Reckon Limited Annual Report

ABN 14 003 348 730

Financial Year Ended 31 December 2013

Consolidated Statement of Profit or Loss

for the year ended 31 December 2013

	Note	Consolidated 2013 $'000	2012 $'000
Continuing operations			
Revenue	**2**	**98,125**	**96,765**
Product and selling costs		(17,992)	(17,109)
Royalties		(5,202)	(5,322)
Employee benefits expenses		(29,037)	(28,520)
Share-based payments expenses	2	(405)	(304)
Marketing expenses		(2,695)	(2,175)
Premises and establishment expenses		(2,365)	(2,146)
Depreciation and amortisation of other non-current assets		(10,729)	(9,824)
Telecommunications		(839)	(907)
Legal and professional expenses		(694)	(798)
Finance costs		(705)	(311)
Other expenses		(4,549)	(4,745)
Profit on sale of investment in joint venture entity	9	1,414	-
Business acquisition costs		-	(173)
Net costs associated with premises relocation:			
Estimated sub-lease rent shortfall		(438)	(492)
Profit before income tax		**23,889**	**23,939**
Income tax expense	3	(5,728)	(6,172)
Profit for the year		**18,161**	**17,767**
Profit attributable to:			
Owners of the parent	23	17,812	17,342
Non-controlling interest		349	425
		18,161	**17,767**
Earnings per share			
		Cents	Cents
Basic Earnings per Share	24	13.9	13.4
Diluted Earnings per Share	24	13.8	13.3

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Profit for the year		**18,161**	**17,767**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of equity instruments	22	-	247
Exchange difference on translation of foreign operations	22	3,883	186
Total other comprehensive income, net of income tax		3,883	433
Total comprehensive income for the year		**22,044**	**18,200**
Total comprehensive income attributable to:			
Owners of the parent		21,695	17,775
Non-controlling interest		349	425
		22,044	**18,200**

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

Consolidated Statement of Financial Position

as at 31 December 2013

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	28	2,573	1,926
Trade and other receivables	6	10,998	8,795
Inventories	5	1,746	1,244
Other assets	7	2,291	2,695
Total Current Assets		17,608	14,660
Non-Current Assets			
Receivables	6	1,194	1,391
Financial assets	8	56	56
Investment in joint venture entity	9	-	660
Property, plant and equipment	10	3,279	3,415
Deferred tax assets	11	127	141
Intangible assets	12	77,848	68,032
Other assets	7	599	-
Total Non-Current Assets		83,103	73,695
Total Assets		100,711	88,355
LIABILITIES			
Current Liabilities			
Trade and other payables	13	4,731	4,922
Borrowings	14	58	10,994
Current tax payables		1,131	1,119
Provisions	16	3,471	3,341
Deferred revenue		9,285	8,674
Total Current Liabilities		18,676	29,050
Non-Current Liabilities			
Borrowings	14	17,433	136
Other financial liabilities	15	11,658	10,608
Deferred tax liabilities	18	4,107	2,949
Provisions	16	722	1,194
Total Non-Current Liabilities		33,920	14,887
Total Liabilities		52,596	43,937
Net Assets		48,115	44,418
Equity			
Issued capital	21	16,818	16,878
Reserves	22	(17,641)	(14,839)
Retained earnings	23	48,938	42,379
Total Equity		48,115	44,418

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 2013

Consolidated

	Issued capital $'000	Share buyback reserve $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Retained earnings $'000	Acquisition of non-controlling interest reserve $'000	Attributable to owners of the parent $'000	Non-controlling interest $'000	Total $'000
Balance at 1 January 2013	16,878	(8,978)	(1,383)	503	42,379	(4,981)	44,418	-	44,418
Profit for the year	-	-	-	-	17,812	-	17,812	349	18,161
Other comprehensive income:									
Exchange differences on translation of foreign operations	-	-	3,883	-	-	-	3,883	-	3,883
Total comprehensive income	-	-	3,883	-	17,812	-	21,695	349	22,044
Share based payments expense	-	-	-	241	-	-	241	-	241
Share buyback (note 21)	-	(5,528)	-	-	-	-	(5,528)	-	(5,528)
Dividends paid (note 29)	-	-	-	-	(11,253)	-	(11,253)	-	(11,253)
Treasury shares vested/lapsed	260	-	-	(260)	-	-	-	-	-
Treasury shares acquired	(320)	-	-	-	-	-	(320)	-	(320)
Transfer to acquisition of non-controlling interest reserve	-	-	-	-	-	349	349	(349)	-
Remeasurement of Linden House option liability (note 15)	-	-	-	-	-	(1,487)	(1,487)	-	(1,487)
Balance at 31 December 2013	16,818	(14,506)	2,500	484	48,938	(6,119)	48,115	-	48,115

Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2013

Consolidated	Issued capital $'000	Share buyback reserve $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Asset revaluation reserve $'000	Retained earnings $'000	Acquisition of non-controlling interest reserve $'000	Attributable to owners of the parent $'000	Non-controlling interest $'000	Total $'000
Balance at 1 January 2012	15,752	-	(1,569)	556	(1,067)	36,621	-	50,293	203	50,496
Profit for the year	-	-	-	-	-	17,342	-	17,342	425	17,767
Other comprehensive income:										
Fair value adjustment of financial assets	-	-	-	-	247	-	-	247	-	247
Exchange differences on translation of foreign operations	-	-	186	-	-	-	-	186	-	186
Total comprehensive income	-	-	186	-	247	17,342	-	17,775	425	18,200
Share based payments expense	-	-	-	248	-	-	-	248	-	248
Share buyback (note 21)	-	(7,612)	-	-	-	-	-	(7,612)	-	(7,612)
Dividends paid (note 29)	-	-	-	-	-	(10,764)	-	(10,764)	(549)	(11,313)
Treasury shares vested/lapsed	301	-	-	(301)	-	-	-	-	-	-
Treasury shares acquired	(541)	-	-	-	-	-	-	(541)	-	(541)
Transfer to retained earnings	-	-	-	-	820	(820)	-	-	-	-
Transfer to acquisition of non-controlling interest reserve	-	-	-	-	-	-	79	79	(79)	-
Payment for non-controlling interest in nQueue Billback subsidiaries (Note 26(d))	-	-	-	-	-	-	(4,496)	(4,496)	-	(4,496)
Remeasurement of Linden House option liability (Note 15)	-	-	-	-	-	-	(564)	(564)	-	(564)
Transfer of prior year buyback	1,366	(1,366)	-	-	-	-	-	-	-	-
Balance at 31 December 2012	16,878	(8,978)	(1,383)	503	-	42,379	(4,981)	44,418	-	44,418

