

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 2010
Previous Corresponding Reporting Period	31 December 2009

The following information should be read in conjunction with the most recent annual financial report.

Results for Announcement to the Market

	\$	Percentage increase / (decrease) over previous corresponding period
Revenue from ordinary activities	14,581,374	15.1%
Profit / (loss) from ordinary activities after tax attributable to members	(2,003,672)	0.2%
Net profit / (loss) for the period attributable to members	(2,003,672)	0.2%
Dividends	\$Nil	\$Nil
<p>Refer to Directors' report for summary of operations</p> <p>Dividend: No dividends were paid or payable.</p> <p>NTA Backing: Excludes property management rights and related deferred tax liability which are classified as intangibles.</p>		

NTA Backing

	Current Period (\$)	Previous corresponding period (\$)
Net tangible asset backing per ordinary security	(0.30)	(0.30)

Control Gained Over Entities Having Material Effect

Name of entity	n/a
Date control gained	n/a
Consolidated profit / (loss) from ordinary activities since the date in the current period on which control was acquired	n/a
Profit / (loss) from ordinary activities of the controlled entity for the whole of the previous corresponding period	n/a


Audit / Review Status

This report is based on accounts to which one of the following applies: (Tick One)

The accounts have been audited		The accounts have been subject to review	x
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Attachments Forming Part of Appendix 4D

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

Signed By Company Secretary	
Print Name	Jeff Stein
Date	25-Feb-11

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

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

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**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 2010.

DIRECTORS

The following persons were directors of RUN Corp Limited during the whole of the half-year and up to the date of this report:

Nathan Paul Cher

Samuel Jacob Herszberg

Jane Anne Tongs

REVIEW OF OPERATIONS

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

The consolidated loss for the half year, after income tax, was \$2,004k against a loss of \$2,007k for the comparative period ended 31 December 2009.

Total Earnings before Interest costs, Taxation, Depreciation, and Amortisation (EBITDA) for the first half was \$2,148k compared against an EBITDA of \$2,209k for the 6 months ended 31 December 2009. These numbers do not highlight the substantial growth in revenues from Agentplus and sales.

Total revenue (excluding interest received) for the period was \$14,544k, an increase of 15% over the corresponding reporting period with higher Agentplus and sales revenues. A total of \$9,241k was generated from property management commission income with the balance relating to letting fees, sales commission and, other ancillary income. Management commission marginally exceeded the commission earned for the corresponding half year, reflecting the operational stability that the company has reached.

Sales commission of \$1,645k was \$1,046k higher than the previous period and is expected to increase in the second half of the financial year as the Company increases its sales operations in Victoria and New South Wales. As expected, the sales business has incurred costs in ramping up the business with the expectation that this will generate positive returns in the second half of the financial year.

Agentplus revenue of \$984k exceeded the corresponding period by 107%, reflecting the growth of this division. At the date of the report, Agentplus was providing trust accounting and administrative services to the RUN group as well as to ten external real estate agents. At the reporting date a total number of almost 16,000 non-RUN properties were on the Agentplus platform with additional migrations planned for the next 6 months.

Total operating expenses include employee related expenses of \$8,318k, other operating expenses of \$4,115k, net interest expense of \$1,793k and non cash charges of \$3,186k representing depreciation and amortisation. The company has increased headcount from 221 employees at the beginning of the financial year to 229 employees at the end of December 2010, primarily reflecting the growth in the sales businesses.

In accordance with group policy and the requirements of Australian Accounting 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. For the period ended 31 December 2010, RUN received formal correspondence from external valuers confirming that the valuation multiples applied, per office, are reasonable based on the evidence of recent arms length transactions. The valuation of the RUN rent roll (before disposal costs) applying these metrics was calculated at approximately \$63 million as compared to a carrying value of the rent rolls and associated goodwill of \$42.3 million. Refer to note 7 for further details. In 2012 RUN's amortisation charge will reduce by approximately \$3 million and in 2013 will reduce by a further \$1.5 million.

**RUN CORP LIMITED
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**INTERIM FINANCIAL REPORT
DIRECTORS' REPORT**

During the half year, there was cash inflow from operations of \$501k (including \$1,765k net interest paid) and a cash outflow from investing activities of \$571k. As at the end of December 2010 the company had \$1,651k cash on hand with a gross debt drawdown of \$35.75 million under facilities with National Australia Bank.

