Expected credit loss	-	2
Employee benefits	2	20
Recoverable losses	983	-
Other provisions	-	20
	985	42
Details of unrecognised deferred tax assets can be found in Note 5(c)		
Reconciliation:		
Opening balance at 1 January	42	50
(Charged) / credited to profit or loss	943	(8)
Balance at 31 December	985	42

12 Intangibles

Intellectual property – at cost (i)	14,655	14,655
Accumulated amortisation	(14,655)	(14,641)
	-	14
Development costs – at cost	99,658	175,587
Accumulated amortisation	(71,812)	(135,748)
	27,846	39,839
Goodwill – at cost	3,171	18,349
	31,017	58,202

(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 2022		18,349	14	39,839	58,202
Additions		-	-	19,782	19,782
Sale of Practice Management Accountant Group	26 (e)	(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
At 1 January 2021		29,107	39	36,586	65,732
Additions	26(c)	221	-	21,251	21,472
Disposal	26(d)	(11,124)	-	(1,540)	(12,664)
Effect of foreign currency exchange differences		145	-	(39)	106
Amortisation charge		-	(25)	(16,419)	(16,444)
At 31 December 2021		18,349	14	39,839	58,202

12 Intangibles (continued)

	Consolidated	
	2022 $'000	2021 $'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	730
Practice Management Group, Accountant - Discontinued	-	14,641
Practice Management Group, Legal	3,125	2,978
	3,171	18,349

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 post-tax discount rate of 10.9% (2021:10.8%) 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 (2021:2.5%).

In assessing impairment using value in use for the Legal Group, the estimated future cash flows are discounted to their present value using a post-tax discount rate of 13% (2021:11% for the existing business and 25% 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 2 years. Subsequent cash flows are projected using constant long term average growth rates of 3% per annum (2021:3%)

Within the Business Group Segment, an impairment charge of $684 thousand has been incurred against the goodwill recorded on a CGU. 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 prior 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	
	2022 $'000	2021 $'000
Current:		
Bank overdraft (i)	-	-
Non-current		
Bank borrowings (i)	4,074	16,137

(i) The consolidated entity has decreased its bank facilities to $25 million during the year (2021 : $40 million) following the sale of the Practice Management Accountants Group business. 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.

2022	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	4,074	1,449
Unused	17,926	1,551
The remaining contractual maturity for the facility is as follows:		
2-5 years	4,074	1,449
Weighted average interest rate	2.21%	2.61%

14 Other financial assets/(liabilities)

	Consolidated	
	2022 $'000	2021 $'000
Current:		
Derivative that is designated and effective as a hedging instrument carried at fair value	-	(58)

15 Provisions

	Consolidated	
	2022 $'000	2021 $'000
Current:		
Employee benefits – annual leave	833	1,206
Employee benefits – long service leave	1,094	1,816
	1,927	3,022
Non-current:		
Employee benefits – long service leave	206	268

16 Deferred Tax Liabilities

	Consolidated	
	2022 $'000	2021 $'000
The temporary differences are attributable to:		
Expected credit loss	(4)	(4)
Employee benefits	(800)	(1,182)
Contract liabilities	(434)	(436)
Difference between book and tax value of non-current assets	3,676	6,361
Other provisions	(49)	(744)
	2,389	3,995
Reconciliation:		
Opening balance at 1 January	3,995	4,963
Charged / (credited) to profit or loss	1,123	(968)
Sale of Practice Management Accountant Group (refer note 26(e))	(2,729)	-
Balance at 31 December	2,389	3,995

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

17 Contract liabilities

	Consolidated	
	2022 $'000	2021 $'000
The unsatisfied performance obligations are as set out below:		
Current		
Subscription revenue	5,659	5,753
Other revenue	145	159
	5,804	5,912
Non-current		
Subscription revenue	1,330	-

18 Parent Entity Disclosures

	Parent	
	2022 $'000	2021 $'000
Financial position		
Assets		
Current assets	1,741	3,974
Non-current assets	37,130	67,419
	38,871	71,393
Liabilities		
Current liabilities	7,243	9,757
Non-current liabilities	8,573	26,352
	15,816	36,109
Equity		
Share capital	19,534	20,524
Share buyback reserve	(42,018)	(42,018)
Swap hedging reserve	-	(58)
Share based payments reserve	1,145	1,250
Acquisition of non-controlling interest reserve	(1,657)	(1,657)
Foreign currency translation reserve	(476)	(476)
Retained earnings	46,527	57,719
	23,055	35,284
Financial performance		
Total comprehensive income	37,091	6,229
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).