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 2013

	Note	Consolidated Inflows/(Outflows) 2013 $'000	2012 $'000
Cash Flows From Operating Activities			
Receipts from customers		105,886	104,956
Payments to suppliers and employees		(74,145)	(74,288)
Dividends received		-	100
Interest received		32	59
Interest paid		(705)	(311)
Income taxes paid		(4,543)	(6,488)
Net cash inflow from operating activities	28(b)	**26,525**	**24,028**
Cash Flows From Investing Activities			
Payment for purchase of business, net of cash acquired	28(c)	(1,750)	(8,511)
Payment for non-controlling interest (net)	28(d)	-	(4,496)
Payment for investment in joint venture entity	9	-	(660)
Proceeds from sale of investment in joint venture entity	9	1,736	-
Payments for purchase of intellectual property		(311)	-
Payment for capitalised development costs		(13,126)	(9,616)
Payment for property, plant and equipment		(1,520)	(1,371)
Proceeds from sale of investment		-	6,448
Net cash outflow from investing activities		**(14,971)**	**(18,206)**
Cash Flows From Financing Activities			
Proceeds from/(repayment of) borrowings		6,836	10,484
Payment for other financial liabilities		(438)	(124)
Payment for share buyback	22	(5,528)	(7,612)
Payment for treasury shares	21	(320)	(541)
Dividends paid to owners of the parent	29	(11,253)	(10,764)
Non-controlling interest dividends paid		-	(549)
Net cash outflow from financing activities		**(10,703)**	**(9,106)**
Net Increase/(Decrease) in cash and cash equivalents		**851**	**(3,284)**
Cash and cash equivalents at the beginning of the financial year		1,432	4,703
Effects of exchange rate changes on cash and cash equivalents		271	13
Cash and cash equivalents at the end of the financial year	28(a)	**2,554**	**1,432**

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 2013

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.

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

The financial report has been prepared in accordance with the historical cost convention, except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted. The parent entity has applied the relief available to it under ASIC Class Order 98/100, and accordingly, amounts in the financial report have been rounded off to the nearest thousand dollars, except where otherwise indicated.

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.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income'
- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

Impact of Amendments to AASB 101 'Presentation of Financial Statements':
The amendment (part of AASB 2011-9) 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section:

(a) items that will not be reclassified subsequently to profit or loss, and

(b) items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Impact of the application of AASB 10
AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. Some guidance included in AASB 10 that deals with whether or not an investor that owns less than 50 per cent of the voting rights in an investee has control over the investee is relevant to the Group.

The directors of the Company made an assessment as the date of the initial application of AASB 10 as to whether or not the Group has control of Linden House Software Limited in accordance with the new definition of control and the related guidance set out in AASB 10. The directors concluded that, consistent with the accounting treatment in the comparative year, it has had control over Linden House Software Limited since acquisition on the basis of the existence of a substantive call option (refer note 1(w)).

Impact of the application of AASB 11
AASB 11 replaces AASB 131 'Interests in Joint Ventures' and the guidance contained in a related interpretation, Interpretation 113 'Jointly Controlled Entities – Non-Monetary Contributions by Venturers', has been incorporated in AASB 128 (as revised in 2011). AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for.

Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

Previously, AASB 131 'Interests in Joint Ventures' contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under AASB 131 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointlycontrolled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expense incurred jointly). Each joint operation accounts for the assets and, liabilities, as well as revenue and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of AASB 11. The directors concluded that the application of the amendments has no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 12
AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements. However this did not result in any changes to the financial statements.

Impact of the application of AASB 13
The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2012 comparative period. The application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 119
In the current year, the Group has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time.

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of AASB 119 are replaced with a 'net interest' amount under AASB 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments also changed the definition of short term employee benefits from 'due to be settled within 12 months' to a revised definition as those employee benefits that are 'expected to be settled wholly within 12 months'. The new requirements may lead to annual leave being measured on a discounted basis. The directors have assessed that the new requirements do not have a material effect on the consolidated financial statements.

The amendments have been applied retrospectively. As the Group does not have any defined benefit plans, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 2012-2 'Amendments to Australian Accounting Standards - Disclosures – Offsetting Financial Assets and Financial Liabilities'
The Group has applied the amendments to AASB 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

Early adoption of Accounting Standards

In the prior year the directors elected under s.334(5) of the Corporations Act 2001 to apply Accounting Standard AASB 9 'Financial Instruments' for the 2012 financial year, even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2015. Investments in equity instruments are irrevocably classified as equity instruments revalued through other comprehensive income. They continue to be valued at fair value with changes to value being recognised in asset revaluation reserve. Realised gains/losses are not recycled to net profits as was previously required under AASB 139.

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 are recognised and measured in accordance with AASB 112 'Income Taxes'; and
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date.

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) Investments in Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(d) 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

(e) 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.

(f) 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.

(g) 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.

(h) Goods and Services Tax

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

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

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

(i) 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.

(j) 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. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

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.

(k) 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.

(l) Leased Assets

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

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

(m) 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.

(n) Receivables

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

(o) 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.

(p) Revenue Recognition

Sale of Goods and Disposal of Assets

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

Software licence fee revenue is recognised at the point of "go live" (i.e. when all users can use the system on a fully functional basis).

Rendering of Services

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

Support and maintenance revenue is recognised on a straight-line basis over the period of the contract.

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

Interest and Other Revenue

Interest revenue is recognised on a time proportional basis taking into account the effective interest rates applicable to the financial assets. Other revenue is recognised when the right to receive the revenue has been established.

