

**APPENDIX 4D**  
**Half Year Report to the**  
**Australian Stock Exchange**

Name of Entity	RUN Corp Limited
ABN	15 111 764 437
Half Year Ended	31 December 2006
Previous Corresponding Reporting Period	31 December 2005

**Results for Announcement to the Market**

	\$	Percentage increase / (decrease) over previous corresponding period
Revenue from ordinary activities	12,773,953	289%
Profit / (loss) from ordinary activities after tax attributable to members	(3,146,866)	(29%) *
Net profit / (loss) for the period attributable to members	(3,146,866)	(29%) *
Dividends	\$Nil	Nil

\* Represents a 29% decrease in loss over the previous corresponding period of (\$4,442,612)

Refer to Directors' report for summary of operations

**Dividend:** No dividends were paid or payable.

**NTA Backing:** Excludes property management rights and related deferred tax liability which are classified as intangibles.

**NTA Backing**

	Current Period (\$)	Previous corresponding period (\$)
Net tangible asset backing per ordinary security	(0.60)	(0.57)

**Control Gained Over Entities Having Material Effect**


Name of entity	Refer "Note 7 Business Combinations" in the attached financial statements for detailed information on acquired Entities.
Date control gained	Refer "Note 7: Business Combinations" in the attached financial statements for detailed information on acquired Entities.
Consolidated profit / (loss) from ordinary activities since the date in the current period on which control was acquired	Refer "Note 7: Business Combinations" in the attached financial statements for detailed information on acquired Entities.
Profit / (loss) from ordinary activities of the controlled entity for the whole of the previous corresponding period	Refer "Note 7: Business Combinations" in the attached financial statements for detailed information on acquired Entities.

**Audit / Review Status**

This report is based on accounts to which one of the following applies: (Tick One)			
<input type="checkbox"/> The accounts have been audited	<input type="checkbox"/>	<input type="checkbox"/> The accounts have been subject to review	<input checked="" type="checkbox"/> x

**Attachments Forming Part of Appendix 4D**

Attachment #	Details
1	Half Year Financial Report
2	Audit Review Report

Signed By Company Secretary	
Print Name	David Holden
Date	16 February 2007

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
A.B.N. 15 111 764 437**

**INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by RUN Corp Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
ABN 15 111 764 437**

**INTERIM FINANCIAL REPORT  
DIRECTORS' REPORT**

The directors present their report on the consolidated entity (referred to hereafter as "RUN") consisting of RUN Corp Limited and the entities that it controlled at the end of, or during the half-year ended 31 December 2006.

**DIRECTORS**

The names of the directors in office at any time during or since the end of the half year are:

Frank John Cicutto (Chairman)  
Nathan Paul Cher (Managing Director & Chief Executive Officer)  
Samuel Jacob Herszberg (Executive Director)  
John Damian McGrath  
Jane Anne Tongs

The directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

John McGrath and Samuel Herszberg resigned by rotation and were re-elected at the RUN Annual General Meeting on 2 November 2006.

**REVIEW OF OPERATIONS**

RUN is a specialist residential property management company with properties under management in Melbourne, Sydney and Brisbane.

The six month period ending 31 December 2006 has been a phase of consolidation following the acquisition of twenty one rent rolls in the 2006 financial year.

Following a strategic and operational review during April 2006, the Group has now finalised the decentralisation of its client service delivery operations and has set up offices in suburban areas in order to move staff and services closer to its property and customer base. As at the end of December 2006, RUN had 8 offices in Melbourne, 7 offices in Sydney and 4 offices in Brisbane. In January 2007, RUN relocated its Head office and shared services from Port Melbourne to Prahran, Melbourne. The decentralisation of client service delivery has contributed to stabilisation of the business, improved brand recognition and organic growth.

RUN has also successfully completed the migration of all the residential Victorian and New South Wales properties onto its proprietary property management system ('RPM'). This provides RUN with a strategic competitive advantage with its customer relationship management platform, enhanced management information and centralised back end processing.

The consolidated loss for the half year, after income tax, was \$3.1 million. This represents a significant turnaround from the losses in the preceding 6 months ending June 2006 of \$13.4 million.

The consolidated loss for the half year, before income tax, was \$4.4 million, which included an amortisation charge of \$2.1 million.

Total EBITDA loss for the half year was \$0.2 million, with an EBITDA profit achieved for the December 2006 quarter. The improvement from the EBITDA loss of \$2.5 million for the previous half year ended June 2006 reflected the stabilisation of the business and the impact of a major cost reduction program.

