Consolidated Statement of Profit or Loss

for the year ended 31 December 2018

	Note	Consolidated	
		2018	**2017**
		$'000	**$'000**
			Restated[1]
Continuing operations			
Revenue	**3**	**75,427**	**80,337**
Product costs	3	(9,231)	(9,858)
Employee benefits expenses		(23,140)	(27,155)
Share-based payments expenses	3	(186)	(588)
Marketing expenses		(3,394)	(3,549)
Premises and establishment expenses		(2,401)	(2,163)
Telecommunications		(584)	(660)
Legal and professional expenses		(961)	(781)
Other expenses		(4,959)	(4,310)
Transaction costs related to sale processes		(1,418)	(1,606)
Depreciation and amortisation of other non-current assets	3	(18,030)	(18,236)
Finance costs – bank loans and overdrafts		(1,532)	(1,706)
Profit before income tax		**9,591**	**9,725**
Income tax expense	5	(1,885)	(2,255)
Profit for the year from continuing operations		**7,706**	**7,470**
Profit from discontinued operations	4	-	158
Profit for the year attributable to owners of the parent		**7,706**	**7,628**
Earnings per share from continuing and discontinued operations			
Basic Earnings per Share	20	6.8	6.8
Diluted Earnings per Share	20	6.8	6.6
Earnings per share from continuing operations			
Basic Earnings per Share	20	6.8	6.6
Diluted Earnings per Share	20	6.8	6.5

1. Restated to include Practice Management Accountant Group in continuing operations (refer note 4)

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 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Profit for the year		**7,706**	**7,628**
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	19	(458)	(1,849)
Fair value movement on interest rate swap	19	(72)	3
Total other comprehensive income/(loss), net of income tax		(530)	(1,846)
Total comprehensive income for the year attributable to the owners of the parent		**7,176**	**5,782**

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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 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000 Restated[1]
ASSETS			
Current Assets			
Cash and cash equivalents	24	2,579	1,958
Trade and other receivables	7	7,103	10,010
Other financial assets	13	2,470	2,255
Inventories		1,959	2,835
Other assets	8	1,593	1,765
Total Current Assets		15,704	18,823
Non-Current Assets			
Receivables	7	288	40
Other financial assets	13	317	332
Property, plant and equipment	9	4,091	1,494
Deferred tax assets	10	103	410
Intangible assets	11	61,358	62,939
Other assets	8	52	1,533
Total Non-Current Assets		66,209	66,748
Total Assets		81,913	85,571
LIABILITIES			
Current Liabilities			
Trade and other payables		4,682	5,424
Borrowings	12	434	-
Provisions	14	2,657	3,004
Current tax payables		580	776
Contract liabilities (previously referred to as Deferred revenue)		6,223	5,996
Total Current Liabilities		14,576	15,200
Non-Current Liabilities			
Trade and other payables		1,917	-
Borrowings	12	44,562	50,606
Deferred tax liabilities	15	4,286	5,396
Provisions	14	973	1,270
Total Non-Current Liabilities		51,738	57,272
Total Liabilities		66,314	72,472
Net Assets		15,599	13,099
Equity			
Issued capital	18	19,712	19,459
Reserves	19	(50,023)	(49,266)
Retained earnings		45,910	42,906
Total Equity		15,599	13,099

1. Restated to include Practice Management Accountant Group assets and liabilities, previously disclosed as held for resale.

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 2018

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	Attributable to owners of the parent $'000
Balance at 1 January 2018 (as previously reported)	19,459	(42,018)	(1,628)	396	136	42,906	(6,152)	13,099
Adjustment (refer note 1(y)	-	-	-	-	-	(1,316)	-	(1,316)
Balance at 1 January 2018	19,459	(42,018)	(1,628)	396	136	41,590	(6,152)	11,783
Profit for the year	-	-	-	-	-	7,706	-	7,706
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	(458)	-	-	-	-	(458)
Fair value movement on interest rate swap	-	-	-	-	(72)	-	-	(72)
Total comprehensive income	-	-	(458)	-	(72)	7,706	-	7,176
Share based payments expense	-	-	-	27	-	-	-	27
Dividends paid (note 25)	-	-	-	-	-	(3,386)	-	(3,386)
Treasury shares acquired	(1)	-	-	-	-	-	-	(1)
Treasury shares vested/lapsed	254	-	-	(254)	-	-	-	-
Balance at 31 December 2018	19,712	(42,018)	(2,086)	169	64	45,910	(6,152)	15,599

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 2018

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	Attributable to owners of the parent $'000
Balance at 1 January 2017	18,707	(42,018)	221	668	133	65,159	(6,152)	36,718
Profit for the year	-	-	-	-	-	7,628	-	7,628
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	(1,849)	-	-	-	-	(1,849)
Fair value movement on interest rate swap	-	-	-	-	3	-	-	3
Total comprehensive income	-	-	(1,849)	-	3	7,628	-	5,782
Share based payments expense	-	-	-	480	-	-	-	480
Dividends paid (note 25)	-	-	-	-	-	(29,881)	-	(29,881)
Treasury shares acquired	-	-	-	-	-	-	-	-
Treasury shares vested/lapsed	752	-	-	(752)	-	-	-	-
Balance at 31 December 2017	19,459	(42,018)	(1,628)	396	136	42,906	(6,152)	13,099