19 Employee Benefits

Long-term incentive plan

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

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 (2021: Nil).

475,000 senior executive rights (2021: 595,000), nil appreciation rights (2021: nil), and nil performance shares (2021: nil), were issued during the year. The fair value of senior executive rights issued in 2022 was $0.72, using a model that adopts the Monte Carlo simulation approach. The assumptions used in this model for the tranches issued in 2022 are: grant date share price of $0.93; expected volatility of 40.0%; dividend yield of 5.0%; and a risk-free rate of 1.0%. The expense recognised in 2022 for the rights/performance shares was $430 thousand (2021: $558 thousand). Remaining share based payments of $483 thousand (2021: $1,099 thousand) relates to nQueue Zebraworks Inc. refer to note 26(c).

19 Employee Benefits (continued)

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

Performance Shares								
Grant Date	Vesting Date	Shares Granted	Shares lapsed during the year		Shares vested during the year		Shares available at the end of the year	
			2022	2021	2022	2021	2022	2021
Jan'14	Dec'20	101,250	-	-	-	25,625	-	-
Jan'15	Dec'21	37,500	-	-	8,250	-	-	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	
			2022	2021	2022	2021	2022	2021
Jan'19	Dec'21	860,000	34,271	-	788,229	-	-	822,500
Sep'19	Dec'22	1,000,000	-	-	-	-	1,000,000*	1,000,000
Jan'20	Dec'22	737,500	-	-	87,500	-	650,000*	737,500
Jan'21	Dec'23	595,000	37,778	-	42,222	-	515,000	595,000
Jan'22	Dec'24	475,000	92,639	-	22,361	-	360,000	-

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

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.

20 Issued Capital

	2022		2021	
	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	-	-	-	-
Shares purchased in current period	1,650,000	990	-	-
Lapsed shares utilised	-	-	-	-
Shares vested	-	-	-	-
Balance at end of financial year	1,650,000	990	-	-
Balance at end of financial year net of treasury shares	111,644,832	19,534	113,294,832	20,524

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.

21 Reserves

Nature and purpose of reserves

(a) Foreign currency translation reserve

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

(b) Swap hedging reserve

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

(c) Share buyback reserve

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

(d) Share-based payments reserve

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

(e) Acquisition of non-controlling interest reserve

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

22 Earnings per Share

	Consolidated	
	2022 cents	2021 cents
		Restated
Basic earnings per share – continuing operations	4.0	5.5
Diluted earnings per share – continuing operations	3.9	5.4
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	115,819,832	116,458,082

Earnings used in the calculation of earnings per share is $4,554 thousand (2021: $6,256 thousand), and for discontinued operations $53,224 thousand (2021: $3,566 thousand).

23 Contingent Liabilities

There are no material contingent liabilities as at 31 December 2022 (2021: Nil).

24 Commitments for Expenditure

(a) Capital Expenditure Commitments

The consolidated entity has capital expenditure commitments of $nil as at 31 December 2022 (2021: $nil).

	Consolidated	
	2022 $'000	2021 $'000
(b) Other Commitments		
Within 1 year	186	403
Later than 1 year and not longer than 5 years	212	588
	398	991

25 Subsidiaries

Name of Entity	Country of Incorporation	Ownership Interest	
		2022 %	2021 %
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	70	70
nQ Zebraworks Limited (Previously nQueue Billback Limited)[1]	United Kingdom	70	70
nQ Zebraworks Inc	United States of America	70	70
nQ Zebraworks LLC[1]	United States of America	70	70
Reckon Accounts Pte Limited[2]	Singapore	-	100

1 Wholly owned subsidiaries of nQ Zebraworks Inc.

2. Struck off in 2022

All shares held are ordinary shares.