Total revenue for the period was \$12.8 million, with \$9.9 million generated from property management commission income with the balance relating to letting fees, sales commission, other ancillary income and interest income.

Properties under management were 19,878 as at 31 December 2006. Revenue was supported by higher average weekly rentals (3% higher than 30 June 2006), lower vacancy rates and higher other revenue streams.

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
ABN 15 111 764 437**

**INTERIM FINANCIAL REPORT  
DIRECTORS' REPORT**

**REVIEW OF OPERATIONS (Continued)**

Total operating expenses for the period were \$17.2 million. This included employee related expenses \$9.2 million, other operating expenses \$3.7 million, interest expense of \$1.7 million and non cash charges of \$2.6 million representing depreciation/amortisation/impairment.

RUN has significantly improved operating efficiencies through streamlining processes, restructuring functions, completing the integration of VIC & NSW rent rolls and reducing overheads. Staffing levels have been managed down by 28% from their peak level in early 2006 and in the 6 month period ended 31 December 2006, have reduced from 308 to 260 full time equivalents.

The reduction in the number of properties under management primarily occurred during the September 2006 quarter. During that time, the businesses were being stabilised and there were losses arising from aggressive competitor activity during the transition period. Subsequently, during the December 2006 quarter, property retention has significantly improved in line with higher levels of customer satisfaction. In addition, the foundations for new business growth were put in place during the quarter.

The Group undertook a review of the carrying value of its assets consistent with the impairment testing requirements of the Australian equivalents to international financial reporting standards. This involved comparing the carrying value of intangibles against the estimated recoverable amount of its rent roll assets by "cash generating unit" (i.e. by State). A goodwill impairment adjustment of \$302k has been provided against the NSW rent roll intangible balance, primarily reflecting first quarter losses during the transition of one specific rent roll due to aggressive competitor activity. No further major losses have occurred in this rent roll and the overall NSW portfolio has stabilised in the second quarter. The impairment review for VIC and QLD indicated that estimated recoverable amounts exceeded carrying amounts with no impairment losses arising during the period.

At 31 December 2006, the Group had bank debt of \$42 million with \$1.8 million cash on deposit. In addition, unused bank facilities were \$1.4million. The interest rate on \$31 million was fixed in early 2006 at levels below those currently prevailing for fixed and variable rates.

During the half year, there was a cash outflow from operations of \$2.5 million (including \$1.5 million interest paid) and a cash outflow from investing activities of \$6.1 million largely due to rent roll acquisition final settlements and payment of retention monies. The cash outflow was funded by an increase in bank debt of \$2 million, a reduction in cash deposits of \$4.1 million and a cash advance of \$2.44 million procured by the founders of the business. The latter was provided on 21 August 2006 and the founders have confirmed these funds will be available to subscribe for the proposed capital raising.

The Board continues to work towards the previously announced capital raising which is likely to be in the range of \$6 million to \$10 million during the June 2007 half year. This will be used to fund new growth opportunities, ongoing working capital needs and reduction of bank debt.

Having successfully addressed the Group's operational issues, the short term focus will now be to build brand awareness, accelerate organic growth and enhance revenue streams. The Group's broad acquisition program continues to be suspended.

A monthly breakeven operating cash flow position is projected during the last quarter of the financial year ending June 2007. This is based on forecast ongoing improvements in new business development, maintenance of lower property attrition levels and further operating efficiencies.

**ROUNDING OF AMOUNTS**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable and unless otherwise indicated) under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

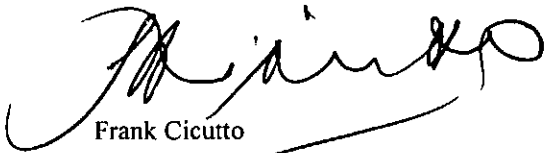
**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
ABN 15 111 764 437**

**INTERIM FINANCIAL REPORT  
DIRECTORS' REPORT**

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Signed in accordance with a resolution of the directors:



Frank Cicutto  
Chairman



Nathan Cher  
Managing Director  
and Chief Executive Officer

Dated this 16<sup>th</sup> day of February 2007



Horwath Melbourne Assurance Services Pty Ltd  
ABN 17 114 673 540  
Chartered Accountants  
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16<sup>th</sup> February 2007

The Board of Directors  
RUN Corp Limited  
107 High Street  
Prahran VIC 3181

#### AUDITOR'S INDEPENDENCE DECLARATION

This declaration is made in connection with my half-year review of the financial report of RUN Corp Limited and Controlled Entities for the period ended 31 December 2006 and in accordance with the provisions of the Corporations Act 2001.