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 2018

	Note	Consolidated Inflows/(Outflows) 2018 $'000	2017 $'000
Cash Flows From Operating Activities			
Receipts from customers		85,629	98,156
Payments to suppliers and employees		(56,605)	(67,862)
Payment for capitalised development costs		(14,689)	(18,165)
Proceeds from New Zealand government development grant		410	1,003
Interest paid		(1,532)	(1,706)
Income taxes paid		(2,333)	(1,775)
Net cash inflow from operating activities	24(b)	**10,880**	**9,651**
Cash Flows From Investing Activities			
Payment for intellectual property		(100)	-
Payment for investment in business		(57)	(196)
Net increase in loans receivable		(215)	(1,623)
Payment for property, plant and equipment		(946)	(686)
Net cash outflow from investing activities		**(1,318)**	**(2,505)**
Cash Flows From Financing Activities			
Proceeds from/(repayment of) borrowings		(6,044)	(992)
Payment for de-merger costs		-	(1,700)
Payment for treasury shares		(1)	-
Dividends paid to owners of the parent	25	(3,386)	(3,375)
Net cash outflow from financing activities		**(9,431)**	**(6,067)**
Net Increase/(Decrease) in cash and cash equivalents		**131**	**1,079**
Cash and cash equivalents at the beginning of the financial year		1,958	924
Effects of exchange rate changes on cash and cash equivalents		56	(45)
Cash and cash equivalents at the end of the financial year	24(a)	**2,145**	**1,958**

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

Notes to the Financial Statements

for the year ended 31 December 2018

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).

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, 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.

Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year. Refer to note 1(y)for the impact of adoption of AASB 9 and AASB 15.

Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). 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.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

(d) Trade Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 days of the month of recognition.

(e) Contributed Equity

Transaction Costs on the Issue of Equity Instruments

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

(f) Foreign Currency Translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

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

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

(g) 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.

(h) Income Tax

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

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

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

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

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.

(i) 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.

(j) Leased Assets

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

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

(k) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, 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.

(l) Trade receivables and other receivables

Trade receivables and other receivables are recorded at amortised cost, less provision for impairment in accordance with the simplified approach see note 1(y)

(m) Financial assets

Loan receivables are initially recognised at fair value of the loan written and subsequently measured at amortised cost using the effective interest rate method, less provision for expected credit losses. Given the nature of loans written, a lifetime expected credit loss provision is taken up upon initial recognition of a consumer loan receivable. The loan balance is categorized into current and non-current according to the due date within the contracted loan terms. Amounts due within 12 months are classified as current assets, with the remainder classified as non-current assets.

(n) 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.

(o) 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. This 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 license, two distinct performance obligations are:

i. Sale of a software license; and
ii. 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. Specifically,

i. the contract does not require, that Reckon will undertake activities that significantly affect the software to which the customer has rights;
ii. the rights granted by the license of software do not directly expose the customer to any positive or negative effects of Reckon's activities in relation to the software; and
iii. Reckon's activities in relation to the software do not result in the transfer of a good or service to the customer as those activities occur.

Revenue is recognised for Business Group desktop post-sale technical support over the time of the contract with the customer. 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 as it is performed.

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 license;
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 license if the cloud is not accessible, two distinct performance obligations generally are:

i. Sale of a license 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 license and ongoing maintenance for the Reckon One product is recognised over time. 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 performs.

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 as it is performed.

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.

Reckon Accounts Hosted (Business Group)

Reckon Accounts Hosted is a hosted software (software is accessible via a web browser or through a desktop icon, however the software and the information is stored on 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 license, the contract promises are generally:

i. Sale of a software license;
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 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 license at the point of sale. This is because customers purchase a specific version of the software that exists at the time the license is granted. Specifically:

i. the contract does not require, that Reckon will undertake activities that significantly affect the software to which the customer has rights;
ii. the rights granted by the license of software do not directly expose the customer to any positive or negative effects of Reckon's activities in relation to the software; and
iii. Reckon's activities in relation to the software do not result in the transfer of a good or service to the customer as those activities occur, until such time as Reckon elects to make an updated product available via the hosting service provider.

Revenue for the hosting services and ongoing maintenance is recognised over time. 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.

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 license;
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 license, 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 license and technical support do not significantly modify or customise each other.
ii. The license 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 license, 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.

Revenue is recognised for Practice Management Accountant Group post-sale technical support over the time of the contract with the customer. 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 as it is performed.

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.

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 licenses are sold with implementation and post-sale technical support services.

For Practice Management Legal Group, two distinct performance obligations have been identified:

i. The provision of the software license and implementation services; and
ii. The provision of support services over the life of the contract.

The sale of license and implementation services have been identified as one distinct performance obligation because the customer is not able to benefit from the software without the implementation services and the knowledge of how to implement the software 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.

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 within the contract. This price is deemed to be the stand-alone selling price of each performance obligation.

Revenue for the software licence and implementation services performance obligation is recognised at the point of sale. This is because:

i. The customer does not simultaneously receive and consume the benefit provided by Reckon's performance as Reckon performs;
ii. Reckon's performance does not create or enhance an asset that the customer controls as the asset is created or enhanced; and
iii. Reckon does not create an asset with an alternative use to it.