(q) Deferred Revenue

Revenue earned from maintenance and support services provided on sales of certain products by the consolidated entity are deferred and then recognised in profit or loss over the contract period as the services are performed, normally 12 months. Refer note 1(p) for further detail.

(r) Earnings per share

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

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

(s) Cash and cash equivalents

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

(t) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets are classified into the following specified categories: financial assets at amortised cost (including loans and receivables), financial assets 'at fair value through profit or loss' (FVTPL), and financial assets at 'fair value through other comprehensive income'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income/income statement.

Investments in equity instruments, which were previously classified as available for sale financial assets, are from 1 January 2012 irrevocably classified as equity instruments revalued through other comprehensive income. Quoted shares held by the Group that are traded in an active market are classified as fair value through other comprehensive income and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the asset revaluation reserve. They continue to be valued at fair value with changes to value being recognised in the asset revaluation reserve (previously available for sale asset revaluation reserve). Realised gains/losses are not recycled to net profits as was previously required under AASB 139.

A financial asset is measured at amortised cost if both the business model test and cash flow characteristics test conditions are met i.e. the asset is held with in a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the in the statement of comprehensive income/income statement.

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities 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.

(u) Provisions

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

(v) Fair Value estimation

The fair value of financial instruments and share based payments that are not traded in an active market is determined using 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.

(w) Significant accounting judgments, estimates and assumptions

Significant accounting judgments

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

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

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

Consolidation of Linden House - Linden House has been consolidated on the basis of the existence of a substantive call option, which is exercisable at acquisition date, and which enables Reckon Limited to acquire the remaining interest in the company.

Significant accounting estimates and assumptions

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

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

Share based payments – the Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. The fair value has been determined using a model that adopts Monte Carlo simulation approach, and the assumptions related to this can be found in Note 20.

Product life and amortisation – the Group amortises capitalized 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.

Surplus lease space – The Group provides for surplus lease space based on an estimate of the income expected to be generated taking into consideration market conditions relating to rental yields and vacancy periods. Further details are set out in note 16.

Other financial liabilities – The Group has recognised as a liability the fair value of an option instrument arising in connection with a business acquisition. Fair value determination is based on assumptions relating to future profitability of the acquired business and market discount rates. The chosen valuation techniques and assumptions used are believed to be appropriate in determining the fair value of financial instruments. Further details are set out in notes 15.

(x) New accounting standards not yet effective

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

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
○ AASB 2011-4 ‘Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements’	1 July 2013	31 December 2014
○ AASB 2012-3 ‘Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities’	1 January 2014	31 December 2014
○ AASB 2013-3 ‘Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets’	1 January 2014	31 December 2014
○ AASB 2013-4 ‘Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting’	1 January 2014	31 December 2014
○ AASB 2013-5 ‘Amendments to Australian Accounting Standards – ‘Investment Entities’	1 January 2014	31 December 2014
○ AASB 2013-7 ‘Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders’	1 January 2014	31 December 2014
○ AASB 2013-8 ‘Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, AASB 12 & AASB 1049]	1 January 2014	31 December 2014
○ Interpretation 21 ‘Levies’	1 January 2014	31 December 2014

2 Profit for the year

	Consolidated 2013 $'000	2012 $'000
Profit before income tax includes the following items of revenue and expense:		
Revenue		
Sales revenue		
Sale of goods and rendering of services	98,093	96,606
Other Revenue		
Dividend income	-	100
Interest revenue – Bank deposits	32	59
	32	159
	98,125	96,765
Expenses		
Cost of Sales	23,194	22,431
Bad debt expense:		
Other Entities	80	48
Finance costs expensed:		
Bank loans and overdraft	705	311
Net transfers to/(from) provisions:		
Sales returns and rebates	41	(121)
Employee benefits	94	(917)
Allowance for doubtful debts	167	23
Depreciation of non-current assets:		
Property, plant and equipment	1,119	996
Amortisation of non-current assets:		
Leasehold improvements	481	527
Intellectual property	752	1,018
Development costs	8,377	7,282
Foreign exchange losses/(gains)	(672)	69
Employee benefits expense:		
Post employment benefits – defined contribution plans	2,424	2,283
Termination benefits	223	25
Share based payments:		
Equity-settled share-based payments	241	248
Cash-settled share-based payments	164	56
	405	304
Research and development costs written off	-	987
Operating lease rental expenses:		
Minimum lease payments	2,077	1,906

3 Income Tax

	Consolidated 2013 $'000	Consolidated 2012 $'000
(a) Income tax expense recognised in profit and loss		
Current tax	4,813	5,470
Deferred tax	1,172	930
Under /(over) provided in prior years	(257)	(228)
	5,728	6,172

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

	2013 $'000	2012 $'000
Profit before income tax	23,889	23,939
Income tax expense calculated at 30% of profit	7,167	7,182
Tax Effect of:		
Effect of higher tax rates on overseas income	(23)	25
Tax effect of non-deductible/non-taxable items:		
Non-controlling interest component	-	(81)
Research and development claims	(600)	(595)
Utilisation of capital losses on profit on sale of investment in joint venture entity	(424)	-
Sundry items	(135)	(131)
	5,985	6,400
Under/(over) provision in prior years	(257)	(228)
Income tax expense attributable to profit	5,728	6,172

The tax rate used for the 2013 and 2012 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: not probable of recovery

	2013 $'000	2012 $'000
Tax losses:		
Revenue	-	-
Capital	2,098	2,507
	2,098	2,507

4 Remuneration of Auditors

	Consolidated 2013 $	2012 $
(a) Deloitte Touche Tohmatsu		
During the year, the auditors of the parent entity earned the following remuneration:		
Auditing and reviewing of financial reports	218,268	211,624
Tax compliance and consulting services	78,958	75,126
	297,226	286,750
(b) Other Auditors		
Auditing and reviewing of financial reports	51,092	53,126
Tax compliance services	38,702	25,136
	89,794	78,262
	387,020	365,012