As lead auditor I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this review;
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this review.

*Horwath Melbourne Assurance  
Services Pty Ltd*

**HORWATH MELBOURNE ASSURANCE  
SERVICES PTY LTD**

  
**JOHN C STEWART**  
Director

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
ABN 15 111 764 437**

**CONSOLIDATED INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	NOTE	Half-year	
		December	December
		2006	2005
		\$'000	\$'000
Revenue	4	12,412	3,133
Other income	4	362	152
<b>Total revenue and other income</b>		<b>12,774</b>	<b>3,285</b>
Advertising and promotion		(431)	(288)
IT & Telecommunications		(640)	(315)
Professional fees	5	(500)	(881)
Employee benefits expense	5	(9,249)	(5,874)
Agency related fees		(151)	(514)
Other expenses		(1,923)	(693)
Depreciation expense		(179)	(72)
Amortisation expense	5	(2,061)	(387)
Finance costs	5	(1,758)	(557)
Impairment of goodwill		(302)	-
<b>Total expenses</b>		<b>(17,194)</b>	<b>(9,581)</b>
Profit / (loss) before income tax		(4,420)	(6,296)
Income tax benefit		1,273	1,853
Profit / (loss) from continuing operations		(3,147)	(4,443)
Profit from discontinued operations		-	-
Profit / (loss) for the half year	5	(3,147)	(4,443)
Profit attributable to minority equity interest		-	-
<b>Profit / (loss) attributable to members of RUN Corp Limited</b>		<b>(3,147)</b>	<b>(4,443)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings Per Share:</b>			
Basic earnings/ (loss) per share		(0.05)	(0.15)
Diluted earnings / (loss) per share		(0.05)	(0.15)

Diluted earnings / (loss) per share calculations do not include the 10 million options issued in 2005. These are exercisable between 1 August 2008 and 1 December 2008 and have an exercise price of \$1.33 which is above the current market price for RUN Corp Limited shares.

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

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
A.B.N. 15 111 764 437**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2006**

	NOTE	31 December 2006 \$'000	30 June 2006 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,825	5,921
Receivables		616	585
<b>TOTAL CURRENT ASSETS</b>		<b>2,441</b>	<b>6,506</b>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment		1,489	1,056
Deferred tax assets		4,909	4,171
Intangible assets	8	68,980	68,813
<b>TOTAL NON CURRENT ASSETS</b>		<b>75,378</b>	<b>74,040</b>
<b>TOTAL ASSETS</b>		<b>77,819</b>	<b>80,546</b>
<b>CURRENT LIABILITIES</b>			
Payables		2,192	2,871
Cash advance *	2	2,438	-
Interest bearing liabilities		2,026	2,312
Amounts payable under contracts of sale		158	3,716
Provisions		1,016	1,122
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,830</b>	<b>10,021</b>
<b>NON CURRENT LIABILITIES</b>			
Interest bearing liabilities		39,542	37,000
Deferred tax liabilities		7,314	7,618
Provisions		103	77
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>46,959</b>	<b>44,695</b>
<b>TOTAL LIABILITIES</b>		<b>54,789</b>	<b>54,716</b>
<b>NET ASSETS</b>		<b>23,030</b>	<b>25,830</b>
<b>EQUITY</b>			
Contributed equity	6	44,633	44,286
Share option reserve		1,406	1,406
Accumulated losses		(23,009)	(19,862)
<b>TOTAL EQUITY</b>		<b>23,030</b>	<b>25,830</b>

\* Cash advance procured by the founders of the business, which will be available to subscribe towards the proposed capital raising.

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
A.B.N. 15 111 764 437**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	NOTE	Half-year	
		December 2006 \$'000	December 2005 \$'000
<b>Total equity at the beginning of the half-year</b>		25,830	(2,004)
Profit / (loss) for the half-year		(3,147)	(4,443)
<b>Total recognised income and expenses for the half-year</b>		(3,147)	(4,443)
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	6	347	42,697
Share options issued	5	-	1,406
		347	44,102
<b>Total equity at the end of the half-year</b>		23,030	37,656
Total recognised income and expense for the half-year is attributable to:			
Members of RUN Corp Limited		(3,147)	(4,443)
Minority equity interest		-	-
		(3,147)	(4,443)

