

Runge Limited ABN 17 010 672 321

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25 August 2011

Manager Company Announcements Australian Stock Exchange Limited Level 4 20 Bridge Street Sydney NSW 2000

Dear Sir

Please find attached the Company's announcement of it's results for the 2010/11 year, for immediate release to the market.

Included in this announcement is Appendix 4E and the full Financial Report for the period to 30 June 2011.

Yours faithfully

Ken Lewis

Company Secretary

APPENDIX 4E

1. Details of the reporting period

Current period: 1 July 2010 to 30 June 2011 1 July 2009 to 30 June 2010 Prior corresponding period:

2. Results for announcement to the market

Results year ending	30 June 2011 \$ '000	30 June 2010 \$ '000	Change %
Revenue	94,213	79,003	19.3
Net profit for the period attributable to members	3,590	2,288	57.0

Dividends	Cents per share	Franked amount per share	Conduit foreign income amount per share		
Current period					
Final dividend	1.0	nil	1.0		
Interim dividend	1.0	nil	0.49		
Prior corresponding period					
Interim dividend	1.0	0.3	nil		
Record date for determining entitlements to the final dividend	15 September 2011				
Payment date of final dividend	6 October 2011				

Refer to attached market announcement for commentary and review of operating results.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- a) The Group's operations in future financial years, or
- The results of those operations in future financial years, or b)
- The Group's state of affairs in future financial years.

3. Consolidated statement of comprehensive income

Refer to the 2011 Financial Report.

4. **Consolidated statement of financial position**

Refer to the 2011 Financial Report.

APPENDIX 4E

5. Consolidated statement of changes in equity

Refer to the 2011 Financial Report.

6. Consolidated cash flow statement

Refer to the 2011 Financial Report.

7. Details of individual and total dividends and payment dates

Refer to section 2 above and also to note 19 to the financial statements.

8. Details of dividend reinvestment plan

Not applicable.

9. Statement of retained earnings showing movements

Refer to the 2011 Financial Report.

10. Net tangible assets per ordinary share

	Consol	idated	
	30 June 2011	30 June 2010	
	cents cents		
Per ordinary share	12.1 10.1		

11. Control gain or lost over entities in the financial year

Name of entities where control was gained in the financial year:

Core Global Mining Solutions (Beijing) Co. Ltd – control gained 31 August 2010.

Corelate Capital Pty Ltd – control gained 17 March 2011.

Name of entities where control was lost in the financial year:

Not applicable.

12. Details of joint ventures entities and associated entities

Not applicable.

13. Details of any other significant information

Refer to attached market announcement.

14. Accounting standards used in compiling reports by foreign entities

Not applicable.

15. Commentary on results for the period

Refer to attached market announcement and to the Review of Operations included in the attached 2011 Financial Report.

APPENDIX 4E

16. **Audited report**

The report is based on audited accounts. The audit opinion is unqualified.

17. Statement if Financial Report is audited

The 2011 Financial Report has been audited and is not subject to disputes or qualifications.

18. **Other information**

For more detailed information on the consolidated entity's financial performance and financial position, refer to the notes to the 2011 Financial Report.



FINANCIAL REPORT

Year Ended 30 June 2011

RUNGE LIMITED

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CORPORATE DIRECTORY

Directors

Vince Gauci

Chairman

David Meldrum

Acting CEO (1 April 2011 – 7 July 2011) Managing Director (appointed 7 July 2011)

Anthony Kinnane

Managing Director (resigned 31 March 2011)

Christian Larsen

Executive Director

Dr Ian Runge

Non-executive Director

Ross Walker

Non-executive Director

Neil Hatherly

Non-executive Director

Group General Counsel and Company Secretary

Ken Lewis

Registered Office

Level 12, 333 Ann Street Brisbane QLD 4000

Ph: +61 7 3100 7200 Fax: +61 7 3100 7297 Web: www.runge.com

Auditor

PKF

Level 6, 10 Eagle Street Brisbane QLD 4000

Share Registry

Computershare Investor Services Pty Limited 117 Victoria Street West End QLD 4101

Stock Exchange Listing

The company is listed on the Australian Securities Exchange Limited (ASX: RUL)

Your Directors present their report on Runge Limited and its subsidiaries for the year ended 30 June 2011 (referred to hereafter as the "Group").