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 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 license	At the point of sale.
	Post-sale technical support for a specified period of time	Over the time of the contract with the customer.
Reckon One	Sale of license 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 license	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.
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.
Practice Management Legal Group	The provision of the software license and implementation services	At the point of sale
	The provision of support services 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.

Other revenue

Other revenue consists predominantly of:

- Partner membership fees and membership support services which are recognised at a point in time and over time respectively;
- Corporate services revenue which represents company secretarial products for which revenue is recognised at a point in time;
- Ad hoc consulting assignments for which revenue is recognised at a point in time

(p) Contract liabilities (previously referred to as deferred revenue)

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.

(q) 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.

(r) Cash and cash equivalents

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

(s) 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.

(t) 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.

(u) 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.

(v) 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 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.

(w) Hedge Accounting

The Group enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Further details of derivative financial instruments are disclosed in note 14.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. 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.

The Group designates certain hedging instruments, 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.

Note 13 sets out details of the fair values of the derivative instruments used for hedging purposes.

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.

(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(o) above.

Doubtful debts – 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.

Significant accounting estimates and assumptions

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

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

Share based payments – the Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. The fair value has been determined using a model that adopts Monte Carlo simulation approach, and the assumptions related to this can be found in Note 17.

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

(y) New accounting standards not yet effective

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

Standard/Interpretation	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
AASB 16 *Leases*	1 January 2019	31 December 2019

Impact of New Accounting Standards

(a) AASB 9 *Financial Instruments*

The Group has adopted AASB 9 Revenue from Contracts with Customers from 1 January 2018.

AASB 9 changes the classification of complex financial instruments, calculation of impairment losses in financial assets, and hedge accounting.

Reckon has no complex financial instruments. As a result these changes have not impacted Reckon.

The calculation of impairment losses impacts the way Reckon calculates the bad debts provision, now termed the credit loss allowance. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables and loan receivables have been grouped based on shared credit risk characteristics and the days past due. The loans receivable relating to the partnership with Prospa, have substantially the same risk characteristics as the 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 2018 was determined as follows:

Provision matrix	Business Group	Legal Practice Management Group	Accountant Practice Management Group
Past due 0 days	0.00%	1.43%	0.15%
Past due 1 to 30 days	0.05%	2.04%	0.48%
Past due 30 to 60 days	0.08%	2.65%	1.42%
Past due over 60 days	0.11%	3.40%	2.45%
Loans receivable	6.12%	-	-

Receivables	Business Group $'000	Legal Practice Management Group $'000	Accountant Practice Management Group $'000	Group $'000
Current	382	1,954	1,405	3,741
Past due 1 to 30 days	45	628	401	1,074
Past due 30 to 60 days	13	122	202	337
Past due over 60 days	62	1,564	318	1,944
Total receivables	502	4,268	2,326	7,096
Loan receivables	2,628	-	-	2,628
Allowance based on historic credit losses	161	97	15	273
Adjustment for expected changes in credit risk[1]	13	172	169	354
Credit loss allowance	174	269	184	627

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

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there are no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group has applied the exception under AASB 9 to not restate comparatives as the credit loss allowance under AASB 139 and AASB 9 did not result in material changes to the amounts previously reported.

(b) AASB 15 *Revenue from Contracts with Customers*

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 January 2018 by using the modified retrospective method of transition. This has not had an impact on revenue recognition apart from as noted below.

The Group has amended the accounting policy related to revenue recognition of the implementation component of subscription revenue in the Practice Management Accountants Group in order to comply with AASB 15. Implementation revenue was previously recognised once the installation was completed, whereas this revenue is now spread over the term of the contract.

The Group does not grant customers the right of returning purchased software. Further, the Group does not receive from customers any nonrefundable upfront fees which relate to specific goods or services and material rights. As such, there is no impact from AASB 15 on such aspects.

For the results and balance sheet, the impact would have been as follows:

	2017		
	Impact	Prepared under AASB15	Previously reported under AASB 118
	$'000	$'000	$'000
Revenue	(39)	80,298	80,337
Profit attributable to the owners of the parent	(27)	7,601	7,628
Other assets - current	(467)	1,298	1,765
Other assets - non current	(1,400)	133	1,533
Deferred tax liabilities	551	(4,845)	(5,396)
Retained earnings	(1,316)	41,590	42,906

	2018		
	Impact	As reported AASB 15	Prepared under AASB 118
	$'000	$'000	$'000
Revenue	658	75,427	74,769
Profit attributable to the owners of the parent	474	7,706	7,232
Other assets - current	(646)	1,593	2,239
Other assets - non current	(581)	52	633
Deferred tax liabilities	367	(4,286)	(4,653)
Retained earnings	(860)	45,910	46,770

Reckon generates from the following revenue streams:

Primary segments	**Product Description**	Revenue recognition	Business Group $'000	Practice Management Accountant Group $'000	Practice Management Legal Group $'000	Consolidated Group $'000
2018						
Subscription revenue	Bundled licence, support, hosting and implementation	Over time	-	23,295		23,295
	Support and hosting	Over time	6,449	-	8,432	14,881
	Licence	Point in time	21,273	-	-	21,273
Other recurring revenue	Support and hosting	Over time	372	-	-	372
	Licence	Point in time	2,914	-	-	2,914
Loan income	Interest	Over time	925	-	-	925
Other revenue	Membership support	Over time	453	-	-	453
	Membership fees	Point in time	2,488	-	-	2,488
	Corporate services	Point in time	-	5,646	-	5,646
	Licence and implementation	Point in time	-	492	2,381	2,873
	Other	Point in time	307	-	-	307
Total revenue			35,181	29,433	10,813	75,427
2017						
Subscription revenue	Bundled licence, support, hosting and implementation	Over time	-	23,550		23,550
	Support and hosting	Over time	5,815	-	8,917	14,732
	Licence	Point in time	21,428	-	-	21,428
Other recurring revenue	Support and hosting	Over time	506	-	-	506
	Licence	Point in time	3,638	-	-	3,638
Loan income	Interest	Over time	722	-	-	722
Other revenue	Membership support	Over time	485	-	-	485
	Membership fees	Point in time	2,661	-	-	2,661
	Corporate services	Point in time	-	6,646	-	6,646
	Licence and implementation	Point in time	-	1,217	4,090	5,307
	Other	Point in time	662	-	-	662
Total revenue			35,917	31,413	13,007	80,337

Each of the above services delivered to customers are considered separate performance obligations, even though for practical expedience may be governed by a single legal contract with the customer.

Contract terms vary between divisions, such that in some cases customers can benefit from the use of the software without the provision of support and implementation services, in which case revenue is recognised at a point in time. In other instances the provision of implementation and support services as well as upgrades is integral, to the functionality of the software; in this case revenue is recognised over time.

(c) AASB 16 *Leases*

AASB 16 is effective for years commencing 1 January 2019. AASB 16 eliminates the classification of leases as either operating leases or finance leases as required by AASB 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- amortisation of lease assets separately from interest on lease liabilities in the income statement.

Reckons operating leases with terms of more than 12 months relate to property leases.

The adoption of AASB 16 will result in revised accounting for any property operating leases that have a lease end date of 31 December 2019 or later.

The estimated impact on the opening balance sheet as at 1 January 2019 and income statement impact for 2019 is expected to be as follows:

Balance Sheet Impact

	$’000
Net increase in non-current asset (recognition of lease assets)	8,761
Increase in deferred tax asset	34
Net increase in liabilities from recognition of lease liabilities	8,873
Net decrease in retained earnings (higher expense recognised under AASB 16)	(78)

Income statement impact

	$’000
Net decrease in operating expense resulting in an increase in EBITDA	(1,202)
Net increase in interest expense	200
Net increase in depreciation and amortisation expense	1,069
Decrease in net profit before tax	(67)

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 four operating divisions:

Business Group
Practice Management Group, Accountants
Practice Management Group, Legal
Document Management Group (Discontinued operation)

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, Accountants - development, distribution and support of practice management, tax, client accounting and related software under the APS brand as well as the Reckon Docs and Reckon Elite products.
- Practice Management Group, Legal - development, distribution and support of cost recovery, cost management, scan and related software under the nQueue Billback brand predominantly to the legal market.
- Document Management Group – development, distribution and support of document management and client portal products under the Virtual Cabinet and Smart Vault brands. This division was de-merged during 2017 and is thus included in discontinued operations.

Segment revenues and results	**2018 $'000**	**2017 $'000 Restated[1]**
Operating revenue		
Business Group	35,181	35,917
Practice Management Group, Accountant	29,433	31,413
Practice Management Group, Legal	10,813	13,007
Continuing operations	75,427	80,337
Discontinued operations	-	9,983
Total revenue	**75,427**	**90,320**

	2018 $'000 Continuing business	**2018 $'000 Discontinued Business**	**2018 $'000 Total**	**2017 $'000 Continuing business Restated[1]**	**2017 $'000 Discontinued Business Restated[1]**	**2017 $'000 Total Restated[1]**
EBITDA:						
Business Group	16,975			17,242		
Practice Management Group, Accountant	15,353			15,338		
Practice Management Group, Legal	1,645			3,424		
Central administration costs	(3,402)			(4,731)		
	30,571	**-**	**30,571**	**31,273**	**1,905**	**33,178**
Depreciation and amortisation:						
Business Group	(9,018)			(9,429)		
Practice Management Group, Accountant	(5,809)			(5,934)		
Practice Management Group, Legal	(3,203)			(2,873)		
	(18,030)	-	(18,030)	(18,236)	(2,039)	(20,275)
Transaction costs			(1,418)	(1,606)	-	(1,606)
Finance costs			(1,532)	(1,706)	-	(1,706)
Profit before income tax			**9,591**	**9,725**	**(134)**	**9,591**
Income tax expense			(1,885)	(2,255)	292	(1,963)
Profit for the year			**7,706**	**7,470**	**158**	**7,628**

1. Restated to include Practice Management Group, Accountants in continuing operations (refer note 4)

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 2018 or 2017.

EBITDA above means earnings before interest, depreciation and amortisation.