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

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
A.B.N. 15 111 764 437**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Half-year	
	December	December
	2006	2005
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	12,844	3,258
Cash payments to suppliers and employees	(13,867)	(6,222)
Interest received	77	61
Interest paid	(1,480)	(554)
Income Tax Paid	(47)	-
<b>Net cash outflow from operating activities</b>	<b>(2,473)</b>	<b>(3,457)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for acquisition of subsidiaries	(1,833)	(25,102)
Payments for acquisition of business assets	(3,320)	(18,274)
Payments for costs associated with acquisitions	(49)	(1,527)
Payments for property, plant and equipment	(611)	(360)
Payments for software development costs	(243)	(311)
<b>Net cash outflow from investing activities</b>	<b>(6,056)</b>	<b>(45,574)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings - Commercial Bills	2,000	25,134
Proceeds from IPO	-	25,000
Costs associated with the IPO	-	(2,870)
Founders' net capital contribution	-	5,422
Cash advance	2,438	-
Other share issues	-	74
Repayments of hire purchase liability	(5)	-
<b>Net cash inflow from financing activities</b>	<b>4,433</b>	<b>52,760</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(4,096)</b>	<b>3,729</b>
Cash and cash equivalents at the beginning of the half-year	5,921	45
<b>Cash and cash equivalents at the end of the half-year</b>	<b>1,825</b>	<b>3,774</b>

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

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
A.B.N. 15 111 764 437**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

**NOTE 1: BASIS OF PREPARATION OF HALF-YEAR REPORT**

The financial report relates to RUN Corp Limited and controlled entities as a consolidated entity. RUN Corp Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by RUN Corp Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**NOTE 2: WORKING CAPITAL**

The excess of current liabilities over current assets reflects the nature of RUN's ongoing business and is supported by RUN's forecast operating cash flow generation.

Current liabilities include \$2.44 million cash advance procured by the founders of the business, which will be available to subscribe towards the proposed capital raising.

There are minimal receivables as property management commission is credited to RUN's operating account immediately after receipt of property rentals into the trust accounts. The business does not have inventories.

**NOTE 3: SEGMENT INFORMATION**

RUN Corp Limited and its controlled entities operate in the property management services segment within Australia.

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
A.B.N. 15 111 764 437**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006  
(Continued)**

**NOTE 4: REVENUE AND OTHER INCOME**

	Half-year	
	December	December
	2006	2005
	\$'000	\$'000
<b>(a) Revenue</b>		
Property management commission fees	9,859	2,595
Letting fees	1,419	379
Statement fees	307	64
Commissions	750	34
Interest income	77	61
	12,412	3,133
<b>(b) Other income</b>		
Government grants	9	-
Other income	353	152
	362	152

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
A.B.N. 15 111 764 437**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006  
(Continued)**

<b>NOTE 5: PROFIT / (LOSS) FOR THE HALF-YEAR</b>	<b>Half-year</b>	
	<b>December 2006 \$'000</b>	<b>December 2005 \$'000</b>
<b>(a) Profit / (Loss) for the half-year includes the following items that are unusual because of their nature, size or incidence:</b>		
Share options expense *	-	1,406
Professional fees	500	881
	500	2,287
* Included in employee benefits expense		
<b>(b) Profit / (Loss) before income tax includes the following specific expenses:</b>		
<b>Employee benefits expense</b>		
Wages and salaries	8,072	4,090
Share options expense	-	1,406
Defined contributions superannuation expense	649	314
Annual & Long service leave provision	18	59
Other employment related costs	510	5
	9,249	5,874
<b>Amortisation of intangibles</b>		
Amortisation of property management rights	1,877	311
Amortisation of software	184	75
Amortisation of other intangibles	-	1
	2,061	387
<b>Finance costs</b>		
Commercial bills	1,740	553
Amortisation of establishment fees	18	4
	1,758	557
<b>Lease payments</b>		
Minimum lease payments - operating leases	710	134

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
A.B.N. 15 111 764 437**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006  
(Continued)**

**NOTE 6: CONTRIBUTED EQUITY**

	<b>December 2006 \$'000</b>	<b>June 2006 \$'000</b>
Balance at beginning of period	44,286	42,697
Acquisition of Rent Rolls	351	1,101
Deferred tax assets in respect of costs associated with the IPO	(4)	488
Balance at end of period	44,633	44,286

**Movement in ordinary shares on issue**

	<u>Number</u>	<u>Number</u>
Issues of ordinary shares during the period:		
Balance at beginning of period	64,324,265	63,223,776
Acquisition of Rent Rolls	350,734	1,100,489
Balance at end of period	64,674,999	64,324,265

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

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006  
(Continued)**

**NOTE 7: BUSINESS COMBINATIONS**

During the six months ended 31 December 2006, the parent entity, through its wholly owned subsidiary RUN Property Pty Ltd, acquired property management businesses (known as "rent rolls").