As previously announced, a total of 3.575 million shares were issued during the period.

- o 3.2 million shares in aggregate to CEO and CFO
- o 375,000 shares to other executives

ROUNDING OF AMOUNTS

The amounts contained in this 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
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**INTERIM FINANCIAL REPORT
DIRECTORS' REPORT**

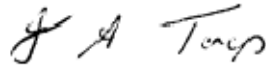
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the directors:



Nathan Cher
Chairman

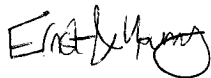


Jane Tongs
Director

Dated this 25th day of February 2011

Auditor's Independence Declaration to the Directors of RUN Corp Limited

In relation to our review of the financial report of RUN Corp Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'David Shewring'.

David Shewring
Partner
25 February 2011

**RUN CORP LIMITED
AND CONTROLLED ENTITIES
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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	NOTE	Half-year	
		31 December 2010 \$'000	31 December 2009 \$'000
Revenue	3	14,581	12,666
Total revenue		14,581	12,666
Advertising and promotion		(783)	(336)
IT & telecommunications		(596)	(464)
Professional fees		(218)	(200)
Employee benefits expense	4	(8,318)	(7,290)
Agency related and direct fees		(237)	(124)
Other expenses		(1,612)	(1,338)
Operating leases		(669)	(705)
Earnings before Interest costs, Tax, Depreciation & Amortisation		2,148	2,209
Depreciation expense		(306)	(291)
Amortisation expense	4	(2,880)	(2,848)
Finance costs	4	(1,830)	(1,715)
Profit / (loss) before income tax		(2,868)	(2,646)
Income tax benefit		864	639
Profit / (loss) after income tax		(2,004)	(2,007)
Profit / (loss) attributable to members of RUN Corp Limited		(2,004)	(2,007)
Other Comprehensive income		-	-
Total Comprehensive Income for the period		(2,004)	(2,007)
		Cents	Cents
Earnings Per Share:			
Basic earnings/ (loss) per share		(0.02)	(0.02)
Diluted earnings / (loss) per share		(0.02)	(0.02)

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

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010**

	NOTE	31 December 2010 \$'000	30 June 2010 \$'000
CURRENT ASSETS			
Cash and cash equivalents		1,651	1,723
Receivables		1,620	1,175
TOTAL CURRENT ASSETS		3,271	2,898
NON CURRENT ASSETS			
Property, plant and equipment		702	822
Intangible assets	7	42,339	44,816
TOTAL NON CURRENT ASSETS		43,041	45,638
TOTAL ASSETS		46,312	48,536
CURRENT LIABILITIES			
Trade and other payables		2,415	1,893
Interest bearing liabilities	5	182	-
Provisions		1,242	1,296
TOTAL CURRENT LIABILITIES		3,839	3,189
NON CURRENT LIABILITIES			
Interest bearing liabilities	5	35,548	35,700
Deferred tax liabilities		379	1,243
Provisions		540	416
TOTAL NON CURRENT LIABILITIES		36,467	37,359
TOTAL LIABILITIES		40,306	40,548
NET ASSETS		6,006	7,988
EQUITY			
Contributed equity	6	57,294	57,171
Share based payment reserve		45	146
Accumulated losses		(51,333)	(49,329)
TOTAL EQUITY		6,006	7,988

**RUN CORP LIMITED
AND CONTROLLED ENTITIES
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Attributable to equity holders of the parent				Total Equity \$'000
	Contributed Equity \$'000	Accumulated losses \$'000	Converting Notes Reserve \$'000	Share Based	
				Payment Reserve	
As at 1 July 2009	54,017	(45,508)	2,208	204	10,921
Loss for the period	-	(2,007)	-	-	(2,007)
Executive remuneration issue of shares	560	-	-	(148)	412
Share issue expenses	(8)	-	-	-	(8)
Issue of Shares to Founders on conversion of notes	3,029	-	(2,602)	-	427
Converting Notes Interest Distribution	(427)	-	427	-	-
Interest on Founders' converting notes payable in shares	-	-	(33)	-	(33)
At 31 December 2009	57,171	(47,515)	-	56	9,712
As at 1 July 2010	57,171	(49,329)	-	146	7,988
Loss for the period	-	(2,004)	-	-	(2,004)
Executive remuneration issue of shares	125	-	-	(101)	24
Share issue expenses	(2)	-	-	-	(2)
At 31 December 2010	57,294	(51,333)	-	45	6,006