Segment assets and liabilities

	Assets		Liabilities		Additions to non-current assets	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Business Group	18,254	20,055	9,127	7,791	7,927	6,150
Practice Management Group, Legal	15,838	17,209	5,197	5,427	2,427	2,673
Practice Management Group, Accountants	43,296	43,911	1,937	5,397	7,319	7,310
Document Management Group	-	-	-	-	-	2,013
Corporate Division	4,525	4,396	50,052	53,857	-	-
	81,913	85,571	66,314	72,472	17,673	18,146

(b) Geographical information

	Continuing business revenue from external customers		Non-current assets	
	2018 $'000	2017 $'000 Restated	2018 $'000	2017 $'000
Australia	58,329	60,912	54,953	56,242
United States of America	8,414	10,161	6,358	5,597
Other countries (i)	8,684	9,264	4,898	4,909
	75,427	80,337	66,209	66,748

(i) No other country outside is considered to generate revenues which are material to the group.

3 Profit for the year

	Consolidated 2018 $'000	2017 $'000 Restated
Profit before income tax includes the following items of revenue and expense:		
Revenue		
Sales revenue		
Subscription revenue	59,449	59,710
Other recurring revenue	3,286	4,144
Loans revenue	925	722
Other revenue	11,767	15,761
Sale of goods and rendering of services	75,427	80,337
Other Revenue		
Interest revenue	-	-
	-	-
	75,427	80,337
Expenses		
Product costs	9,231	9,858
Bad debt expense:		
Other Entities	1,001	69
Depreciation of non-current assets:		
Property, plant and equipment	741	678
Amortisation of non-current assets:		
Leasehold improvements	302	107
Intellectual property	459	929
Development costs	16,528	16,522
Total depreciation and amortisation	18,030	18,236
Foreign exchange losses/(gains)	(64)	120
Employee benefits expense:		
Post employment benefits – defined contribution plans	2,020	2,401
Termination benefits	319	779
Share based payments:		
Equity-settled share-based payments	186	480
Cash-settled share-based payments	-	108
	186	588
Operating lease rental expenses:		
Minimum lease payments	2,287	2,012

4 Discontinued operations

The Document Management Group was de-merged on 4 August 2017 into an independent company and the shares admitted to trading on the AIM market of the London Stock Exchange.

	Consolidated	
	2018	**2017**
	$'000	**$'000**
		Restated[1]
Revenue	-	9,983
Expenses	-	(10,117)
Profit/(loss) before tax	-	(134)
Attributable income tax benefit/(expense)	-	292
Profit from discontinued operations attributable to owners of the parent	-	158
Net cash inflows from operating activities	-	(1,070)
Net cash outflows from operating activities	-	(136)
	-	(1,206)

1. In the prior year accounts the Practice Management Accountants Group was also treated as a discontinued operation as agreement had been reached to sell this business subject to ACCC and NZCC approval. This sale did not proceed and this division is now included in continuing operations.

	Consolidated 2018 $'000	2017 $'000 Restated

5 Income Tax

(a) Income tax expense recognised in profit and loss

	2018 $'000	2017 $'000 Restated
Current tax	3,213	3,212
Deferred tax	(803)	(743)
Under /(over) provided in prior years	(525)	(214)
	1,885	2,255

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

	2018 $'000	2017 $'000 Restated
Profit before income tax	9,591	9,725
Income tax expense calculated at 30% of profit	2,877	2,918
Tax Effect of:		
Effect of lower tax rates on overseas income	(100)	(63)
Tax effect of non-deductible/non-taxable items:		
Research and development claims	(626)	(654)
Sundry items	259	268
	2,410	2,469
Under/(over) provision in prior years	(525)	(214)
Income tax expense attributable to profit	1,885	2,255

The tax rate used for the 2018 and 2017 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:

	2018 $'000	2017 $'000 Restated
Tax losses:		
Revenue	477	-
Capital	1,770	1,770
	2,247	1,770

6 Remuneration of Auditors

	Consolidated 2018 $	Consolidated 2017 $
(a) Deloitte Touche Tohmatsu		
During the year, the auditors of the parent entity earned the following remuneration:		
Auditing and reviewing of financial reports	257,125	235,424
Tax compliance and other consulting services	234,219	401,492
	491,344	639,916
(b) Other Auditors		
Auditing and reviewing of financial reports	68,099	31,162
Tax compliance and other consulting services	188,949	78,841
	257,048	110,003
	748,392	746,919

7 Trade and Other Receivables

	Consolidated 2018 $'000	Consolidated 2017 $'000
Current:		
Trade receivables (i)	7,096	9,090
Expected Credit Loss (ECL)	(469)	(340)
	6,628	8,750
Other receivables	476	1,260
	7,103	10,010
Non current:		
Trade receivables	258	-
Other receivables	30	40
	288	40

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

	2018	2017
Past due 0-30 days	1,074	775
Past due 31-60 days	337	578
Past due 61+ days	1,944	1,668
Total	3,355	3,020

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

	2018	2017
Balance at beginning of the year	340	315
Amounts written off during the year	(1,001)	(69)
Increase/(reduction) in ECL recognised in the profit and loss	1,130	94
Balance at end of year	469	340

8 Other Assets

	Consolidated 2018 $'000	Consolidated 2017 $'000
Current:		
Prepayments	1,565	1,265
Other	28	500
	1,593	1,765
Non current:		
Prepayments	-	47
Other	52	1,486
	52	1,533