It is not considered practicable to determine the revenue and the net profit contributions from each as the post acquisition operations of the acquired businesses were merged with those of RUN Property Pty Ltd. In addition, once off expenses are incurred when integrating properties onto the RUN platform.

Details of the following acquisitions are set out below:

Rent roll asset of Bennison Mackinnon Carmichael Pty Ltd	August 2006
Rent Roll asset of Westpoint Pty Ltd	September 2006

Under AASB 3 Business Combinations, the fair value of property management rights is treated as an identifiable intangible asset. The excess of the cost of acquisition over the fair value of identifiable assets and liabilities is recorded as goodwill.

Property management rights are measured at fair value as at the date of acquisition. Fair value is determined on the basis of discounted future net cash flows that are forecast to be derived from the rent roll. This takes into account the forecast attrition of property management rights of 13% p.a. but does not take into account organic growth in the rent roll.

Intangible assets created within the business through organic growth are not able to be capitalised. This includes growth sourced through strategic alliance partner agencies who have committed to long term contracts to refer new property management opportunities to RUN Property Pty Ltd. In addition, properties are obtained from current and new landlords and directly through targeted marketing and a dedicated new business leasing team.

It should be noted that the disclosures below of the acquiree's carrying amounts and RUN's fair value of assets and liabilities arising from the acquisitions have been prepared on different bases and are not directly comparable. The Acquiree's Carrying Amount does not reflect Australian equivalents to International Financial Reporting Standards (AIFRS) which are applied in the determination of the acquiror's (RUN's) Fair Value. In particular, there are significant differences arising from AASB 3 Business Combinations and AASB 112 Income Taxes. The net deferred tax liability arises under AIFRS in relation to the identifiable intangible asset of property management rights with an offsetting increase in goodwill.

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006  
(Continued)**

**NOTE 7: BUSINESS COMBINATIONS**

**Bennison Mackinnon Carmichael Pty Ltd - Rent Roll Acquisition**

On 8 December 2005 RUN Property Pty Ltd acquired part of the rent roll of Bennison Mackinnon Carmichael Pty Ltd. As part of the Strategic Alliance Agreement, the remaining properties were being managed under an agency agreement. During August 2006, RUN acquired the balance of the rent roll. At the date of acquisition, the acquired rent roll was for property management rights in the Melbourne area. The purchase consideration below includes the original acquisition of the rent roll in December 2005 adjusted for further payments made up until December 2006.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	<b>\$'000</b>
<u>Purchase consideration</u>	
Cash paid	4,209
Equity in RUN Corp Limited issued (1,141,154 ordinary shares at issue price)	1,141
Direct costs relating to the acquisition	46
Total purchase consideration	5,396
Fair value of net identifiable assets acquired (see below)	1,457
Goodwill	3,939

The assets and liabilities arising from the acquisition are as follows:

	<b>RUN's Fair Value</b>
	<b>\$'000</b>
Identifiable intangible assets	2,081
Net deferred tax liability	(624)
<b>Net identifiable assets acquired</b>	<b>1,457</b>

Acquiree's carrying amount of assets and liabilities has not been included as this information is not available to RUN.

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
A.B.N. 15 111 764 437**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006  
(Continued)**

**NOTE 7: BUSINESS COMBINATIONS**

**Acquisition of other property management businesses**

During the reporting period the following additional asset acquisition was made at the date shown:

Rent Roll asset of Westpoint Pty Ltd	1 September 2006
--------------------------------------	------------------

At the date of acquisition, the acquired rent roll was for property management rights in the Melbourne area.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	<b>\$'000</b>
<u>Purchase consideration</u>	
Cash paid	220
Direct costs relating to the acquisition	9
Total purchase consideration	229
Fair value of net identifiable assets acquired (see below)	81
Goodwill	148

The assets and liabilities arising from the acquisition are as follows:

	<b>RUN's Fair Value \$'000</b>
Identifiable intangible assets	115
Net deferred tax liability	(34)
<b>Net identifiable assets acquired</b>	<b>81</b>

Acquiree's carrying amount of assets and liabilities has not been included as this information is not available to RUN.

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006  
(Continued)**

**BUSINESS COMBINATIONS DURING CORRESPONDING PRIOR PERIOD - DECEMBER 2005 HALF YEAR**

During the half year ended 31 December 2005, the parent entity, through its wholly owned subsidiary RUN Property Pty Ltd, acquired property management businesses (known as 'rent rolls').