**RUN CORP LIMITED
AND CONTROLLED ENTITIES
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**CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Half-year ended	
	31 December 2010 \$'000	31 December 2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	14,311	12,464
Cash payments to suppliers and employees	(12,045)	(10,305)
Interest received	36	39
Interest paid	(1,801)	(1,707)
Net cash inflow/(outflow) from operating activities	501	491
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property management rights	(144)	(115)
Payments for property, plant and equipment	(168)	(210)
Payments for software development costs	(259)	(193)
Net cash (outflow) from investing activities	(571)	(518)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds/(Repayment) from/of Commercial Bills	-	(1,000)
Costs associated directly with Capital Raising	(2)	(8)
Repayments of hire purchase liability	-	(4)
Net cash inflow/(outflow) from financing activities	(2)	(1,012)
Net (decrease) in cash and cash equivalents	(72)	(1,039)
Cash and cash equivalents at the beginning of the half-year	1,723	3,114
Cash and cash equivalents at the end of the half-year	1,651	2,075

**RUN CORP LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

NOTE 1: BASIS OF PREPARATION OF HALF-YEAR REPORT AND ACCOUNTING POLICIES

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

This general purpose condensed financial report for the half year ended 31 December 2010 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by RUN Corp Limited during the half year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report. As per the last report, revenue from sale of property is recognised on unconditional exchange of that property.

NOTE 1(a): GOING CONCERN BASIS OF ACCOUNTING

The financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company incurred a loss of \$2 million for the six months ended 31 December 2010 with a net current liability position of \$568k.

Total interest bearing debt with National Australia Bank at 31 December 2010 was \$35.75 million.

The banking covenants are adjusted on an annual basis. The Company was not in breach of any banking covenants during the period or at the reporting date.

The multi option facility of \$35.75 million at 31 December 2010 expires in August 2012. Under this agreement;

- Future capital raised is to be applied to the reduction of the facility, at the Bank's absolute discretion;
- At the discretion of the Bank 75% of the free cash flow over and above the free cash flow forecast in the current budget is to be applied to reduce the total amount owing; and
- Each year the Bank will review the contents of each budget provided and the terms of the repayment from free cash flow may be adjusted.

The ability of the entity to continue as a going concern is dependent on its funding from operational cash flows and the ongoing support of its banker. Without such support there would be inherent uncertainty as to the going concern of the entity and therefore whether it will be able to pay its debts as and when they become due and payable, and realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern. The directors have satisfied themselves that the continued application of the going concern basis is appropriate due to the following factors:

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

- The company has significantly reduced its cost base and has stabilised property management annuity income. With the additional income anticipated from RUN'S Agentplus' platform and property sales initiatives the company is targeting further improvement in operating cash flows.
- The company continues to explore a number of strategic options for reducing its debt levels. These options will be subject to the approval of the company's banker. The directors are currently of the opinion that the entity will be able to develop and implement strategic options that will meet bank approval before the facility expiry date.

NOTE 2: OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are used and reviewed by the executive management team in assessing performance and in determining the allocation of resources.

The operating segments have been identified by management based on the type of service provided and the region in which those services were performed. Separate financial information about each of these operating businesses is reported to the executive management team on a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the services provided.

Types of services

Property management

The property management business is conducted in the following states, each of which has been determined as both operating segments and reportable segments.

- Victoria
- New South Wales
- Queensland

The property management business provides services primarily to property owners; these services include the sourcing of tenants, collection of rent, inspection of premises and disbursement of funds. The material revenue components are management commission, which is earned when rent is received and letting fees which is collected when a new tenant is sourced.

Property sales

Sales commission is received by RUN referring a sales lead to a partner agent or alternatively when a property is sold directly by the RUN sales team. Sales commission is earned on the sale of rent roll and non rent roll properties as well as properties sourced from developers and marketed to the RUN database.

Agentplus

The Agentplus business provides trust accounting and other administrative services to the real estate industry. These services are provided to the RUN property network as well as to other independent real estate agents. A fee is charged for services and is typically based on the number of properties managed by a particular agent.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period except as detailed below:

Inter-entity sales

Inter-entity sales are recognised on an internally set transfer price. This price is determined annually and reflects the price that the business operation could achieve if this service was provided to external real estate agents at arms length. These amounts are eliminated on consolidation.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

Corporate Charges

Corporate charges comprise non-segmental expenses such as head office expenses, corporate marketing and interest. The charges are currently not allocated to the business units for internal reporting.

