



RUN Corp Limited
ACN 111 764 437
107 High Street, Prahran 3181
Telephone: 61 3 9514 8800
Fax: 61 3 9521 1872

MEDIA RELEASE

27 August 2008

RUN RELEASES 2008 RESULTS

RUN Corp Limited today released the company's detailed consolidated results for the year ended 30 June 2008 as set out in the Appendix 4E Preliminary Final Report lodged with the Australian Stock Exchange today:

	2008 Actual (\$'000)	2007 Actual (\$'000)
Revenue	29,228	25,279
EBITDA profit/(loss)	2,352	544
Depreciation and amortisation	(6,098)	(4,567)
Provision for asset impairment	-	(7,615)
Net finance cost	(2,999)	(3,660)
Taxation (charge)/benefit	1,538	(1,754)
Net loss attributable to members	(5,207)	(17,052)
Interest Bearing liabilities	35,821	42,813

Business Strategy and Operations

RUN Property CEO Mr Rob Farmer said that the Company has reported continued improvement in the financial year ended 30 June 2008 and has successfully achieved four key goals which were:

- further reduction in business operating costs;
- improvement in customer service levels;
- integration of RUN Property's Queensland operations onto RUN's centralised Property Management platform; and
- commercialisation of an industry solution enabling other real estate agents to outsource their trust accounting and technology functions.

"The business further improved its operating costs, and is achieving wider brand recognition as the rental property experts", Mr Farmer said.

"We expect to see continued strength in the rental market with low vacancies, fast re-lets and increased rents."

Mr Farmer said that the business had focused considerable time and effort in enhancing its advanced IT systems, and had packaged an offering that enables other Real Estate Agents to benefit from its investment. Its new service, branded AgentPlus, provides the real estate industry with a complete back-office solution including technology and trust accounting services freeing agents to focus on their core business. This service has been piloted in a number of locations and is now ready to be taken to the broader market. There are currently in excess of 1,000 Elders Real Estate managed properties on the RUN platform.

"The initial feedback in relation to this service has been extremely positive and we are looking forward to promoting it to the broader market," Mr Farmer said.

Mr Farmer said that RUN Property had also been exploring a range of growth strategies for the future.

Financial Performance

Total Earnings before Interest, Depreciation and Amortisation (EBITDA) for the year was \$2,352k compared to EBITDA \$546k for the previous year.

As announced in February 2008, RUN Property reached settlement in the Federal Court of Australia in the legal proceedings it initiated against Mr John McGrath, a former Director of the company.

Settlement terms included the termination of the strategic alliance agreement between McGrath and RUN Property, however under the terms of the settlement McGrath was entitled to recommence property management activities in late April 2008. The net settlement benefit to RUN Property of \$1.28 million is included in EBITDA.

Excluding the McGrath benefit, EBITDA for 2008 exceeded the prior year by \$525k, a consequence of \$155k in lower operating revenue offset by \$680k in lower operating expenses.

The marginal decrease in revenue was attributable to the lower number of properties under management mitigated by lower vacancy rates, increasing average rentals, and fees received from providing outsource trust accounting services to Elders.

There has been a concerted effort to reduce the operating cost base and the 3% decrease in costs included the following;

- \$117k non cash flow cost for the issue of shares to executive management as foreshadowed in the interim financial report;
- \$380k in strategic consulting fees payable for a project to investigate growth opportunities in the business;

Changes in depreciation and amortisation, both non cash flow items, primarily reflect the Company's policy of a 15-20 per cent per annum amortisation charge on purchased Property Management Rights. The Company reviewed the amortisation rate on property management rights which were previously amortised over an expected life of 7-10 years. The Directors view it to be more appropriate to amortise this asset over a shorter period of between 5-6 years. The result was that depreciation and amortisation for the year of \$6,098k exceeded the comparable previous period by 1,598k.

Net interest expense includes the financing costs of the \$40 million bank facility. Net interest expense of \$2,999k for the year was \$661k lower than the previous year reflecting the lower bank debt.

In accordance with group policy and the requirements of Australian financial reporting standards the carrying value of the property management rights, both the identifiable intangible and the goodwill associated with property management rights have been assessed for impairment.

In line with previous reporting periods, goodwill and intangible assets relating to property management rights acquired through business combinations are being managed on a State by State basis.

The impairment test has been conducted on the fair value method, based on valuation reports received from independent valuers. Based on this analysis, the directors believe that the fair value of the intangible assets exceeds the carrying value, with no adjustment needed

Capital and Funding Structure

At 30 June 2008, the Company had bank debt of \$36 million with \$2,637k cash on deposit. In addition the Company had \$4 million available under its \$40 million facility.

The Company fixed the rate on \$20 million of debt for two years. The rates are below the currently prevailing levels of fixed and floating rates.

On 31 August 2007 the Company issued converting notes to Elders Property Management Pty Ltd exercisable at any time up to the second anniversary of their issue date. On conversions Elders will hold a majority equity interest in RUN Property.

Future Prospects

Mr Farmer said that they key areas of focus over the coming 12 months were to:

- continue to execute on growth activities and positioning of the RUN Property brand as the Property Management experts
- further improve operating costs and efficiency;
- implement strategies to further reduce debt; and
- grow the number of customers and revenues in its new AgentPlus business

"Over the past year, the Board and Executive Team have worked hard to build on its core Property Management business as well as launch a new part of its business,"

"We are now well positioned to leverage our investment in technology via AgentPlus which will see new revenue streams flow through the business,"

"We are looking forward to implementing these strategies and delivering value to shareholders," he said.

Shareholder enquiries:
Nadia Salamone
RUN Property
T (03) 9514 8881