Since the half-year interim report as at 31 December 2005 was prepared there have been subsequent transactions predominantly relating to finalisation of retention liabilities. The following disclosures incorporate the subsequent transactions in this regard.

Details of the following material rent roll acquisitions are set out below:

- 100% shares in McGrath Property Management Pty Ltd
- 100% shares in G.A. Thomson & Co (Carlton) Pty Ltd
- 100% shares in CIRM (Aust) Pty Ltd
- 100% shares in Network Real Estate Pty Ltd and Rental Hotline Pty Ltd
- Rent roll asset of Collins Simms Pty Ltd.

Other acquisitions which are individually less material in size have been listed and summarised in total.

**McGrath Property Management Pty Ltd**

On 1 December 2005 RUN Property Pty Ltd acquired 100% of the issued share capital of McGrath Property Management Pty Ltd (subsequently renamed Run Property (MPM) Pty Ltd). At the date of acquisition, the acquired entity was involved in property management.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	<b>\$'000</b>
<u>Purchase consideration</u>	
Cash paid	7,945
Equity in RUN Corp Limited Issued (4,285,000 ordinary shares at issue price)	4,285
Direct costs relating to the acquisition	171
Total purchase consideration	12,401
Fair value of net identifiable assets acquired (see below)	2,914
Goodwill	9,487

	<b>Acquiree's carrying amount \$'000</b>	<b>RUN's Fair Value \$'000</b>
The assets and liabilities arising from the acquisition are as follows:		
Cash	3	3
Receivables	52	52
Fixed Assets	8	8
Rent roll asset	4,762	-
Identifiable intangible assets	-	4,543
Trade & sundry payables	(250)	(250)
Employee benefits	(199)	(113)
Net deferred tax liability	-	(1,329)
<b>Net identifiable assets acquired</b>	<b>4,376</b>	<b>2,914</b>

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
A.B.N. 15 111 764 437**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006  
(Continued)**

**NOTE 7: BUSINESS COMBINATIONS**

**G.A. Thomson & Co Pty Ltd**

On 7 December 2005 RUN Property Pty Ltd acquired 100% of the issued share capital of G.A. Thomson & Co (Carlton) Pty Ltd (subsequently renamed RUN Property (Carlton) Pty Ltd) and its wholly owned subsidiary G.A. Thomson & Co. (Brunswick) Pty Ltd (subsequently renamed RUN Property (Brunswick) Pty Ltd). At the date of acquisition, the acquired entity was involved in property management in the Melbourne area.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	<b>\$'000</b>
<u>Purchase consideration</u>	
Cash paid	4,290
Equity in RUN Corp Limited Issued (877,391 ordinary shares at issue price)	877
Direct costs relating to the acquisition	158
Total purchase consideration	5,325
Fair value of net identifiable assets acquired (see below)	1,565
Goodwill	3,760

	<b>Acquiree's carrying amount \$'000</b>	<b>RUN's Fair Value \$'000</b>
The assets and liabilities arising from the acquisition are as follows:		
Receivables	13	13
Rent roll asset	9,169	-
Identifiable intangible assets	-	2,381
Loans Payable	(108)	-
Other liabilities	(51)	(51)
Employee benefits	(43)	(64)
Net deferred tax liability	-	(714)
<b>Net identifiable assets acquired</b>	<b>8,980</b>	<b>1,565</b>

**RUN CORP LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006  
(Continued)**

**NOTE 7: BUSINESS COMBINATIONS**

**CIRM (Aust) Pty Ltd**

On 7 December 2005 RUN Property Pty Ltd acquired 100% of the issued share capital of CIRM (Aust) Pty Ltd (subsequently renamed RUN Property (CBD1) Pty Ltd) and it wholly owned subsidiaries Forum Real Estate Pty Ltd (renamed RUN Property (CBD3) Pty Ltd) and CBD Property Management Pty Ltd (renamed RUN Property (CBD2) Pty Ltd). At the date of acquisition, the acquired entity was involved in property management in the Sydney area.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	<b>\$'000</b>
<u>Purchase consideration</u>	
Cash paid	6,060
Equity in RUN Corp Limited Issued (570,000 ordinary shares at issue price)	570
Retention liability payable	107
Direct costs relating to the acquisition	214
Total purchase consideration	6,951
Fair value of net identifiable assets acquired (see below)	1,594
Goodwill	5,357