26 Notes to the Statement of Cash Flows

	Consolidated	
	2022 $'000	2021 $'000
(a) Reconciliation of Cash		
For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash (i)	1,233	1,394
Bank overdraft	-	-
	1,233	1,394
(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	56,814	9,215
Depreciation and amortisation of non-current assets	17,724	18,904
Payment for capitalised development costs	(19,157)	(20,347)
Non-cash interest	(87)	227
Non-cash employee benefits expense – share based payment	913	1,657
(Gain) / loss on disposal of business	(50,472)	148
Increase in current tax liability/asset	719	445
Increase/(decrease) in deferred tax balances	180	(960)
Unrealised foreign currency translation amount	38	46
(Increase)/decrease in assets net of acquisitions:		
Current receivables	(254)	870
Current inventories	(31)	173
Other current assets	297	(306)
Non-current receivables	(146)	45
Non-current other	74	16
Increase/(decrease) in liabilities net of acquisitions:		
Current trade payables	(498)	74
Other current liabilities	305	588
Other non-current liabilities	1,268	(10)
Net cash inflow from operating activities	7,687	10,785

(c) Legal Group acquisition

The acquisition of Zebraworks was concluded during the prior year and was effective from 1 February 2021. A new Legal Group USA holding company, nQueue Zebraworks Inc., was established and Zebraworks Inc. and the existing Legal Group were merged into this new structure.

Zebraworks is a SaaS start-up building an integration platform to move legal practices to the cloud. Reckon Limited owns 70% of the new venture, with Zebraworks shareholders (mainly management) owning 30%. Management have the opportunity to progressively increase their shareholding by 15% of total issued capital if certain KPI's are met by 2027. The KPI's include revenue targets and product release targets. Non-cash consideration of $2,449 thousand was transferred which is equal to 30% of the existing Practice Management Group, Legal measured at fair value. The non-cash consideration includes $1,600 thousand of share based payments, related to founding shareholders. Fair value of the non-cash consideration was measured by an independent valuer utilising the discounted cash flow method based on a high level cashflow projection prepared by management and publicly available information. The valuation assessment was cross checked with regard to the revenue multiple implied in the valuation compared to the revenue multiple of Reckon Limited. An appropriate consideration on lack of discount for control and limited liquidity was also applied.

Trading results for the merged entity are as set out in note 2, and movements in the non-controlling interest are as set out in the consolidated statement of changes in equity.

	Consolidated	
	2022 $'000	2021 $'000
Net assets acquired:		
Cash	-	613
Fixed assets	-	13
Other assets	-	2
Goodwill	-	221
	-	849
Non-cash consideration transferred	-	2,449
Less consideration treated as remuneration	-	(1,600)
Net non-cash consideration	-	849

Had the acquisition been effected at 1 January 2021 there would have been no further material impact on the results for the year.

Share based payments recognised in nQueue Zebraworks Inc.

As part of the nQueue Zebraworks Inc acquisition, there are founding shareholders continuing employment and shares provided to these founding shareholders were treated as remuneration.

Attaching to a portion of these shares are clawback provisions for certain members of management should they leave within three years. These shares are restricted until such time as they vest. Vesting occurs in tranches over a three year period.

A share based payment expense of $483 thousand has been included in the consolidated statement of profit and loss in 2022 (2021: $1,099 thousand).

26 Notes to the Statement of Cash Flows (continued)

(d) Discontinued operations - Disposal of Reckon Docs business

The Reckon Docs business was sold to Class Limited effective 1 March 2021.

The funds have been used to reduce debt.

	Consolidated	
	2022 $'000	2021 $'000
Net assets sold:		
Goodwill	-	11,124
Development costs	-	1,540
Trade debtors	-	476
Inventory	-	8
Provisions	-	(107)
Carrying amount of net assets sold	-	13,041
Proceeds on sale comprise:		
Cash settlement from Class Limited	-	12,473
Collection of trade receivables	-	509
Transaction costs	-	(90)
	-	12,892
Loss on disposal before income tax	-	149
Trading results for the Reckon Docs business:		
Revenue	-	769
Expenses	-	(475)
EBITDA	-	294
Amortisation	-	(126)
Profit before income tax	-	168
Income tax expense	-	(50)
Profit after income tax	-	118
Net cash from operating activities	-	108
Net cash and cash equivalents from discontinued operations	-	108

(e) 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 27)

	Consolidated	
	2022 $'000	2021 $'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[1]:		
Revenue	13,469	22,556
Expenses	(5,805)	(10,371)
EBITDA	7,664	12,185
Amortisation and depreciation	(4,591)	(7,534)
Interest income / (expense)	531	(342)
Profit before income tax	3,604	4,309
Income tax expense	(852)	(743)
Profit after income tax of discontinued operation	2,752	3,566
Net cash from operating activities	3,052	3,801
Net cash from investing activities	78,356	12,597
Net cash from financing activities	(398)	(739)
Net cash and cash equivalents from discontinued operations	81,010	15,659

1. Includes the Reckon Docs Business in 2021 for the period to 1 March 2021.

26 Notes to the Statement of Cash Flows (continued)

(f) 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 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.