5 Inventories

	Consolidated 2013 $'000	2012 $'000
Finished goods:		
At lower of cost and net realisable value	1,746	1,244

6 Trade and Other Receivables

Current:		
Trade receivables (i)	10,373	8,270
Allowance for doubtful debts	(517)	(430)
	9,856	7,840
Other receivables	1,142	955
	10,998	8,795
Non current:		
Trade receivables	1,114	1,301
Other receivables	80	90
Other receivables: non-controlling interest holder	-	-
	1,194	1,391
(i) The ageing of past due receivables at year end is detailed as follows:		
Past due 0-30 days	1,388	1,652
Past due 31-60 days	983	962
Past due 61+ days	1,556	798
Total	3,927	3,412

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

Balance at beginning of the year	430	455
Amounts written off during the year	(80)	(48)
Increase/(reduction) in allowance recognised in the profit and loss	167	23
Balance at end of year	517	430

7 Other Assets

	Consolidated 2013 $'000	Consolidated 2012 $'000
Current::		
Prepayments	1,197	1,104
Other	1,094	1,591
	2,291	2,695
Non current::		
Prepayments	599	-

8 Other Financial Assets

Security deposits	56	56

9 Investment in Joint Venture Entity

Investment in Connect2Field Holdings Pty Ltd	-	660

The investment in Connect2Field Holdings Pty Ltd was sold during the year for $2.1million, resulting in a profit on sale of $1.4million. $0.3million of the proceeds are held in escrow and will be released in October 2014. A current tax expense of $0.4million arose on the gain realised in the current year, resulting in a utilisation of $0.4million of unrecognised capital tax losses.

10 Property, Plant And Equipment

Leasehold Improvements		
At cost	3,539	3,388
Less: Accumulated amortisation	(3,104)	(2,692)
Total leasehold improvements	435	696
Plant and equipment		
At cost	7,973	6,816
Less: Accumulated depreciation	(5,129)	(4,097)
Total plant and equipment	2,844	2,719
	3,279	3,415

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year are set out below.

Consolidated	Leasehold Improvements $'000	Plant and Equipment $'000	Total $'000
Carrying amount at 1 January 2013	696	2,719	3,415
Additions	220	1,300	1,520
Depreciation/amortisation expense	(481)	(1,175)	(1,656)
Balance at 31 December 2013	435	2,844	3,279

Consolidated	Leasehold Improvements $'000	Plant and Equipment $'000	Total $'000
Carrying amount at 1 January 2012	1,223	2,178	3,401
Additions	-	1,371	1,371
Acquisitions through business combinations	-	208	208
Depreciation/amortisation expense	(527)	(1,038)	(1,565)
Balance at 31 December 2012	696	2,719	3,415

11 Deferred Tax Assets

	Consolidated 2013 $'000	Consolidated 2012 $'000
The balance comprises temporary differences attributable to:		
Doubtful debts	9	7
Employee benefits	70	55
Other provisions	48	79
	127	141

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

Reconciliation:

	2013 $'000	2012 $'000
Opening balance at 1 January	141	86
Credited/(charged) to profit or loss	(14)	55
Balance at 31 December	127	141

12 Intangibles

	Consolidated 2013 $'000	2012 $'000
Intellectual property – at cost (i)	17,045	14,984
Accumulated amortisation	(10,757)	(10,005)
	6,288	4,979
Development costs – at cost	62,456	49,119
Accumulated amortisation	(39,706)	(31,174)
	22,750	17,945
Goodwill – at cost	48,810	45,108
	77,848	68,032

(i) The intellectual property carrying amount comprises of customer contracts of $3,748 thousand (2012: $4,417 thousand), brand names of $562 thousand (2012: $562 thousand) and other intellectual property of $1,978 thousand (2012: nil).

Impairment test for goodwill
Goodwill is allocated to the Group's cash generating units (CGUs) identified according to the business entities acquired, as follows:

	2013	2012
Professional Division Australia	10,361	10,361
Professional Division New Zealand	1,742	1,742
nQueueBillback	2,330	1,965
Elite	2,536	2,536
Reckon Docs (formerly Corporate Services)	11,125	11,125
Virtual Cabinet	20,716	17,379
	48,810	45,108

The recoverable amount of a CGU is determined based on value-in-use calculations. Management has based the value in use calculations on the most recently completed Board approved budget for the forthcoming one year (2014) period. Subsequent cash flows are projected using constant long term average growth rates of 3% per annum for all CGU's apart from Virtual Cabinet. Constant growth rates of 6% have been used for Virtual Cabinet to reflect the early stage of the evolution of this CGU, which is expected to experience high growth over the next few years. An average post-tax discount rate of 11.0% (2012: 12.2%) (pre-tax rate: 15%) reflecting assessed risks associated with CGU's has been applied to determine the present value of future cash flow projections for all CGU's apart from Virtual Cabinet, for which a discount rate of 11.5% has been applied. No impairment write-offs have been recognized during the year (2012: nil). With the exception of Virtual Cabinet, should the projected growth rates reduce to 0%, no material impairment would arise. In the case of Virtual Cabinet, for an impairment to arise the following would need to occur: the 2014 budget not be met, and the projected growth rates reduced to below 5%.