	<b>Acquiree's carrying amount \$'000</b>	<b>RUN's Fair Value \$'000</b>
The assets and liabilities arising from the acquisition are as follows:		
Cash	5	-
Receivables	33	-
Fixed Assets	384	25
Rent roll asset	6,000	-
Identifiable intangible assets	-	2,545
Goodwill on consolidation	717	-
Payables	(249)	(179)
Loans Payable	(58)	-
Employee benefits	(39)	(33)
Net deferred tax liability	-	(764)
<b>Net identifiable assets acquired</b>	<b>6,793</b>	<b>1,594</b>

**RUN CORP LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006  
(Continued)**

**NOTE 7: BUSINESS COMBINATIONS**

**Network Real Estate Pty Ltd & Rental Hotline Pty Ltd**

On 5 December 2005 RUN Property Pty Ltd acquired 100% of the issued share capital of Network Real Estate Pty Ltd and Rental Hotline Pty Ltd. At the date of acquisition, the acquired entities were involved in property management in the Brisbane area.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	<b>\$'000</b>
<u>Purchase consideration</u>	
Cash paid	6,689
Equity in RUN Corp Limited Issued (1,250,000 ordinary shares at issue price)	1,250
Direct costs relating to the acquisition	217
Total purchase consideration	8,156
Fair value of net identifiable assets acquired (see below)	2,532
Goodwill	5,624

	<b>Acquiree's carrying amount \$'000</b>	<b>RUN's Fair Value \$'000</b>
The assets and liabilities arising from the acquisition are as follows:		
Cash	179	179
Receivables	155	155
Fixed Assets	250	250
Rent roll asset	4,863	-
Identifiable intangible assets	-	3,103
Payables	(183)	(183)
Employee benefits	(41)	(41)
Net deferred tax liability	-	(931)
<b>Net identifiable assets acquired</b>	<b>5,223</b>	<b>2,532</b>

**RUN CORP LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006  
(Continued)**

**NOTE 7: BUSINESS COMBINATIONS**

**Collins Simms Pty Ltd - Rent Roll Acquisition**

On 31 August 2005 RUN Property Pty Ltd acquired the rent roll of Collins Simms Pty Ltd. At the date of acquisition, the acquired rent roll was for property management rights in the Melbourne area.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	<b>\$'000</b>
<u>Purchase consideration</u>	
Cash paid	5,719
Direct costs relating to the acquisition	39
Total purchase consideration	5,758
Fair value of net identifiable assets acquired (see below)	1,723
Goodwill	4,035

The assets and liabilities arising from the acquisition are as follows:

	<b>RUN's Fair Value \$'000</b>
Identifiable intangible assets	2,525
Employee benefits	(64)
Net deferred tax liability	(738)
<b>Net identifiable assets acquired</b>	<b>1,723</b>

Acquiree's carrying amount of assets and liabilities has not been included as this information is not available to RUN.

**RUN CORP LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006  
(Continued)**

**NOTE 7: BUSINESS COMBINATIONS**

**Acquisition of other property management businesses**

During the half year ended 31 December 2005 the following additional share and asset acquisitions were made at the dates shown:

100% shares in FriedeMiller Property Plus Investments Pty Ltd	09-Dec-05
100% shares in Burne Macmillan Pty Ltd	02-Dec-05
Rent Roll asset of Kay & Burton Pty Ltd	07-Dec-05
Rent Roll asset of Stockdale & Leggo Mount Waverley Pty Ltd	05-Dec-05
Rent Roll asset of Duncan McIntyre Real Estate East Ivanhoe	30-Nov-05
Rent Roll asset of Mirvac Real Estate Pty Ltd	08-Dec-05
Rent Roll asset of Corser Pty Ltd	08-Dec-05
Rent Roll asset of Hocking Stuart (Kensington) Pty Ltd	08-Dec-05
Rent Roll asset of Anderson Essendon Real Estate Pty Ltd	07-Dec-05
Rent Roll asset of TG Newton & Co (VIC) Pty Ltd	07-Dec-05
Rent Roll asset of Williams Estate Agents Pty Ltd	21-Dec-05
Rent Roll asset of G&S Davis Pty Ltd	08-Dec-05
Rent Roll asset of Kleiber Nominees Pty Ltd	08-Dec-05

At the date of acquisition, the acquired rent rolls were for property management rights in the Melbourne and Sydney areas.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	<b>\$'000</b>
<b><u>Purchase consideration</u></b>	
Cash paid	17,533
Equity in RUN Corp Limited Issued (6,024,827 ordinary shares at issue price)	6,025
Direct costs relating to the acquisition	854
<b>Total purchase consideration</b>	<b>24,412</b>
Fair value of net identifiable assets acquired (see below)	<u>6,623</u>
Goodwill	<u>17,789</u>

The assets and liabilities arising from the acquisition are as follows:

	<b>RUN's Fair Value \$'000</b>
Cash	
Receivables	306
Property, Plant & Equipment	33
Identifiable intangible assets	9,073
Employee benefits	(163)
Payables	(34)
Net deferred tax liability	<u>(2,592)</u>
<b>Net identifiable assets acquired</b>	<b><u>6,623</u></b>

Acquiree's carrying amount of assets and liabilities has not been included as this information is not available to RUN.