	Note		Cash	Non-cash	
		Balance at 1 Jan 2021 $'000	Financing cash flows (i) $'000	Fair value adjustment $'000	Balance at 31 Dec 2021 $'000
Borrowings		31,788	(15,651)	-	16,137
Interest rate swap fair value hedge or economically hedging financing liabilities		257	-	(199)	58
Total liabilities from financing activities		32,045	(15,651)	(199)	16,195

(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.

27 Dividends – Ordinary Shares

	Consolidated	
	2022 $'000	2021 $'000
A fully franked final dividend for the year ended 31 December 2021 of 2 cents (2020: 2 cents) per share was paid on 25 March 2022.	2,266	2,266
A fully franked interim dividend for the year ended 31 December 2022 of 3 cents (2021: 3 cents) per share was paid on 23 September 2022.	3,399	3,399
A partially franked special dividend of 57 cents was paid on 21 November 2022	64,578	-
	70,243	5,665
Franking credits available for subsequent financial years based on a tax rate of 30% (2021: 30%)	379	1,852

28 Financial Instruments

(a) Financial Risk Management Objectives

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

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

(b) Interest Rate Risk

The group is exposed to interest rate risk on the cash held in bank deposits and on bank borrowings. Cash deposits of $1,233 thousand were held by the consolidated entity at the reporting date, attracting an average interest rate of 2.75% (2021: 0.11%). Interest bearing borrowings by the consolidated entity at the reporting date were $4,074 thousand (2021:$16,137 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 2.21% (2021: 2.30%) on overdraft facilities and 2.61% on loan facilities (2021: 2.43%). 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 $20 thousand (2021: $81 thousand).

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

The maturity profile for the consolidated entity's cash ($1,233 thousand) that is exposed to interest rate risk is one year, and interest-bearing borrowings ($4,074 thousand) that are exposed to interest rate risk, is two years. On the assumption that interest bearing borrowings and variable interest rates remain at the current level, the annual interest costs are expected to be $191 thousand.

Further details are set out in note 13.

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).

28 Financial Instruments (continued)

(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.

29 Subsequent Events

Reckon Limited advised on 9 March 2023 that it, together with minority shareholders, has made a commitment to provide approximately US$4 million in funding to its Legal Practice Management Group ("Legal Group"), which operates under the nQZebraworks brand in the US. Certain other existing investors ("co-investors") in the Legal Group, including the nQZebraworks CEO, have also agreed to provide growth capital on a pro-rata basis. Minority shareholders that elect not to contribute, will dilute.

Reckon's portion of the investment will be staged over 24 months and funded through earnings from Reckon's existing operations, with capital deployed towards scaling operations in the rapidly growing US legal market.

The strategic rationale for the capital injection is underpinned by the view of the Reckon management team that the Company now has a major opportunity to leverage its footprint in the US legal market and generate a step-change in revenues and group earnings.

Reckon's increased investment will be deployed towards a targeted business development strategy in the USA, where it already provides scan and print management workflow solutions practice management software to five of the world's largest legal firms and has increased capacity to scale up its client base.

Additional funds will also be allocated to product optimisation amid the ongoing transition from desktop-based products to innovative cloud-based solutions. The Company is confident that the new funding will provide considerably financial flexibility to capitalise on growth over the next 24 months.

Alongside the new funding commitment, Reckon will seek to implement a long-term incentive plan for the Legal Group's USA management and staff to pursue growth and exit opportunities. Details of this incentive plan will be subject to shareholder approval, to be sought at the next Annual General Meeting.

The investment highlights Reckon's ongoing commitment to unlocking growth opportunities for practice management solutions in the large US legal services industry.

In addition, Reckon will also acquire existing securities in the Legal Group, issued to previous management.

These transactions will increase Reckon's ownership in the division from 70% to 76% at a total cash cost of US$4 million.

30 Related Party Disclosures

(a) Key Management Personnel Remuneration

	Consolidated	
	2022 $	2021 $
Short term benefits	2,288,664	2,510,327
Post-employment benefits	113,426	120,604
Share based payments	250,167	249,080
Make whole payment	1,182,342	-
	3,834,599	2,880,011

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 pages 36 and 37 of the Remuneration Report.

31 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 30 March 2023.