Consolidated movements in intangibles	Goodwill $'000	Intellectual Property $'000	Development Costs $'000	Total $'000
At 1 January 2013	45,108	4,979	17,945	68,032
Additions	-	311	13,182	13,493
Acquisitions through business combinations (note 29)	-	1,750	-	1,750
Effect of foreign currency exchange differences	3,702	-	-	3,702
Amortisation charge	-	(752)	(8,377)	(9,129)
At 31 December 2013	48,810	6,288	22,750	77,848
At 1 January 2012	27,775	3,609	14,582	45,966
Additions	-	-	9,658	9,658
Acquisitions through business combinations (note 29)	17,204	2,388	987	20,579
Effect of foreign currency exchange differences	129	-	-	129
Amortisation charge	-	(1,018)	(7,282)	(8,300)
At 31 December 2012	45,108	4,979	17,945	68,032

	Consolidated 2013 $'000	2012 $'000

13 Trade and Other Payables

	2013 $'000	2012 $'000
Current:		
Trade payables and sundry accruals (i)	4,731	4,922

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

14 Borrowings

	2013 $'000	2012 $'000
Current:		
Bank borrowings (i)	19	10,994
Hire purchase liabilities	39	-
	58	10,994

	2013 $'000	2012 $'000
Non-current		
Bank borrowings (i)	17,350	-
Hire purchase liabilities	83	136
	17,433	136

(i) The consolidated entity has bank facilities totaling $23.95 million as at 31 December 2013. The facility comprises a variable rate bank overdraft facility, and a multi option facility (which includes a bill facility and bank guarantee/transactional facility). The facility has been renegotiated to commence on 31 December 2013, and covers a 3 year term expiring on 31 December 2016 in respect of the bill facility and expiring on 31 December 2014 for the remaining facilities. The facility is secured over the Australian net assets of the Group ($44.8 million at 31 December 2013).

	Bank overdraft $'000	Bill facility $'000	Bank guarantee facility $'000
2013			
The available, used and unused components of the facility at year end is as follows:			
Available	1,000	20,000	2,950
Used	19	17,350	1,834
Unused	981	2,650	1,116
The remaining contractual maturity for the facility (including both interest and principal) is as follows:			
0-12 months	19	-	1,834
2-5 years	-	17,350	-
Weighted average interest rate	6.7%	4.6%	-

15 Other financial liabilities

	Consolidated 2013 $'000	2012 $'000
Linden House option liability (i)	11,658	10,608

(i) This balance represents the present value of future payments arising in connection with the acquisition of the non-controlling interest in Linden House Software Limited (refer note 29(c)), including future profit entitlements over the next 18 months and the redemption price of put option instruments issued in respect of their remaining equity interest in the company. A discount rate of 12.4% has been applied to future cash flow estimates to derive the outstanding liability. Recognising the present value of the redemption price effectively treats the option as if it has been exercised, which is an equity transaction. Any re-measurement of this liability is therefore treated as an equity transaction processed through an "acquisition of non-controlling interest reserve". Within the context of AASB 7, this is classified as a level 3 fair value measurement, being derived from valuation techniques that include inputs for the asset or liability that are based on observable market data (unobservable inputs). The gross amount of $13.8 million (2012: $13.2million) is payable between one and three years after balance date.

16 Provisions

	2013	2012
Current::		
Sales returns, volume rebates	102	61
Employee benefits	2,505	2,425
Surplus premises	498	516
Commissions and sundry provisions	366	339
	3,471	3,341
Non-current:		
Employee benefits	639	625
Surplus premises	83	569
	722	1,194

Movement in provisions

Movements in each class of provision during the financial year, excluding employee benefits, are set out below:

2013 Consolidated	Surplus premises $'000	Sales returns, volume rebates $'000	Commissions and sundry $'000	Total $'000
Carrying amount at the start of the year	1,085	61	339	1,485
Amounts paid	(942)	-	-	(942)
Additional provisions recognised/(utilised)	438	41	27	506
Carrying amount at the end of the year	581	102	366	1,049

The provision for surplus premises represents the present value of the future lease payments on the Pyrmont premises that the Group is presently obligated to make under the operating lease contract, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The lease expires in February 2015.

17 Working capital deficiency

The consolidated statement of financial position indicates an excess of current liabilities over current assets of $1,068 thousand (December 2012: $14,390 thousand). This arises due to the cash management structure adopted by management, whereby surplus funds are used to repay debt and make investments. Net cash inflows from operations for the year were $26,525 thousand (2012: $24,028 thousand). Unused bank overdraft and bill facilities at balance date total $3,631 thousand. Also, included in current liabilities is deferred revenue of $9,285 thousand (December 2012: $8,674 thousand), settlement of which will involve substantially lower cash flows.

18 Deferred Tax Liabilities

	Consolidated	
	2013	**2012**
	$'000	**$'000**
The temporary differences are attributable to:		
Doubtful debts	(96)	(102)
Employee benefits	(1,284)	(1,109)
Sales returns and volume rebates	(32)	(18)
Deferred revenue	(605)	(598)
Difference between book and tax value of non-current assets	6,729	5,802
Other provisions	(605)	(1,026)
	4,107	2,949

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

Reconciliation:		
Opening balance at 1 January	2,949	1,089
Acquisition of business (note 29)	-	875
Charged (credited) to profit or loss	1,158	985
Balance at 31 December	4,107	2,949

19 Parent Entity Disclosures

	Parent 2013 $'000	Parent 2012 $'000
Financial position		
Assets		
Current assets	3,001	2,756
Non-current assets	85,828	76,551
	88,829	79,307
Liabilities		
Current liabilities	24,278	18,384
Non-current liabilities	15,387	14,138
	39,665	32,522
Equity		
Share capital	16,818	16,878
Share buyback reserve	(14,506)	(8,978)
Available-for-sale revaluation reserve	-	-
Share based payments reserve	484	503
Acquisition of non-controlling interest reserve	(1,624)	(485)
Retained earnings	47,992	38,867
	49,164	46,785
Financial performance		
Profit for the year	20,288	15,752
Other comprehensive income	-	247
Total comprehensive income	20,288	15,999
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 14.

The parent entity has no contingent liabilities.