9 Property, Plant And Equipment

	2018 $'000	2017 $'000
Leasehold Improvements		
At cost	5,082	2,921
Less: Accumulated amortisation	(2,909)	(2,589)
Total leasehold improvements	2,173	332
Plant and equipment		
At cost	11,148	9,520
Less: Accumulated depreciation	(9,230)	(8,358)
Total plant and equipment	1,918	1,162
	4,091	1,494

Consolidated	Leasehold Improvements $'000	Plant and Equipment $'000	Total $'000
Carrying amount at 1 January 2018	332	1,162	1,494
Additions	598	348	946
Effect of foreign currency exchange differences	26	153	179
Transferred from inventory	-	1,038	1,038
Capitalised lease incentive	1,519	-	1,519
Depreciation/amortisation expense	(302)	(783)	(1,085)
Balance at 31 December 2018	2,173	1,918	4,091

Consolidated	Leasehold Improvements $'000	Plant and Equipment $'000	Total $'000
Carrying amount at 1 January 2017	392	2,060	2,452
Additions	129	557	686
Effect of foreign currency exchange differences	(21)	(75)	(96)
De-merger of Document Management Group	(61)	(491)	(552)
Depreciation/amortisation expense	(107)	(889)	(996)
Balance at 31 December 2017	332	1,162	1,494

10 Deferred Tax Assets

	Consolidated 2018 $'000	2017 $'000
The balance comprises temporary differences attributable to:		
Doubtful debts	15	9
Employee benefits	34	58
Other provisions	54	343
	103	410

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

Reconciliation:

	2018 $'000	2017 $'000
Opening balance at 1 January	410	948
De-merger of Document Management Group	-	(259)
Charged (credited) to profit or loss	(307)	(279)
Balance at 31 December	103	410

11 Intangibles

	2018 $'000	2017 $'000
Intellectual property – at cost (i)	14,962	14,863
Accumulated amortisation	(14,873)	(14,415)
	89	448
Development costs – at cost	137,224	122,791
Accumulated amortisation	(105,273)	(88,633)
	31,951	34,158
Goodwill – at cost	29,318	28,333
	61,358	62,939

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

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:

	2018 $'000	2017 $'000
Business Group	730	-
Accountants Group	25,765	25,765
Legal Group	2,823	2,568
	29,318	28,333

The recoverable amount of a CGU is determined based on value-in-use calculations or fair value. Management has based the value in use calculations on the most recently completed board approved budget for the forthcoming one year (2019) period. Subsequent cash flows are projected using constant long term average growth rates of 3% per annum. An average post-tax discount rate of 9.4% (2017: 9.4%) (pre-tax rate: 13.4%) reflecting assessed risks associated with CGU's has been applied to determine the present value of future cash flow projections for all CGU's. No impairment write-offs have been recognised during the year (2017: nil). Sensitivity analysis performed indicates that if a change in profit reflected in the models were to decrease by up to 15% for the respective CGU's, there would be no impairment.

Consolidated movements in intangibles

	Goodwill $'000	Intellectual Property $'000	Development Costs $'000	Total $'000
At 1 January 2018	28,333	448	34,158	62,939
Additions	730	100	14,321	15,151
Effect of foreign currency exchange differences	255	-	-	255
Amortisation charge	-	(459)	(16,528)	(16,987)
At 31 December 2018	29,318	89	31,951	61,358
At 1 January 2017	49,617	6,097	39,843	95,557
Additions	-	-	17,264	17,264
Effect of foreign currency exchange differences	(1,923)	42	67	(1,814)
De-merger of Document Management Group	(19,361)	(3,925)	(5,401)	(28,687)
Amortisation charge	-	(1,766)	(17,615)	(19,381)
At 31 December 2017	28,333	448	34,158	62,939

	Consolidated 2018 $'000	2017 $'000

12 Borrowings

	2018 $'000	2017 $'000
Current:		
Bank overdraft (i)	434	-
Non-current:		
Bank borrowings (i)	44,562	50,606

(i) The consolidated entity has decreased its bank facilities to $63 million during the year. The facility comprises variable rate bank overdraft facilities, loan facilities, and bank guarantee and transactional facilities. The loan facilities and $1m of the bank overdraft facility expires in March 2020 and the remaining facilities are subject to annual review expiring in April 2019. The facility is secured over the Australian, New Zealand and United Kingdom net assets. Reckon has partially hedged the bank borrowings – refer note 13.

	Bank overdraft $'000	**Loan facility $'000**	**Bank guarantee and transaction facility $'000**
2018			
The available, used and unused components of the facility at year end is as follows:			
Available	2,000	56,000	4,710
Used	434	44,562	2,397
Unused	1,566	11,438	2,313
The remaining contractual maturity for the facility (including both interest and principal) is as follows:			
0-12 months	434	-	2,397
2-5 years	-	44,562	-
Weighted average interest rate	5.04%	3.59%	-

13 Other financial assets/(liabilities)

	Consolidated 2018 $'000	2017 $'000
Current:		
Loans receivable(ii)	2,470	2,255
Non-current:		
Other investments	253	196
Derivative that is designated and effective as a hedging instrument carried at fair value (i)	64	136
	317	332

(i) This balance represents an interest rate swap. To reduce the fair value risk of changing interest rates, the Group has entered into a pay-floating receive-fixed interest rate swap. The swap's notional principal is $23 million and represents 53% of the bank borrowings outstanding at 31 December 2018. The swap matures in July/August 2019. The fixed interest rate is 3.21%, and interest rate swaps are settled monthly or quarterly. Within the context of AASB 7, this is classified as a level 2 fair value measurement being derived from inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly.
(ii)The loan receivable is net of an Expected Credit Loss allowance of $158 thousand.

