

Appendix 4E
RUN CORP LIMITED
ABN: 15 111 764 437
ASX PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011
RESULTS FOR ANNOUNCEMENT TO THE MARKET
AND LODGED WITH THE AUSTRALIAN STOCK EXCHANGE
UNDER LISTING RULE 4.3A

	2011	2010	
	A\$'000	A\$'000	(% Change)
Total revenue and other income	28,450	25,500	12%
Profit /(loss) attributable to members of RUN Corp Limited	(4,221)	(3,821)	(10%)
Profit/(loss) attributable to ordinary equity holders of the Company	(4,221)	(3,821)	(10%)
- Basic Earnings/(loss) per share	(0.04)	(0.04)	
- Diluted Earnings/(loss) per share	(0.04)	(0.04)	

Dividends	Amount per security	Franked Amount per security
Final dividend proposed	\$nil	\$nil
Interim dividend proposed	\$nil	\$nil
No dividends were paid or declared during the current period		
No dividends were paid subsequent to the balance date		
Record date for determining entitlements to the final dividend	N/A	

Brief explanation of any of the figures above which is necessary to enable the figures to be understood.

Refer accompanying media release

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	CONSOLIDATED	
		June 2011 \$'000	June 2010 \$'000
Total revenue and other income	2.1(a)	28,450	25,500
Advertising and promotion		(1,574)	(789)
IT & Telecommunications		(1,118)	(960)
Professional fees and legal costs		(381)	(419)
Employee benefits expense	2.2(a)	(16,395)	(14,509)
Other expenses		(2,573)	(2,204)
Rent		(1,397)	(1,501)
Printing, stationery and postage		(890)	(806)
Depreciation expense		(596)	(587)
Amortisation expense	2.2(b)	(5,526)	(5,702)
Finance costs	2.2(c)	(3,608)	(3,569)
Total expenses		(34,058)	(31,046)
Profit / (loss) before income tax		(5,608)	(5,546)
Income tax benefit		1,387	1,725
Profit / (loss) attributable to members of RUN Corp Limited		(4,221)	(3,821)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income / (loss)		(4,221)	(3,821)

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

BALANCE SHEET

AS AT 30 JUNE 2011

	NOTE	CONSOLIDATED	
		June 2011 \$'000	June 2010 \$'000
CURRENT ASSETS			
Cash and cash equivalents	4.2	1,350	1,723
Receivables and other assets	3.1(a)	1,559	1,175
TOTAL CURRENT ASSETS		2,909	2,898
NON CURRENT ASSETS			
Property, plant and equipment		535	822
Deferred tax assets		144	-
Intangible assets	3.1(b)	40,059	44,816
TOTAL NON CURRENT ASSETS		40,738	45,638
TOTAL ASSETS		43,647	48,536
CURRENT LIABILITIES			
Payables		2,478	1,893
Provisions		1,279	1,296
TOTAL CURRENT LIABILITIES		3,757	3,189
NON CURRENT LIABILITIES			
Interest bearing liabilities	3.1 (c)	35,571	35,700
Deferred tax liabilities		-	1,243
Provisions		505	416
TOTAL NON CURRENT LIABILITIES		36,076	37,359
TOTAL LIABILITIES		39,833	40,548
NET ASSETS		3,814	7,988
EQUITY			
Contributed equity		57,294	57,171
Share based payment reserve		70	146
Accumulated losses		(53,550)	(49,329)
TOTAL EQUITY		3,814	7,988

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	CONSOLIDATED	
		June 2011 \$'000	June 2010 \$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		27,965	25,129
Cash payments to suppliers and employees		(23,707)	(20,780)
Interest received		79	81
Interest paid		(3,542)	(3,448)
Net cash inflow from operating activities	4.1	795	982
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property management rights		(240)	(241)
Payments for property, plant and equipment		(215)	(423)
Payments for software development costs		(532)	(445)
Net cash outflow from investing activities		(987)	(1,109)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Commercial Bills		(179)	(1,250)
Repayments of hire purchases		-	(6)
Transfer of transaction costs		(2)	(8)
Net cash outflow from financing activities		(181)	(1,264)
Net (decrease) in cash and cash equivalents		(373)	(1,391)
Cash and cash equivalents at the beginning of the year		1,723	3,114
Cash and cash equivalents at the end of the year	4.2	1,350	1,723