20 Employee Benefits

	Consolidated 2013 $'000	2012 $'000
The aggregate employee benefit liability recognised and included in the financial statements is as follows:		
Accrued annual leave:		
Current (Note 16)	1,296	1,272
Long term incentive:		
Current (Note 16)	185	196
Non-current (Note 16)	80	91
Provision for long service leave:		
Current (Note 16)	1,024	957
Non-current (Note 16)	559	534
	3,144	3,050

Long-term incentive plan

The long-term incentive plan was approved at the Special General Meeting on 20 December 2005, and comprises three possible methods of participation: an option plan, a performance share plan and a share appreciation plan. The Board has discretion to make offers to applicable employees to participate in any of these plans. Options granted and/or performance shares awarded (all in respect of the Company's ordinary shares) and/or share appreciation rights do not vest before three years after their grant date 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. A TSR is the return to shareholders over a prescribed period, being the growth in the Company's share price plus dividends or returns of capital for that period. The Company's initial TSR target will be the Company achieving a median or higher ranking against the TSR position of individual companies within a 'comparator Group' of companies (i.e. a group of comparable ASX listed companies pre-selected by the Board) over the same period. The initial comparator group was determined by independent advisers and was set out in the Chairman's speech at the Special General Meeting on 20 December 2005. The Board reviews the suitability of the comparator group on an ongoing basis. Only 50% of options or performance shares become exercisable or vest if the initial performance criterion is satisfied. The extent to which the balance of options or performance shares become exercisable or vest will depend on the extent to which the initial performance criterion is exceeded (i.e. the extent to which the Company exceeds a median ranking against the TSR position of the comparator group of companies).

From 2011 performance shares were also awarded with longer term vesting periods. The principal vesting condition is that participants must remain employed for the term, in this case, to achieve 100% vesting employees must remain in employment for 10 years from the date of initial offer.

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

No options were issued during the year (2012: Nil).

549,419 (2012: 396,825) appreciation rights and 387,990 (2012:277,940) performance shares, were issued during the year. The fair value of these rights was 34.4 cents (2012: 44 cents) and the shares were $1.864 (2012: $1.785), using a model that adopts the Monte Carlo simulation approach. The assumptions used in this model are: grant date share price of $2.36; expected volatility of 21.5%; dividend yield of 3.4%; and a risk free rate of 2.9%. The expense recognised in 2013 for appreciation rights/performance shares was $404,966 (2012: $304,092).

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	
			2013	2012	2013	2012	2013	2012
Jan'10	Dec'12	214,190	-	7,568	-	155,271	-	-
Jan'11	Dec'13	156,704	23,981	23,981	101,689	7,053	-	125,670
Jan'12	Dec'14	150,440	1,453	54,033	2,904	-	92,050	96,407
Jan'13	Dec'15	91,740	4,222	-	-	-	87,518	-
Jan'11	Dec'17	112,500	10,000	16,250	-	-	86,250	96,250
Jan'12	Dec'18	127,500	10,000	16,250	-	-	101,250	111,250
Jan'13	Dec'19	296,250	20,000	-	-	-	276,250	-

206,925 additional 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	
			2013	2012	2013	2012	2013	2012
Jan'10	Dec'12	357,873	-	-	-	357,873	-	-
Jan'11	Dec'13	282,258	-	-	282,258	-	-	282,258
Jan'12	Dec'14	396,825	-	-	-	-	396,825	396,825
Jan'13	Dec'15	549,419	-	-	-	-	549,419	-

Reckon Limited Employee Option Plans

The Company has previously had two ownership-based remuneration schemes:

Executive share option plan
The executive share option plan has been terminated.

Executive share option plan No. 2
The Reckon Limited Executive Share Option Plan No. 2 was established on 19/7/2000. Under the provisions of the plan, the Directors may grant options over unissued shares in the Company to executives and Directors of the Company (or their associates) or subsidiaries of the Company selected by the Directors from time to time, subject to the ASX Listing Rules and the *Corporations Act 2001*.

Options are granted for a five-year period and 50% of each new tranche becomes exercisable after each of the first two anniversaries of the grant date. The entitlements are vested as soon as they are exercisable (i.e. they are not conditional on future employment). Each option entitles the holder to one ordinary share.

Amounts receivable on exercise of any options are recognised as share capital. No options were exercised during the year (2012: nil).

Short-term incentive plan

The short-term incentive component of remuneration is dependent on satisfaction of performance conditions. Each annual budget fixes a pool representing the total potential amount in which the relevant employees can share if the performance conditions are met. There are three weighted elements to the performance conditions, viz. a revenue target, an EBITDA target, and an earnings per share target measured against the budgeted performance of the group. The amounts payable include a portion effectively requiring the employee to remain employed for a further one year before being paid.

21 Issued Capital

Fully Paid Ordinary Share Capital	2013 No.	2013 $'000	2012 No.	2012 $'000
Balance at beginning of financial year	129,488,015	18,842	132,839,672	17,476
Transfer from share-based payments reserve for options exercised during the year				
Share buyback	(2,574,949)	-	(3,351,657)	-
Prior year share buyback transferred to reserves	-	-	-	1,366
Balance at end of financial year	126,913,066	18,842	129,488,015	18,842
Less Treasury shares				
Balance at beginning of financial year	812,077	1,964	744,858	1,724
Shares purchased in current period	134,279	320	235,127	541
Shares lapsed	-	-	(5,584)	-
Lapsed shares utilised	8,480	-	-	-
Shares vested	(104,593)	(260)	(162,324)	(301)
Balance at end of financial year	850,243	2,024	812,077	1,964
Balance at end of financial year net of treasury shares	126,062,823	16,818	128,675,938	16,878

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 2,574,949 (2012: 3,351,657) shares were bought back at an average price of $2.15 (2012: $2.27). The shares bought back in the current year were cancelled immediately.

No options were exercised during the year.

22 Reserves

	Consolidated 2013 $'000	2012 $'000
Foreign currency translation reserve		
Balance at beginning of financial year	(1,383)	(1,569)
Translation of foreign operations	3,883	186
Balance at end of financial year	2,500	(1,383)
Asset revaluation reserve		
Balance at beginning of financial year	-	(1,067)
Transfer to retained earnings	-	820
Fair value adjustment of financial assets	-	247
Balance at end of financial year	-	-
Share buyback reserve		
Balance at beginning of financial year	(8,978)	-
Share buyback	(5,528)	(7,612)
Prior year share buyback	-	(1,366)
Balance at end of financial year	(14,506)	(8,978)
Acquisition of non-controlling interest reserve		
Balance at beginning of financial year	(4,981)	-
Transfer from non-controlling interest	349	79
Increase in interest in nQueue Billback subsidiaries (note 29(d))	-	(4,496)
Fair value adjustment of Linden House option liability (note 15)	(1,487)	(564)
Balance at end of financial year	(6,119)	(4,981)
Share-based payments reserve		
Balance at beginning of financial year	503	556
Share based payment expense	241	248
Treasury shares vested/lapsed	(260)	(301)
Balance at end of financial year	484	503
	(17,641)	(14,839)

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(g).