14 Provisions

	2018	2017
Current:		
Employee benefits – annual leave	1,241	1,356
Employee benefits – long service leave	1,416	1,648
	2,657	3,004
Non-current:		
Employee benefits – long service leave	237	321
Employee benefits – long term incentive	736	949
	973	1,270

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15 Deferred Tax Liabilities

	Consolidated 2018 $'000	2017 $'000
The temporary differences are attributable to:		
Doubtful debts	(95)	(69)
Employee benefits	(1,200)	(1,676)
Sales returns and volume rebates	(9)	(9)
Deferred revenue	(528)	(480)
Difference between book and tax value of non-current assets	8,976	9,819
Other provisions	(2,858)	(2,189)
	4,286	5,396

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

	2018 $'000	2017 $'000
Reconciliation:		
Opening balance at 1 January	5,396	7,418
De-merger of Document Management Group	-	(1,000)
Charged (credited) to profit or loss	(1,110)	(1,022)
Balance at 31 December	4,286	5,396

16 Parent Entity Disclosures

	Parent 2018 $'000	Parent 2017 $'000
Financial position		
Assets		
Current assets	7,082	8,709
Non-current assets	68,749	69,619
	75,831	78,328
Liabilities		
Current liabilities	8,993	8,385
Non-current liabilities	41,284	47,882
	50,277	56,267
Equity		
Share capital	19,712	19,459
Share buyback reserve	(42,018)	(42,018)
Swap hedging reserve	64	136
Share based payments reserve	169	396
Acquisition of non-controlling interest reserve	(1,657)	(1,657)
Foreign currency translation reserve	(438)	(438)
Retained earnings	49,722	46,183
	25,554	22,061
Financial performance		
Profit for the year from continuing operations	7,923	7,415
Profit for the year from discontinued operations	-	212
Other comprehensive income from continuing operations	(299)	(430)
Total comprehensive income	7,624	7,197
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.

17 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. The performance criteria are based upon a total shareholder return (TSR) target. TSR is the return to shareholders over a prescribed period, being the growth in the company's share price plus dividends or returns of capital for that period.

From 2011 onwards performance shares may also be 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.

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.

From the performance period 2016-2018 onwards the benchmark was changed. 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 Accumulation Index (iTSR) over the performance period. The criteria carry equal weighting, except for the first year in the performance period 2016-2018 of the performance period, where EPS is given 100% weighting to account for share price volatility attributable to speculation (in late 2015 and early 2016) rather than the fundamental behaviour of the company. 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 iTSR 75% of entitlements vest if the target iTSR is achieved, 100% of entitlements will vest on achievement of 100% of target iTSR, and a pro rata vesting occurs between 100% and 110% of target iTSR capped at 110%.

No options were issued during the year (2017: Nil).

Nil (2017: 1,135,000) senior executive rights, nil (2017: nil) appreciation rights and nil (2017: nil) performance shares, were issued during the year. The expense recognised in 2018 for the rights/performance shares was $186 thousand (2017: $588 thousand).

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	
			2018	2017	2018	2017	2018	2017*
Jan'15	Dec'17	121,239	95,554	921	-	4,603	-	95,554
Jan'11	Dec'17	112,500	25,000	268	44,250	8,982	-	69,250
Jan'12	Dec'18	127,500	25,000	1,590	56,625	7,660	-	81,625
Jan'13	Dec'19	296,250	50,000	23,679	-	44,821	132,500	182,500
Jan'14	Dec'20	101,250	5,000	21,179	-	21,571	33,875	38,875
Jan'15	Dec'21	37,500	-	6,429	-	3,571	8,250	8,250

*Shares/rights granted have been adjusted to compensate for the Document Management Group de-merger.

184,119 shares have been acquired for future grants

Appreciation Rights

Grant Date	Expiry Date	Rights Granted	Rights lapsed during the year		Rights vested during the year		Rights available at the end of the year	
			2018	2017	2018	2017	2018	2017
Jan'15	Dec'17	747,036	747,036	-	-	-	-	747,036

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	
			2018	2017	2018	2017	2018	2017*
Jan'16	Dec'18	1,087,500	443,750	170,417	-	183,333	358,500	802,250
Jan'17	Dec'19	1,135,000	443,750	288,333	-	65,417	397,000	840,750

*Shares/rights granted have been adjusted to compensate for the Document Management Group de-merger.

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 form 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.

18 Issued Capital

Fully Paid Ordinary Share Capital	2018 No.	2018 $'000	2017 No.	2017 $'000
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	458,907	1,065	795,539	1,817
Shares purchased in current period	711	1	-	-
Lapsed shares utilised	-		3,327	-
Shares vested	(100,874)	(254)	(339,959)	(752)
Balance at end of financial year	358,744	812	458,907	1,065
Balance at end of financial year net of treasury shares	112,936,088	19,712	112,835,925	19,459

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.