Amortisation

Amortisation is provided on the identifiable intangible component of the rent rolls purchases. This charge is allocated to the property management business segments based on the original purchase price of the rent-rolls purchased and the amount allocated to identifiable intangibles. An amortisation rate of 15% is applied for VIC and 20% for NSW and QLD and has been reassessed at reporting date.

Income tax benefit

An income tax benefit is allocated to the property management segments based on 30% (2009:30%) of the amortisation charge recognised. No effect is given for taxable or deductible temporary differences.

The following items are not allocated to the operating segments as they are not considered part of the core operations of any segment:

- Interest revenue and interest expense
- Head office expenses

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The following table presents revenue and profit information for reportable segments for the half-years ended 31 December 2010 and 31 December 2009

	Continuing operations					
	Property Management - Victoria	Property Management - NSW	Property Management - Queensland	Sales	AgentPlus	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Half-year ended 31 December 2010						
Revenue						
Sales to external customers	5,566	4,535	1,587	1,872	984	14,544
Inter-segment sales	-	-	-		924	924
Total segment revenue	5,566	4,535	1,587	1,872	1,908	15,468
Other revenue						-
Inter-segment elimination						(924)
Total revenue per the statement of comprehensive income (excluding interest income)						14,544

	Continuing operations					
	Property Management - Victoria	Property Management - NSW	Property Management - Queensland	Sales	AgentPlus	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Result						
Total revenue net of direct costs	1,517	1,302	233	(129)	306	3,229
Amortisation	(1,137)	(1,221)	(313)		(209)	(2,880)
Taxation benefit	341	366	94			801
Segment result	721	447	14	(129)	97	1,150

Reconciliation of segment net (loss) after tax to net (loss) before tax

Income tax adjustments						(801)
Corporate charges						(1,118)
Other revenue						-
Net Finance costs						(1,793)
Depreciation						(306)
Net profit before tax per the statement of comprehensive income						(2,868)

**RUN CORP LIMITED
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	Continuing operations					
	Property Management - Victoria	Property Management - NSW	Property Management - Queensland	Sales	AgentPlus	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Half-year ended 31 December 2009						
Revenue						
Sales to external customers	5,359	4,628	1,564	602	475	12,627
Inter-segment sales	-	-	-		959	959
Total segment revenue	<u>5,359</u>	<u>4,628</u>	<u>1,564</u>	<u>602</u>	<u>1,434</u>	<u>13,586</u>
Other revenue						
Inter-segment elimination						<u>(959)</u>
Total revenue per the statement of comprehensive income (excluding interest income)						<u><u>12,627</u></u>

	Continuing operations					
	Property Management - Victoria	Property Management - NSW	Property Management - Queensland	Sales	AgentPlus	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Result						
Total revenue net of direct costs	1,655	1,428	335	114	121	3,654
Amortisation	(1,107)	(1,221)	(315)		(206)	(2,849)
Taxation benefit	332	366	95			793
Segment result	<u>881</u>	<u>574</u>	<u>114</u>	<u>114</u>	<u>(85)</u>	<u>1,598</u>

Reconciliation of segment net (loss) after tax to net (loss) before tax

Income tax adjustments						(793)
Corporate charges						(1,483)
Other revenue						-
Net Finance costs						(1,677)
Depreciation						<u>(291)</u>
Net profit before tax per the statement of comprehensive income						<u><u>(2,646)</u></u>

**RUN CORP LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010
(Continued)**

NOTE 3: REVENUE AND OTHER INCOME

	Half-year ended	
	31 December 2010 \$'000	31 December 2009 \$'000
(a) Revenue		
Property management commission fees	9,241	9,207
Letting fees	1,478	1,528
Ancillary fees	414	373
Sales commissions	1,645	599
AgentPlus Revenue	984	475
Other Revenue	782	445
Interest income	37	39
	14,581	12,666

NOTE 4: EXPENSES

Expenses include the following specific items :