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital \$'000	Accumulated losses \$'000	Reserves		Total Equity \$'000
			Converting Notes \$'000	Share Based Payment \$'000	
At at 1 July 2009	54,017	(45,508)	2,208	204	10,921
Total Comprehensive Loss for the period	-	(3,821)	-	-	(3,821)
Contribution of equity via shares issued	2,602	-	(2,602)	-	-
Transfer of vested share based payments	-	-	-	(212)	(212)
Executive share based payments	560	-	-	154	714
Transaction costs	(8)	-	-	-	(8)
Interest on Converting notes payable in shares	-	-	394	-	394
At 30 June 2010	57,171	(49,329)	-	146	7,988
At at 1 July 2010	57,171	(49,329)	-	146	7,988
Total Comprehensive Loss for the period	-	(4,221)	-	-	(4,221)
Transfer of vested share based payments	125	-	-	(125)	-
Executive share based payments	-	-	-	49	49
Transaction costs	(2)	-	-	-	(2)
At 30 June 2011	57,294	(53,550)	-	70	3,814

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

1 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 consolidated entity (the 'entity') incurred a loss of \$4.2 million for the year ended 30 June 2011.

The banking covenants are adjusted on an annual basis. The Company received confirmation from National Australia Bank that there would be no EBITDA, sales or cashflow covenant testing at 30 June 2011. The Company was therefore not in breach of any banking covenants during the year, and total debt remains non-current at 30 June 2011.

The Company has received confirmation of proposed covenants for the 2012 financial year, which are based on RUN's forecast presented to National Australia Bank.

Under the revised letter of offer, the multi option facility of \$35.6 million now expires on 31 October 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 achievement of its forecasted results, 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. The directors have satisfied themselves that the continued application of the going concern basis is appropriate due to the following factors:

- The company has stabilised property management annuity income and is focused on increasing property sales revenue in all offices. The Company will continue to invest in the sales division in the 2012 financial year, with the expectation that sales will contribute positively to earnings from the following year.
- 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 company will be able to develop and implement strategic options that will meet bank approval.

2 Segment Information

The following table presents revenue and profit information for reportable segments for the years ended 30 June 2011 and 30 June 2010.

	Continuing operations					
	Property Management - Victoria \$'000	Property Management - NSW \$'000	Property Management - Queensland \$'000	Sales \$'000	AgentPlus * \$'000	Total \$'000
Year ended 30 June 2011						
Revenue						
Sales to external customers	11,099	8,735	3,213	3,293	2,031	28,371
Inter-segment sales	-	-	-	-	1,841	1,841
Total segment revenue	11,099	8,735	3,213	3,293	3,872	30,212
Interest income						79
Inter-segment elimination						(1,841)
Total revenue per the statement of comprehensive income						28,450

	Continuing operations					
	Property Management - Victoria \$'000	Property Management - NSW \$'000	Property Management - Queensland \$'000	Sales \$'000	AgentPlus * \$'000	Total \$'000
Result						
Total revenue net of direct costs	2,935	2,321	466	(218)	560	6,064
Amortisation	(1,827)	(2,661)	(505)	-	(533)	(5,526)
Taxation benefit	548	798	152	-	160	1,658
Segment result	1,656	458	113	(218)	187	2,196
Reconciliation of segment net (loss) after tax to net (loss) before tax						
Income tax adjustments						(1,658)
Corporate charges						(2,021)
Net Finance costs						(3,529)
Depreciation						(596)
Net profit before tax per the statement of comprehensive income						(5,608)

*AgentPlus provides trust accounting and administrative services to RUN Property and other real estate agents.