Directors 1.

The Directors of Runge Limited at any time during or since the end of the period were:

Non-executive

Vince Gauci - Chairman

Dr Ian Runge

Ross Walker

Neil Hatherly

Executive

David Meldrum - Appointed 7 July 2011

Anthony Kinnane - Resigned 31 March 2011

Christian Larsen

2. **Principal Activities**

The Group's principal activities during the financial year consisted of:

- a) Technical, advisory and training services to the resources industry;
- b) Software licensing and maintenance; and
- c) Laboratory gas testing.

There were no significant changes in the nature of the Group's principal activities during the financial year.

3. **Dividends**

Dividends paid during the financial year were as follows:

	Date of payment	Cents per share	Total amount \$ '000
2011 Interim dividend ordinary share unfranked	7 April 2011	1.0	1,241
Total			1,241

In addition to the above dividends, since the end of financial year the directors have declared the payment of a final ordinary unfranked dividend of \$1,240,080 (1.0 cents per share) with a record date of 15 September 2011 to be paid on 6 October 2011.

4. Review and Results of Operations

Revenue increased by 19% in the year ended 30 June 2011 to \$94.2 million (2010: \$79.0 million). The growth in revenue was mainly attributable to all operating regions experiencing stronger demand for mining advisory services and software consulting than in the prior year.

Profit after income tax increased by 57% to \$3.6 million (2010: \$2.3 million) resulting in basic earnings per share of 2.9 cents per share (2010: 1.8 cents per share).

Consulting

Runge's consulting services encompass mining advisory services, technical software consulting and training services.

Revenue from consulting services grew by 19% to \$68.7 million in the year (2010: 57.5 million), with all operating regions reporting increased levels of activity and demand. The increased consulting revenue was matched by an increase in the utilisation levels of consulting professionals.

Technology

Revenue from the licensing and maintenance of technology products increased by 13% to \$18.8 million (2010 \$16.6 million). Licence sales totalled \$9.9 million (2010: \$8.6 million) which included a large sale in North America of approximately \$1 million.

Other

Laboratory gas testing services undertaken by GeoGAS continued to expand throughout the year with revenue increasing 45% to \$5.8 million (2010: 4.0 million). The operations experienced some interruption in the third quarter of the financial year as a result of flooding in Queensland but rebounded strongly in the final quarter. The growth was facilitated by the refit of testing facilities in the Wollongong laboratory during the year. The Mackay laboratory commenced a full refit towards the end of the year.

Operating Expenses

Operating expenses increased by 16% during the year to \$80.3 million (2010: \$69.4 million).

Employee benefits expense totalled \$55.8 million (2010: \$48.5 million) due to an increase in full time equivalent staff to 416 at 30 June 2011 (2010: 368) and strong competition for mining professionals in Australia.

The Group recognised an impairment of internally developed technology assets of \$1.0 million following a review of technology product strategies. The impairment included a series of development projects within the enterprise software product suite.

A foreign exchange loss of \$1.35 million (2010: \$0.46 million) was incurred primarily due to the strengthening of the Australian dollar against the US dollar from \$0.85 at 30 June 2010 to \$1.07 at 30 June 2011.

4 Review and Results of Operations (continued)

Financial Position

Cash from operations of \$11.8 million (2010: \$3.6 million) was used to purchase plant and equipment (\$2.9 million) and repay \$5.1 million in borrowings. The group had cash reserves of \$9.3 million at 30 June 2011 and drawn debt facilities of \$5.5 million leaving a net cash position of \$3.8 million, compared to a net debt position of \$1.3 million in the previous year. The debt facilities expire in the 2012 financial year and are shown as current liabilities. The Directors are confident that the facilities will be renewed or refinanced as required.

Non-current financial assets represent the Group's investment in Yinfu Gold Corporation at fair value as determined by management at \$103,000 (refer note 10). During the year Yinfu announced significant changes in its operations including the termination of negotiations to acquire the Rongcheng gold mine in Shandong province, China. In the prior financial year this asset was reported as available-for-sale financial assets with fair value of \$1.6 million.