(b) Asset revaluation reserve

Fair value adjustments of financial assets are taken to the asset revaluation reserve.

(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.

23 Retained Earnings

	Consolidated 2013 $'000	2012 $'000
Balance at beginning of financial year	42,379	36,621
Net profit	17,812	17,342
Transfer from the asset revaluation reserve	-	(820)
Dividends (note 29)	(11,253)	(10,764)
Balance at end of financial year	48,938	42,379

24 Earnings Per Share

	Consolidated 2013 cents	2012 cents
Basic earnings per share	13.9	13.4
Diluted earnings per share	13.8	13.3
Weighted average number of ordinary shares used in the calculation of basic earnings per share	127,924,992	129,533,443
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	128,775,235	130,345,520

Earnings used in the calculation of basic and diluted earnings per share is $17,812 thousand (2012: $17,342 thousand).

25 Contingent Liabilities

There are no material contingent liabilities as at 31 December 2013 (2012: Nil).

26 Commitments For Expenditure

(a) Capital Expenditure Commitments

The consolidated entity has capital expenditure commitments of $nil as at 31 December 2013 (2012: $nil).

	Consolidated	
	2013	2012
	$'000	**$'000**
(b) Lease Commitments		
Operating Leases		
Within 1 year	2,784	2,697
Later than 1 year and not longer than 5 years	5,964	7,274
Later than 5 years	-	342
	8,748	10,313

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.

27 Subsidiaries

Name of Entity	Country of Incorporation	Ownership Interest 2013 %	Ownership Interest 2012 %
Parent Entity			
Reckon Limited	Australia		
Subsidiaries			
Reckon.com.au Pty Limited	Australia	100	100
Reckon Australia Pty Limited	Australia	100	100
Reckon Investment Centre Limited	Australia	100	100
Reckon Online Holdings Pty Limited	Australia	100	100
Reckon Limited Performance Share Plan Trust	Australia	100	100
Reckon New Zealand Pty Limited	New Zealand	100	100
Advanced Professional Solutions Pty Limited	Australia	100	100
Advanced Professional Solutions Limited	New Zealand	100	100
Reckon Accountable Technology Limited	United Kingdom	100	100
Reckon Docs Pty Limited	Australia	100	100
Quickdocs.com.au Pty Limited	Australia	100	100
nQueue Billback Australia 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
Linden House Software Limited	United Kingdom	50	50
Reckon Accounts Pte Limited	Singapore	100	100
Reckon Sync Technology Pty Ltd *	Australia	100	-

* Previously Business Driven Systems (Australia) Pty Ltd

All shares held are ordinary shares.

28 Notes to the Statement of Cash Flows

	Consolidated 2013 $'000	2012 $'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:

	2013 $'000	2012 $'000
Cash (i)	2,573	1,926
Bank overdraft	(19)	(494)
	2,554	1,432

(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

	2013 $'000	2012 $'000
Profit after income tax	18,161	17,767
Depreciation and amortisation of non-current assets	10,729	9,823
Profit on sale of investment in joint venture entity	(1,414)	-
Non-cash employee benefits expense – share based payment	241	248
Increase/(decrease) in current tax liability/asset	13	(1,246)
Increase/(decrease) in deferred tax balances	1,172	930
Unrealised foreign currency translation amount	(90)	44
(Increase)/decrease in assets net of acquisitions:		
Current receivables	(1,865)	(400)
Current inventories	(502)	(63)
Other current assets	404	(932)
Non-current receivables	197	(614)
Non-current other	(599)	-
Increase/(decrease) in liabilities net of acquisitions:		
Current trade payables	(191)	153
Other current liabilities	741	(1,229)
Other non-current liabilities	(472)	(453)
Net cash inflow from operating activities	26,525	24,028

(c) Business acquired

Business Driven Systems

Effective from 1 October 2013, 100% of the ordinary shares of Business Driven Systems (Australia) Pty Ltd was acquired for $1,750 thousand. The purchase price represented the IP for a product known as SyncDirect, which allows the transfer of data from a multitude of accounting systems (including cloud products) to enable accountants to seamlessly access client data via their practice management solution.

Linden House	Consolidated 2013 $'000	2012 $'000
Cash consideration	-	9,168
Less net cash acquired	-	(657)
	-	8,511
Fair value of option liability	-	10,262
	-	18,773
Fair value of assets acquired:		
Receivables	-	1,665
Intellectual property – customer contracts	-	1,826
Intellectual property – development of solution	-	987
Intellectual property – brand	-	562
Fixed assets	-	208
Payables	-	(492)
Hire purchase liabilities	-	(151)
Deferred tax liabilities	-	(875)
Deferred revenue	-	(2,161)
	-	1,569
Goodwill	-	17,204
	-	18,773

On 3 July 2012 Reckon Limited acquired an initial 50% interest in Linden House Software Limited together with options to take its total holding to 100%.

(d) nQueueBillback Division minority interest acquired

Effective from 31 July 2012 Reckon Limited acquired the 26% remaining interest in the nQueue Billback Division in the USA and the remaining 25% interest in nQueue Billback UK that it did not previously hold for cash consideration of $4,496 thousand.

(e) APS UK Division sold

Effective from 31 December 2012 the APS UK business has been sold to the previous managing director, Brian Coventry. Reckon will receive an ongoing revenue stream from royalties on sales under a licensing agreement.

29 Dividends – ordinary shares

	2013 $'000	2012 $'000
Final dividend for the year ended 31 December 2012 of 4.75 cents (2011: 4.5 cents) per share franked to 90% paid on 1 March 2013	6,111	5,945
Interim dividend for the year ended 31 December 2013 of 4 cents per share franked to 90% (2012: 3.75 cents) paid on 11 September 2013	5,142	4,819
	11,253	10,764
Franking credits available for subsequent financial years based on a tax rate of 30% (2012: 30%)	699	1,697

Refer to note 33 for details of dividends declared post year end.