Employee benefits expense

Wages and salaries	7,074	6,240
Share based payments expense	24	64
Defined contributions superannuation expense	602	531
Annual & long service leave provision	35	(37)
Other employment related costs	583	492
	8,318	7,290

Amortisation of intangibles

Amortisation of property management rights	2,671	2,642
Amortisation of software	209	206
Amortisation of other intangibles	-	
	2,880	2,848

Finance costs

Commercial bill interest expense	1,778	1,670
Make good costs interest expense	7	5
Amortisation of establishment fees	45	41
	1,830	1,715

**RUN CORP LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010
(Continued)**

NOTE 5: INTEREST BEARING LIABILITIES

	31 December 2010 \$'000	30 June 2010 \$'000
CURRENT		
Commercial bills	182	-
Hire purchase liability	-	-
	182	-
NON CURRENT		
Commercial Bills	35,568	35,750
Borrowing costs	(20)	(50)
	35,548	35,700

Security for the group's facilities with National Australia Bank comprises registered mortgage debentures over all group assets, an Interlocking Guarantee and Indemnity given by all group entities.

The company has complied with its covenants in relation to the commercial bill facility in the six months to 31 December 2010

As at 31 December 2010, the confirmed financial covenants were based on the following measures;

- minimum EBITDA
- minimum free cash flow
- minimum maintainable property management income
- minimum properties under management.

The classification between current and non current interest bearing liabilities disclosed above at balance date reflects principal loan repayments committed in accordance with the facility, in accordance with the Bank's facility terms.

Under the terms of the commercial bill facility, the facility expires in August 2012 with amortisation of the facility via:

- A capital clause whereby any proceeds of any further capital raising are to be applied to the reduction of the multi option facility; and
- A prepayment clause whereby 75% of the free cash flow over and above the free cash flow forecast in the current budget is to be applied to reduction of the total amount owing. The bank may apply amounts received in accordance with this prepayment undertaking to the total amount owing as the bank see fit in the bank's absolute discretion. This can be achieved by a bank sweep or by a reduction in the total available facility.
- Each year the Bank will review the contents of each budget provided and the terms of the repayment from free cash flow may be adjusted.

The Company previously fixed the rate of \$10 million of debt at 6.92% until January 2011 and \$10 million at 6.92% until July 2012 (total \$20 million fixed).

**RUN CORP LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010
(Continued)**

NOTE 6: CONTRIBUTED EQUITY

	31 December 2010 \$'000	30 June 2010 \$'000
Balance at beginning of period	57,171	54,017
Issue of shares under employee share plan	125	-
Issue of shares to founders	-	2,602
Issue of shares to Executives	-	560
Transaction costs	(2)	(8)
Balance at end of period	<u>57,294</u>	<u>57,171</u>

Movement in ordinary shares on issue

	<u>Number</u>	<u>Number</u>
Issues of ordinary shares during the period:		
Balance at beginning of period	114,233,427	71,259,512
Issue of shares to Rentamobile and NCN Investments Pty Ltd	-	28,868,709
Issue of shares to Executives	3,575,000	14,105,206
Balance at end of period	<u>117,808,427</u>	<u>114,233,427</u>

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

**RUN CORP LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010
(Continued)**

NOTE 7: INTANGIBLE ASSETS

	31 December 2010 \$'000	30 June 2010 \$'000
Identifiable Intangible - Property management rights		
Cost	29,035	28,891
Accumulated amortisation	(24,135)	(21,465)
	<u>4,900</u>	<u>7,426</u>
Computer Software		
Cost	3,167	2,909
Accumulated amortisation	(2,123)	(1,914)
	<u>1,044</u>	<u>995</u>
Total Identifiable Intangibles	<u>5,944</u>	<u>8,421</u>
Goodwill associated with property management rights		
Cost	53,294	53,294
Provision for impairment	(16,899)	(16,899)
Total Goodwill associated with property management rights	<u>36,395</u>	<u>36,395</u>
Total	<u>42,339</u>	<u>44,816</u>

In accordance with group policy and the requirements of Australian Accounting 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.

A previous indicator of impairment was that the market capitalisation of RUN at reporting date was less than its accounting net assets at the same date. As per the accounting standard hierarchy of evidence, market capitalisation represents a lower level of supportable evidence than independent rent roll valuations which have been based on market rent roll multiples from recent arms length transactions. As at 31 December 2010, that market capitalisation of RUN was circa \$11.2 million which compared favourably against a net asset position of \$6 million.