2 Segment Information (Continued)

	Continuing operations					
	Property Management - Victoria \$'000	Property Management - NSW \$'000	Property Management - Queensland \$'000	Sales \$'000	AgentPlus* \$'000	Total \$'000
Year ended 30 June 2010						
Revenue						
Sales to external customers	10,749	9,041	3,110	1,400	1,119	25,419
Inter-segment sales	-	-	-	-	1,912	1,912
Total segment revenue	10,749	9,041	3,110	1,400	3,031	27,331
Interest income						81
Inter-segment elimination						(1,912)
Total revenue per the statement of comprehensive income						25,500

	Continuing operations					
	Property Management - Victoria \$'000	Property Management - NSW \$'000	Property Management - Queensland \$'000	Sales \$'000	AgentPlus* \$'000	Total \$'000
Result						
Total revenue net of direct costs	3,251	2,665	646	(72)	212	6,702
Amortisation	(2,208)	(2,423)	(621)	-	(450)	(5,702)
Taxation benefit	662	727	186	-	135	1,710
Segment result	1,705	969	211	(72)	(103)	2,710
Reconciliation of segment net (loss) after tax to net (loss) before tax						
Income tax adjustments						(1,710)
Corporate charges						(2,471)
Net Finance costs						(3,488)
Depreciation						(587)
Net profit before tax per the statement of comprehensive income						(5,546)

*AgentPlus provides trust accounting and administrative services to RUN Property and other real estate agents.

2.1 Revenues	CONSOLIDATED	
	June 2011 \$'000	June 2010 \$'000
(a) Revenue		
Property management commission fees	18,567	18,386
Letting fees	2,918	3,043
Statement fees	546	567
Sales commissions	2,802	1,397
Advertising	777	354
Agentplus revenue	2,023	1,126
Other revenue	738	546
Interest income	79	81
Total revenue and other income	28,450	25,500

2.2 Expenses	CONSOLIDATED	
	June 2011 \$'000	June 2010 \$'000
(a) Employee benefits expense		
Wages and salaries	13,796	12,260
Share payment expense	49	154
Defined contributions superannuation expense	1,198	1,053
Annual & Long service leave provision	192	24
Other employment related costs	1,160	1,018
	16,395	14,509

(b) Amortisation of intangibles		
Amortisation of property management rights	4,993	5,252
Amortisation of software development	533	450
	5,526	5,702

(c) Finance costs		
Interest on commercial bills	3,527	3,411
Other interest expense	9	77
Amortisation of establishment fees	72	81
	3,608	3,569

(d) Lease payments	1,320	1,415
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3.1(a) Receivables and other assets

	CONSOLIDATED	
	June 2011 \$'000	June 2010 \$'000
Trade Receivables	573	329
Provision for doubtful debts	(97)	(34)
Interest prepayment	512	519
Other prepayments	227	161
Other receivables	344	200
Total receivables and other assets	1,559	1,175

3.1(b) Intangibles Note

	CONSOLIDATED	
	June 2011 \$'000	June 2010 \$'000
Identifiable Intangible - Property management rights		
Cost	29,130	28,891
Accumulated amortisation	(26,458)	(21,465)
Total identifiable intangible - Property management rights	2,672	7,426
Computer Software		
Cost	3,440	2,909
Accumulated amortisation	(2,448)	(1,914)
Total Computer Software	992	995
Total Identifiable Intangibles	3,664	8,421
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	36,395	36,395
Total Intangible Assets	40,059	44,816

In accordance with group policy and the requirements of Australian Equivalents to International 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 managed on a state by state basis.

The impairment test has been conducted on the fair value method, based on the directors' assessment of fair value on evidence of recently transacted sales multiples of annual management commissions for property management right acquisitions in specific geographic areas. The directors have sought and obtained evidence from independent valuers supporting the multiples used for the determination of fair value for the purpose of the impairment testing.

The market value of these rent rolls is defined as the best price at which the interest in the rent roll being valued is 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 assume 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

The range of multiples per state, based on recent market transactions, used in the assessment of fair values for impairment testing purposes are as follows:

VIC 2.6-3.2
NSW 3.0-3.6
QLD 2.7-3.0

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. The directors have assessed that should disposal costs be reasonably above the 1% estimate, no impairment would be required.

3.1(c) Interest bearing liabilities

	CONSOLIDATED	
	June 2011 \$'000	June 2010 \$'000
CURRENT		
Commercial Bills	-	-
Total current interest bearing liabilities	-	-
NON CURRENT		
Commercial Bills	35,571	35,750
Capitalised borrowing costs	-	(50)
Total non current interest bearing liabilities	35,571	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, or obtained necessary waivers, in relation to the commercial bill facility for the year ended 30 June 2011.