30 Financial Instruments

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) Financial Risk Management Objectives

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

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

(c) Interest Rate Risk

The group is exposed to interest rate risk on the cash held in bank deposits and on bank borrowings. Cash deposits of $2,573 thousand were held by the consolidated entity at the reporting date, attracting an average interest rate of 0.6% (2012: 0.8%). Interest bearing borrowings by the consolidated entity at the reporting date were $17,369 thousand (2012:$10,994 thousand). These variable rate borrowings during the year attracted an average interest rate of 6.7% (2012: 7.50%) on overdraft facilities and 4.6% on bank bill facilities (2012: 5.1%). 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 $88 thousand (2012: $45 thousand).

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

The maturity profile for the consolidated entity's cash ($2,573 thousand) that is exposed to interest rate risk is less than one year, and interest bearing borrowings ($17,369 thousand) that are exposed to interest rate risk is 2 to 5 years.

(d) Credit Risk

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

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

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

The average credit period on sale of goods is 45 days. Interest is generally not charged. The group recognises an allowance for doubtful debts comprising a specific component for expected irrecoverable amounts, and a general provision calculated as a % of outstanding balances based upon the historical experience.

(e) Foreign Currency Risk

The consolidated entity and company undertakes certain transactions denominated in foreign currencies that are different to the functional currencies of the entities undertaking the transactions, hence exposures to exchange rate fluctuations arise. The Board of Directors monitors these exposures and does not presently hedge against this risk.

The carrying amount of the consolidated entity's foreign currency denominated monetary assets and liabilities at the reporting date that are denominated in a currency that is different to the functional currency of respective entities undertaking the transactions is as follows:

	Consolidated			
	Liabilities		Assets	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Euro	-	-	136	60

At 31 December 2013, if the Euro weakened against the UK Pound by 10% (being the relevant volatility considered relevant by Management), with all other variables held constant the net profit of the consolidated entity would increase by $14 thousand (2012: $6 thousand). At 31 December 2013, if the New Zealand Dollar, US Dollar and UK Sterling weakened against the Australian Dollar by 10% (being the relevant volatility considered relevant by Management), with all other variables held constant the net profit of the consolidated entity would increase by $564 thousand (2012: $271 thousand). This latter sensitivity relates to inter-group loan balances denominated in Australian Dollars, which are eliminated on consolidation.

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

(f) Liquidity

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

(g) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of cash, 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.

(h) Fair Value

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

31 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 Division
Professional Division
nQueueBillback Division
Virtual Cabinet Division

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

The principal activities of these divisions are as follows:

- Business Division - development, distribution and support of personal financial and accounting software, as well as related products and services to professional partners. Products sold in this division include Reckon Accounts, QuickBooks, Quicken, ReckonDocs and ReckonElite.
- Professional Division - development, distribution and support of practice management, tax, client accounting and related software under the APS brand.
- nQueueBillback Division – distribution and support of cost recovery, cost management and related software.
- Virtual Cabinet Division - development, distribution and support of document management and client portal products.

Segment revenues and results	**2013 $'000**	**2012 $'000**
Operating revenue		
Business Division	57,912	58,280
Professional Division	23,964	25,095
nQueueBillback Division	10,655	10,855
Virtual Cabinet Division	5,562	2,376
	98,093	96,606
Other revenue	32	159
Total revenue	**98,125**	**96,765**

	2013 $'000 EBITDA	**2013 $'000 D&A**	**2013 $'000 NPBT**	**2012 $'000 EBITDA**	**2012 $'000 D&A**	**2012 $'000 NPBT**
Business Division	20,256	(2,662)	17,594	21,337	(2,478)	18,859
Professional Division	11,552	(5,345)	6,207	12,361	(5,347)	7,014
nQueueBillback Division	4,032	(1,906)	2,126	4,596	(1,698)	2,898
Virtual Cabinet Division	1,668	(816)	852	499	(301)	198
	37,508	**(10,729)**	**26,779**	**38,793**	**(9,824)**	**28,969**
Central administration costs			(3,193)			(4,213)
Premises relocation costs			(438)			(492)
Acquisition costs			-			(173)
Profit on sale of investment in joint venture entity			1,414			-
Other revenue			32			159
Finance costs			(705)			(311)
Profit before income tax			**23,889**			**23,939**
Income tax expense			(5,728)			(6,172)
Profit for the year			**18,161**			**17,767**

The revenue reported above represents revenue generated from external customers.

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

No single country outside of Australia contributed more than 10% of Group revenue for either 2013 or 2012. No single customer contributed 10% or more of Group revenue for either 2013 or 2012.

EBITDA above means earnings before interest, depreciation and amortisation, D&A means depreciation and amortisation, and NPBT means net profit before tax.

Segment assets and liabilities

	Assets		**Liabilities**		**Additions to non-current assets**	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**
Business Division	34,357	25,511	27,953	20,724	6,846	3,713
Professional Division	28,250	27,554	4,378	4,908	6,649	5,015
nQueueBillback Division	17,338	15,291	11,152	7,019	2,130	1,566
Virtual Cabinet Division	27,403	23,341	15,750	14,628	1,138	21,522
Corporate Division	-	-	-	-	-	-
Total of all segments	107,348	91,967	59,233	47,279	16,763	31,816
Eliminations	(6,637)	(3,342)	(6,637)	(3,342)	-	-
Consolidated	100,711	88,355	52,596	43,937	16,763	31,816

(b) Geographical information

	Revenues from external customers		**Non-current assets**	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Australia	76,931	77,223	44,805	38,826
Other countries (i)	21,162	19,383	38,298	34,869
	98,093	96,606	83,103	73,695

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

(c) Segment revenues

	External sales	
	2013 $'000	**2012 $'000**
Business and wealth management products and services	51,739	52,152
Accounting industry products and services	35,699	33,599
Legal industry products and services	10,655	10,855
	98,093	96,606