The recoverable amounts of cash generating units have been determined based on fair value less costs to sell.

At each reporting date and for the period ended 31 December 2010, RUN received formal correspondence from independent valuers confirming the valuation multiples, per office, applicable and evidence of recent arms length transactions tracking rent rolls at consistent multiples based on information supplied by RUN including property numbers, average rent and average commission rates.

A rent roll generally consists of a number of managing agency agreements, whose agreements are a contract between the real estate agent, and the landlord that sets out the terms and conditions under which the real estate agent manages the landlord's real property.

A management agency agreement allows the real estate agent to charge a commission and to deduct this amount from the rents collected. It is these commissions that the real estate agent collects and attracts value which determines the ultimate value of the rent roll.

**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 2010
(Continued)**

The acceptable method of valuing a rent roll is to multiply annual management commission received by the real estate agent by a multiplier factor. This factor is derived from the analysis of sales of similar rent rolls.

The range of valuation multiples per state, used in the assessment of fair values are as follows:

▪ VIC	3.0-3.50
▪ NSW	3.0-3.65
▪ QLD	2.6-2.98

Based on the above valuation multiples, the fair value less costs to sell of the CGU's exceeded the carrying value with no impairment adjustment needed.

The above valuation multiples are driven by market forces. Any increase to these multiples will increase the value of these assets whilst any decrease in these multiples will adversely affect the carrying value. Similarly, the loss of properties included in the rent rolls would also have an adverse impact on the fair value calculation when the multiple impacts are taken into account.

Disposal costs were estimated to be 1% of the market valuation and approximated the legal costs incurred by RUN in entering into the original rent roll acquisition agreements. Appropriate sensitivity analysis at higher rates has been undertaken by management and did not result in any impairment.

Software is not considered impaired because it was recently developed and is currently used to provide trust accounting outsourced services to the RUN Group and to external customers.

For the year ending 30 June 2011, RUN will engage independent valuers to perform full formal valuations of the rent rolls in each state, on an office by office basis in accordance with the major bank's requirements for the valuation of rent rolls and accounting standards.

The market value of these rent rolls may be defined as the best price at which the interest in the rent roll being valued might be expected to be sold at the date of valuation assuming:-

- A willing but not over anxious vendor and purchaser;
- A reasonable period in which to negotiate the sale, taking into account the value of the rent roll and the state of the market;
- the value will remain static throughout the period;
- The rent roll will be freely exposed to the market; and
- No account is to be taken of any additional bid by a special purchaser

In addition

- The valuations assumed the renewal of management agreements in the name of the purchaser, either at settlement or within a reasonable time after settlement and before the expiry date for retention adjustment; and
- Retention adjustment at an agreed date within three to six months from settlement date, whereby portion of the purchase price is withheld at settlement, either by the purchaser or placed in an interest bearing trust account, pending adjustment against rent roll losses on an agreed specified date

NOTE 8: EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operation of the company or the state of affairs of the company in future financial periods.

**RUN CORP LIMITED
AND CONTROLLED ENTITIES
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DIRECTORS' DECLARATION

The directors declare that the financial statements and notes:

- (a) Comply with AASB 134 "Interim Financial Reporting", 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 2010 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.

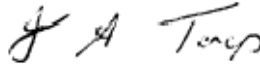
In the directors' opinion:

- (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.



Nathan Cher
Chairman



Jane Tongs
Director

Dated this 25th day of February 2011

To the members of RUN Corp Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of RUN Corp Limited (the company), which comprises the consolidated balance sheet as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the interim 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 a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of RUN Corp Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

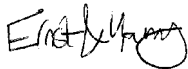
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of RUN Corp Limited is not in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As indicated in Note 1(a) to the interim financial statements, the consolidated entity's ability to continue as a going concern is dependent on the consolidated entity continuing to achieve positive operational cashflows, and the ongoing support of its banker.

Accordingly without funding from continuing operational cashflows and the ongoing support of its banker, there would be a material uncertainty as to whether the consolidated entity would be able to continue as a going concern and therefore whether it would be able to realise its assets (including property management rights and other intangible assets) and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets amounts or to the amounts or classifications of liabilities that might be necessary should the consolidated entity not continue as a going concern.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'David Shewring'.

David Shewring
Partner
Melbourne
25 February 2011