Net assets of the Group remained unchanged at \$44.7 million.

5. Significant Changes in the State of Affairs

There was no matter or circumstance during the financial year that has significantly affected the state of affairs of the Group.

6. Litigation

The Group has continued to defend litigation against a controlled entity, Runge, Inc doing business as Pincock Allen and Holt (PAH) in the United States. Further details are set out in note 23 of this financial report.

7. Matters Subsequent to the End of the Financial Year

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- a) The Group's operations in future financial years; or
- b) The results of those operations in future financial years; or
- c) The Group's state of affairs in future financial years.

8. Likely Developments and Expected Results of Operations

This financial report does not include information on all developments in the Group or on the expected results of operations for the forthcoming year because the Directors believe that such disclosure would result in unreasonable prejudice to the Group.

Information on Current Directors and Company Secretary 9.

Directors	Experience	Special responsibilities
Vince Gauci	Chairman, Non-executive Director. Joined the Board in February 2008. Previous roles include Managing Director of MIM Ltd and Pancontinental Ltd and Chairman of Centre for Low Emission Technology. Qualifications: B.Eng (Mining). Other current directorships: Liontown Resources Ltd (Non-executive Director since August 2007), Newcrest Mining Limited (Non-executive Director since December 2008) and the Broken Hill Community Foundation (Chairman). Other listed company directorships in last three years: Coates Hire Limited (2006 to 2008).	Chairman Member – Audit and Risk Committee Member – HR and Remuneration Committee
David Meldrum	Managing Director. Joined the Board in July 2011, employed by Runge for 4 years. Qualifications: Bachelor of Mining Engineering (Hons), Fellow FINSIA, Member of AusIMM and AICD. Other listed company directorships in last three years: None.	Managing Director Member – HR and Remuneration Committee
Christian Larsen	Executive Director. Joined the Board in January 1996, employed by Runge for 24 years. Qualifications: B.E. (Mining Engineering), MBA, FAICD, PE. Other listed company directorships in last three years: None.	Executive Director
Dr Ian Runge	Non-executive Director, company founder. Director since December 1986. Qualifications: M.E.(Mining Engineering), Ph D. (Economics), FAusIMM, FAICD. Other listed company directorships in last three years: None.	Non-executive Director Member – Audit and Risk Committee
Ross Walker	Non–executive Director. Joined the Board in March 2007. Joined Johnston Rorke in 1985, Managing Partner in 1995 - 2008. Predominantly involved in corporate finance, auditing, valuations, capital raisings and mergers and acquisitions for the past 20 years. Qualifications: B Com, FCA Other listed company directorships in last three years: None.	Non – executive Director Member and Chairman – Audit and Risk Committee

9. Information on Current Directors and Company Secretary (Continued)

Neil Hatherly Non–executive Director. Joined the Board in March 2007.

Extensive experience in management consulting, performance improvement and computer based modelling.

Life long career in and around the mining industry.

Qualifications: B Science (Hons), AICD Company Directors'

Advanced Diploma, FAICD, FAIM and FAusIMM.

Other listed company directorships in last three years: None.

Non – executive Director Member and Chairman – HR and Remuneration Committee

All Directors are members of the Nominations Committee.

Ken Lewis, LLB (Group General Counsel) is Company Secretary. Commercial Lawyer with private practice and corporate experience. Joined Runge in 2008. Qualifications: LLB, Solicitor of the Supreme Court of Queensland and the High Court of Australia.

10. Meetings of Directors

The number of meetings of the company's Board of Directors and of each Board committee held during the year ended 30 June 2011 and the number of meetings attended by each Director were:

	Full meetings of Directors		Audit and Risk	Committee	HR and Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Vince Gauci	13	13	3	3	5	5
Dr Ian Runge	13	13	2	3	-	-
Tony Kinnane	8	8	-	-	4	4
Christian Larsen	12	13	-	-	-	-
Ross Walker	12	13	3	3	-	-
Neil Hatherly	12	13	-	-	5	5

11. Indemnity and Insurance of Officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be personally liable, except where there is a lack of good faith.