19 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.

20 Earnings Per Share

	Consolidated	
	2018	2017
	cents	cents
Basic earnings per share – continuing and discontinued operations	6.8	6.8
Diluted earnings per share – continuing and discontinued operations	6.8	6.6
Basic earnings per share – continuing operations	6.8	6.6
Diluted earnings per share – continuing operations	6.8	6.5
Weighted average number of ordinary shares used in the calculation of basic earnings per share	112,936,088	112,835,925
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	114,050,332	114,937,832

Earnings used in the calculation of earnings per share for continuing and discontinued operations is $7,706 thousand (2017: $7,628 thousand). Earnings used in the calculation of earnings per share for continuing operations is $7,706 thousand (2017: $7,470 thousand).

21 Contingent Liabilities

There are no material contingent liabilities as at 31 December 2018 (2017: Nil).

22 Commitments For Expenditure

(a) Capital Expenditure Commitments

The consolidated entity has capital expenditure commitments of $nil as at 31 December 2018 (2017: $nil).

(b) Lease Commitments

	Consolidated	
	2018	2017
	$'000	$'000
Operating Leases		
Within 1 year	2,274	2,069
Later than 1 year and not longer than 5 years	8,044	9,286
Later than 5 years	1,947	2,082
	12,265	13,437

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

23 Subsidiaries

Name of Entity	Country of Incorporation	Ownership Interest 2018	Ownership Interest 2017
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 Pty Limited	New Zealand	100	100
Reckon Accountants Group Pty Limited	Australia	100	100
Reckon Accountants Group Limited	New Zealand	100	100
Reckon One Limited	United Kingdom	100	100
Reckon Docs Pty Limited	Australia	100	100
nQueue Pty Limited	Australia	100	100
nQueue Billback Limited	United Kingdom	100	100
Billback LLC	United States of America	100	100
nQueue Billback LLC	United States of America	100	100
Reckon Accounts Pte Limited	Singapore	100	100

All shares held are ordinary shares.

24 Notes to the Statement of Cash Flows

	Consolidated 2018 $'000	Consolidated 2017 $'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:

	2018 $'000	2017 $'000
Cash (i)	2,579	1,958
Bank overdraft	(434)	-
	2,145	1,958

(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

	2018 $'000	2017 $'000
Profit after income tax	7,706	7,628
Depreciation and amortisation of non-current assets	18,030	20,275
Payment for capitalised development costs	(14,689)	(18,165)
Proceeds from New Zealand government development grant	410	1,003
Non-cash employee benefits expense – share based payment	27	480
Increase/(decrease) in current tax liability/asset	(196)	931
Increase/(decrease) in deferred tax balances	(252)	(743)
Unrealised foreign currency translation amount	(948)	248
(Increase)/decrease in assets net of acquisitions:		
Current receivables	2,907	(1,269)
Current inventories	(162)	(44)
Other current assets	(295)	30
Non-current receivables	(248)	73
Non-current other	81	(66)
Increase/(decrease) in liabilities net of acquisitions:		
Current trade payables	(1,074)	(475)
Other current liabilities	(120)	(684)
Other non-current liabilities	(297)	429
Net cash inflow from operating activities	10,880	9,651

(c) 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 as at 1 Jan 2018 $'000	Financing cash flows (i) $'000	De-merger of subsidiary $'000	Fair value adjustment $'000	Balance as at 31 Dec 2018 $'000
Borrowings	13	50,606	(6,044)	-	-	44,562
Interest rate swap fair value hedge or economically	14	(136)	-	-	72	(64)
		50,470	(6,044)	-	72	44,498

(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 as at 1 Jan 2017 $'000	Financing cash flows (i) $'000	De-merger of subsidiary $'000	Fair value adjustment $'000	Balance as at 31 Dec 2017 $'000
Borrowings	13	51,763	(992)	(165)	-	50,606
Interest rate swap fair value hedge or economically	14	(133)	-	-	(3)	(136)
		51,630	(992)	(165)	(3)	50,470

(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

25 Dividends – ordinary shares

No final dividend for the year ended 31 December 2017 was paid (2016: 3 cents) per share.	-	3,375
Dividend in specie arising from the de-merger of the Document Management Division effective 4 August 2017.	-	26,506
A fully franked interim dividend for the year ended 31 December 2018 of 3 cents (2017: nil) per share was paid on 4 September 2018.	3,386	-
	3,386	29,881
Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%)	535	614

26 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 $2,579 thousand were held by the consolidated entity at the reporting date, attracting an average interest rate of 0.78% (2017: 0.78%). Interest bearing borrowings by the consolidated entity at the reporting date were $44,996 thousand (2017: $50,606 thousand). Interest rate risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts. Variable rate borrowings during the year attracted an average interest rate of 5.04% (2017: 5.09%) on overdraft facilities and 3.59% on loan facilities (2017: 3.11%). 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 $212 thousand (2017: $251 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 ($2,579 thousand) that is exposed to interest rate risk is one year, and interest bearing borrowings ($44,996 thousand) that are exposed to interest rate risk, and the interest rate swap 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 $1.621 million.

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 not 1(y).

(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.

(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 12 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.