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006  
(Continued)**

**NOTE 8: INTANGIBLE ASSETS**

	December 2006 \$'000	June 2006 \$'000
<b>Identifiable Intangible - Property management rights</b>		
Cost	28,224	27,370
Accumulated amortisation	(3,845)	(1,968)
	<u>24,379</u>	<u>25,402</u>
<b>Computer Software</b>		
Cost	1,346	1,103
Accumulated amortisation	(449)	(265)
	<u>897</u>	<u>838</u>
<b>Total Identifiable Intangibles</b>	<u>25,276</u>	<u>26,240</u>
<b>Goodwill associated with property management rights</b>		
Cost*	53,290	51,857
Provision for impairment	(9,586)	(9,284)
<b>Total Goodwill associated with property management rights</b>	<u>43,704</u>	<u>42,573</u>
<b>Total</b>	<u>68,980</u>	<u>68,813</u>

**\* Goodwill associated with property management rights includes:**

Other excess of the cost of business combinations over the interest in the fair value of the net identifiable assets	38,658	37,522
Vendor agent foundation equity	4,355	4,355
Acquisition costs	1,759	1,743
Deferred tax liability	8,468	8,213
Other	50	24
<b>Total Goodwill prior to provision for impairment</b>	<u>53,290</u>	<u>51,857</u>

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
A.B.N. 15 111 764 437**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006  
(Continued)**

**NOTE 9: CONTINGENT LIABILITIES**

There were no contingent liabilities as at the date of this report.

**NOTE 10: EVENTS SUBSEQUENT TO BALANCE DATE**

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the consolidated entity, the results of these operations or the state of affairs of the consolidated entity in future financial periods.

**RUN CORP LIMITED  
AND CONTROLLED ENTITIES  
A.B.N. 15 111 764 437**

**DIRECTORS' DECLARATION**

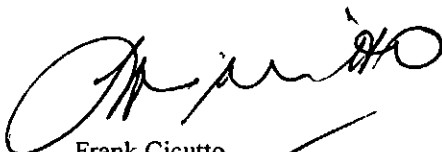
The directors declare that the financial statements and notes set out on pages 5 to 23:

- (a) Comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (b) Give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date.

In the directors' opinion:

- (a) The financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Frank Cicutto  
Chairman



Nathan Cher  
Managing Director  
and Chief Executive Officer

Dated this 16<sup>th</sup> day of February 2007

**HORWATH MELBOURNE ASSURANCE  
SERVICES PTY LTD***Chartered Accountants*

A member of Horwath International

525 Collins St Melbourne 3000  
GPO Box 4736 Melbourne  
Victoria 3001 Australia**Independent auditors' review report to members of RUN Corp Limited**

We have reviewed the accompanying half-year financial report of RUN Corp Limited (the company) and RUN Corp Limited Group (the consolidated entity), which comprises the consolidated balance sheet at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration.

***Directors' Responsibility for the Consolidated Half-Year Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the consolidated half-year financial report in accordance with Accounting Standards in Australia and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements (ASRE) 2410 *Review of an Interim Financial Report Performed by the Auditor of an Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the consolidated financial report is not fairly presented, in all material respects, in accordance with the *Corporations Act 2001*, AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of RUN Corp Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*(..Cont'd)*

**INDEPENDENT REVIEW REPORT (Cont'd) RUN Corp Limited and Controlled Entities**

***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

**Conclusion**

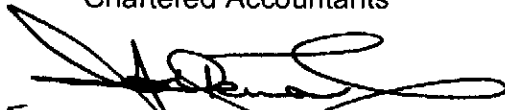
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Run Corp Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Dated the 16<sup>th</sup> day of February 2007.

*Horwath Melbourne Assurance  
Services Pty Ltd*

**HORWATH MELBOURNE ASSURANCE  
SERVICES PTY LTD**  
Chartered Accountants



**JOHN C. STEWART**  
**Director**