During the financial year, the company paid insurance premiums to insure the Directors and Officers of the company against certain risks associated with their activities as officers of the company. The terms of that policy prohibit disclosure of the nature of liability covered, the limit of such liability and the premium paid.

12. Remuneration Report - Audited

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration;
- B. Details of remuneration;
- C. Share-based compensation; and
- D. Service agreements.

Remuneration and compensation have the same meaning in this report.

12. Remuneration Report - Audited (Continued)

12A. Principles Used to Determine the Nature and Amount of Remuneration

This report discusses the Group's policies in regard to compensation of key management personnel. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors of the Company and executives and include the five highest remunerated Company and Group executives.

The Board has established an HR and Remuneration Committee to assist with remuneration and incentive policies enabling the Group to attract and retain executives and Directors who will create value for shareholders and support the Group's mission. The HR and Remuneration Committee obtains independent advice on the appropriateness of compensation packages given trends in comparative companies. The Corporate Governance Statement provides further information on the role of this Committee.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic, operational objectives and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- The capability and experience of the key management personnel;
- Their ability to control the relevant segment's performance; and
- The segment or Group performance, including:
 - o the segment or Group earnings and quality of delivery to customers; and
 - the growth in share price and achievement of consistent returns to shareholders.

Compensation packages include a mix of fixed and short-term and long-term performance-based incentives.

In addition to their salaries, the Group also provides non-cash benefits to its key management personnel and contributes to a defined contribution superannuation plan on their behalf.

Fixed Compensation

Fixed compensation is calculated on a total cost basis and includes salary, allowances, non-cash benefits, employer contributions to superannuation funds and any fringe benefits tax charges related to employee benefits, including motor vehicles.

Compensation levels are reviewed annually based on evaluation of the individual, segment and overall Group's performance. This review may involve external consultants advising the HR and Remuneration Committee on market competitiveness of key management personnel compensation. A senior executive's compensation is also reviewed on promotion.

Performance Linked Compensation

Performance linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting and exceeding their key performance indicators (KPIs). The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Employee Share Option Plan (ESOP) (see note 27 to the financial statements). The current long-term performance incentive structure was implemented in the 2008 year and amended in 2010 year.

12. Remuneration Report - Audited (Continued)

12A. Principles Used to Determine the Nature and Amount of Remuneration (Continued)

The table below sets out the performance based compensation paid to key management personnel together with earnings for the same period. Performance based compensation consists of STI cash bonus and LTI share-based payments.

_	Perfori	_			
Year ended	STI	LTI	Total	Net profit	Dividends
30 June	\$'000	\$'000	\$'000	\$'000	\$'000
2007	219	-	219	5,597	4,823
2008	330	8	338	5,943	7,447
2009	-	91	91	7,918	4,343
2010	55	115	170	2,288	4,343
2011	75	-	75	3,590	1,241

Short-term Incentive Bonus

The Board sets KPIs for the Managing Director and then delegates to the Managing Director to set the remaining KPIs for senior executives. The KPIs generally include measures relating to the Group, relevant segment and the individual. These measures are chosen to directly align the individual's reward to the performance and strategy of the Group and include financial, people, customer, strategy and risk objectives.

The financial performance objectives include 'earnings before interest, tax and amortisation' (EBITA) compared to budgeted amounts. The non-financial measures vary with the position and responsibility and include, but are not limited to, measures such as achieving strategic outcomes, staff development and customer satisfaction.

At the end of the financial year the Managing Director assesses the actual performance of the Group, the segment and individuals against their KPIs. A percentage of the pre-determined amount is awarded to key management personnel based on the results of such assessments.

Cash bonuses are paid, provided for or forfeited in the year to which they relate.

Long-term Incentive

Options were issued in 2008, 2010 and 2011 under the Employee Share Option Plan (ESOP) to key management personnel at the discretion of the Board.

The rules allow the Board to set a timetable for vesting of options in order to reward the longer term performance by setting performance hurdles which must be met for the option holder to be entitled to exercise the options.