Additional Information as at 17 February 2023 (Unaudited)

Corporate Governance Statement

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

Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholder	Number	Percentage
NOVATTI GROUP LIMITED	22,518,138	19.88
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	10,347,545	9.13
CITICORP NOMINEES PTY LIMITED	8,799,117	7.77
BNP PARIBAS NOMINEES PTY LTD	7,219,218	6.37
GREGORY JOHN WILKINSON	6,280,487	5.54
DJZ INVESTMENTS PTY LTD	5,690,000	5.02
NATIONAL NOMINEES LIMITED	4,022,791	3.55
MR CLIVE RABIE + MRS KERRY RABIE	3,920,000	3.46
RECKON AUSTRALIA PTY LTD	1,650,001	1.46
RAWFORM PTY LTD	1,330,306	1.17
VANWARD INVESTMENTS LIMITED	1,076,082	0.95
BNP PARIBAS NOMS PTY LTD	984,061	0.87
DMX CAPITAL PARTNERS LTD	825,000	0.73
VELKOV FUNDS MANAGEMENT PTY LTD	675,000	0.60
MR PHILIP ROSS HAYMAN	650,909	0.57
MS KYLIE LYNETTE NUSKE + MR MATTHEW JAMES COOK	634,093	0.56
MR CLIVE ALAN RABIE	596,535	0.53
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	543,427	0.48
BIATAN PTY LTD	510,300	0.45
HURSTCLAN HOLDINGS PTY LTD	500,000	0.44
	78,773,010	69.53

Number of Holders of Equity Securities

Ordinary Share Capital

113,294,832 fully paid ordinary shares are held by 3,260 individual shareholders as at 17 February 2023. All issued ordinary shares carry one vote per share.

Less than marketable parcels

As at 17 February 2023 there were 759 holders holding less than a marketable parcel of RKN shares.

A marketable parcel of RKN shares was 991 shares, based on a price of $0.5050 on 17 February 2023

Additional Information as at 17 February 2023 (Unaudited) (continued)

Distribution of Holders of Equity Securities

As at 17 February 2023

Number of Ordinary Shares	Number of Shareholders	Shares	%
1 - 1,000	862	526,253	0.46
1,001 - 5,000	1,337	3,596,915	3.17
5,001 - 10,000	445	3,501,557	3.09
10,001 - 100,000	540	15,630,327	13.80
100,001 and over	76	90,039,780	79.47
Total	3,260	113,294,832	100.00

Substantial Shareholders

As disclosed to ASX during 2022 and up to 17 February 2023

Ordinary Shareholder	Number	Percentage
Novatti Group Limited (GCI Australia Pty Ltd)*	22,518,138	19.88%
Microequities Asset Management Pty Ltd	8,620,011	7.62%
Spheria Asset Management Pty Ltd	8,557,196	7.55%
Pinnacle Investment Management Group Limited	5,959,508	5.26%

* GCI Australia Pty Limited has no legal or beneficial ownership of the shares. The relevant interest has arisen as a consequence of non-disposal covenants given by the beneficial owner, Novatti Group Limited, in connection with security arrangements put in place for the purposes of its issue of corporate bonds as announced to ASX by Novatti Group Limited on 15 August 2022.

On-market buy back

There is no on-market buy-back in place as at 17 February 2023.

Unquoted Equity Securities

As at 17 February 2023 there are:

- zero rights on issue held by zero holders;
- zero options on issue held by zero holders.

Principal Registered Office

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

Principal Administration Office

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

Share Registry

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

Stock Exchange Listings

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

Auditors

BDO Audit Pty Ltd
Level 11, 1 Margaret Street
Sydney NSW 2000

Company Secretary

Mr Myron Zlotnick

Annual General Meeting

The Annual General Meeting for Reckon Limited will be held **on 25 May 2023 at 10:00am** at **Level 2, 100 Pacific Highway, North Sydney, NSW.**

PLEASE NOTE THAT IT IS INTENDED AT THE DATE OF THIS REPORT TO HOLD A HYBRID MEETING.

PAY CLOSE ATTENTION TO THE NOTICE OF MEETING TO CHECK ON THE STATUS OF THE ANNUAL GENERAL MEETING.

If you are unable to attend OR NOT PERMITTED TO ATTEND, you are invited to complete the Proxy Form included with your Notice of Meeting. The completed Proxy Form must be received no later than 48 hours before the Annual General Meeting.

Important Information – Corporate Notices

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

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

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

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

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

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