As at 30 June 2011, the financial covenants that were in effect were:

- minimum EBITDA
- minimum free cash flow
- minimum maintainable property management income
- minimum properties under management
- minimum contribution from sales

Under the terms of the commercial bill facility agreements, the thresholds required to be met for periods subsequent to 1 July 2011 under these covenants are subject to determination by the National Australia Bank.

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.
- 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.

Post year end the Company received confirmation from National Australia Bank that:

- The facility has been extended to 31 October 2012
- The same type of covenants as per previous years are in place, and are based on the Company's forecast presented to the Bank.

At 30 June 2011, the Company had fixed the rate on \$20 million of debt at the rate of 6.92%.

4.1 Reconciliation of loss after income tax to net cash inflow from operating activities

	CONSOLIDATED	
	June 2011 \$'000	June 2010 \$'000
Operating loss after income tax	(4,221)	(3,821)
Add/(Less) non cash items		
Depreciation	596	587
Amortisation	5,526	5,702
Share based payments	49	154
Non cash interest charges	60	67
Bonuses paid via share issue	-	348
Non cash addition for make good asset	(101)	(54)
Changes in assets/liabilities during the financial year		
(Increase)/Decrease in debtors	(181)	(269)
(Increase)/Decrease in prepayments	(59)	(75)
(Increase)/Decrease in sundry debtors	(144)	(41)
(Increase)/Decrease in provisions	72	(323)
Increase/(Decrease) in payables	585	432
Increase/(Decrease) in deferred tax liabilities	(1,387)	(1,725)
Net cash inflow from operating activities	795	982

4.2 Reconciliation of cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June 2011:

Cash at bank	1,350	1,723
	1,350	1,723

4.3 Facilities available

Total facilities at reporting date		
- bank loans	35,621	35,750
- other facilities	570	570
Total facilities at reporting date	36,191	36,320
Facilities used at reporting date		
- bank loans	35,621	35,750
- other facilities	266	262
Total facilities used at reporting date	35,887	36,012
Facilities unused at reporting date		
- bank loans	-	-
- other facilities	304	308
Total facilities unused at reporting date	304	308

5. Dividends

No dividends were declared or paid during the current period

6. Dividend Reinvestment Plan

There were no plans in place at any time during the current or previous period.

7. Consolidated retained profits / (accumulated losses)

	CONSOLIDATED	
	June 2011 \$'000	June 2010 \$'000
Accumulated losses at the beginning of the period	(49,329)	(45,508)
Net loss attributable to members of the entity	(4,221)	(3,821)
Accumulated losses at the end of the period	(53,550)	(49,329)

8. Net Tangible Asset backing

	Current period	Previous Period
Net tangible asset backing per ordinary security (cents)	(0.31)	(0.32)

9. Control gained over entities

Name of entity	n/a
Date control gained	n/a
Contribution of such entities to the reporting entity's profit from ordinary activities during the period (where material)	n/a

10. Details of associates and joint ventures

The Entity does not hold any interests in associates or joint ventures

11. Significant information

Refer accompanying press release

12. Foreign entities

N/A to the Entity

13. Commentary on results of the period

	Current period (cents)	Previous Period (cents)
13.1 The earnings per security and the nature of any dilution aspects.		
Earnings per share - basic	(0.04)	(0.04)
Earnings per share - diluted	(0.04)	(0.04)

13.2 Returns to shareholders including distributions and buy backs.

N/A to the Entity

13.3 Significant features of operating performance

Refer accompanying media release

13.4 The results of segments that are significant to an understanding of the business as a whole.

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

For the year under review, it has been appropriate to split the business into:

- Property management and associated activities
- Sales
- Agentplus

The property management business is assessed on a state basis.”

13.5 A discussion of trends in performance

Refer media release

13.6 Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified.

Refer media release

14. 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"/> | The accounts have been subject to review |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited | <input type="checkbox"/> | The accounts are in the process of being reviewed |
| | | <input type="checkbox"/> | The accounts have not yet been audited or reviewed |

15. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, details are described below.

N/A

16. If the accounts have been audited or subject to review and are subject to dispute or qualification, details are described below.

N/A

Sign here: 

Date: 25 August 2011

Company Secretary

Print Name: Jeff Stein