The vesting of options issued in 2008 is subject to the following performance hurdles:

- a) The key management personnel continuing to be employed by the Group.
- b) Absolute Total Shareholder Return (TSR) increase as follows:
 - i) Options vesting on 30 August 2009 20% TSR from the Grant Date;
 - ii) Options vesting on 30 August 2010 44% TSR from the Grant Date; and
 - iii) Options vesting on 30 August 2011 72% TSR from the Grant Date.
- c) Relative better performance, (TSR), than half of twenty of Group's industry peers set by the Board.

12. Remuneration Report - Audited (Continued)

12A. Principles Used to Determine the Nature and Amount of Remuneration (Continued)

The measures above were chosen as they provide the Board with an objective means of measuring the Group's performance against its peer group.

Key management personnel also received options issued to all employees vesting in set dates subject to continuing employment condition.

The options issued in 2010 and 2011 include vesting conditions related to Earnings per Share growth, EBITA margin and TSR peer comparison. The performance hurdles for each condition are as follows:

Vesting Condition	Hurdle	% of Options which vest if vesting condition satisfied
EPS average annual growth from the year preceding	Less than 4%	0%
grant to the year following grant above average annual Australian CPI increase in the corresponding period.	4% or more, but less than 8%	20% plus an additional 5% for each 1% increment
	8% or more	40%
	Less than 15%	0%
EBITA margin in the year following grant	15% or more but less than 20%	20% plus an additional 4% for each 1% increment
	20% or more	40%
	Less than 50th percentile	0%
TSR growth above peer comparison group	50 percentile or higher but lower than 75 percentile	10% plus, from 51 st to 75 percentile, 0.4% for every 1 percentile
	75 percentile or higher	20%

The Board has a policy that restricts Directors and executives of the Group from entering into financial contracts secured by shares and other securities of the Company. This policy requires the approval of the Chairman of the Board for any financial arrangements or facilities related to company shares held by the Directors and executives.

Non-executive Directors

Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of the Directors. Non-executive Directors' fees and payments are reviewed periodically by the Board and are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The pool currently stands at \$500,000 (2010: \$500,000).

Non-executive Directors' base remuneration was last reviewed with effect from 1 March 2008. Both the Chairman's and Non-executive Directors' remuneration is inclusive of committee fees. An allowance is paid to the Chairman of the Audit and Risk Committee and to the Chairman of the HR and Remuneration Committee from 1 January 2010.

12. Remuneration Report - Audited (Continued)

12B. **Details of Remuneration**

Directors

Chairman (Non-executive)

Vince Gauci

Executive Directors

Anthony Kinnane, Managing Director (resigned 31 March 2011) Christian Larsen, Executive Director

Non-executive Directors

Dr Ian Runge Ross Walker **Neil Hatherly**

Other Key Management Personnel

The following persons were the executives who had the greatest authority and responsibility for planning, directing and controlling all activities of the Group, directly or indirectly, during the financial year:

Name	Position
David Meldrum	Executive General Manager – Global Operations, Acting Chief Executive Officer (1 April 2011 to 30 June 2011)
Ken Lewis	Group General Counsel and Company Secretary
Kieran Wallis	Chief Financial Officer (commenced 11 October 2010)
Scott Henderson	Chief Technology Officer
Peter Olsen	Executive General Manager – Global Development
Julia Sloman	Chief Financial Officer/Joint Company Secretary (resigned 6 July 2010)

Details of remuneration of each Director of Runge Limited and each of the other key management personnel of the Group are set out in the following tables.

12. Remuneration Report - Audited (Continued)

12B. Details of Remuneration (Continued)

	Short-term benefits			Post - employment benefits		Share- based payment	Total	Proportion of remuneration	Value of options as
	Cash salary and fees	STI cash bonus	Non – monetary benefits	Super- annuation	Termination benefits	Options		performance related	proportion of remuneration
2011	\$	\$	\$	\$	\$	\$	\$	%	%
Directors									
A Kinnane	290,737	-	8,459	50,000	469,630	(19,493)	799,333	(2.4)	(2.4)
C Larsen	355,168	-	-	15,199	-	5,044	375,411	1.3	1.3
V Gauci	119,266	-	8,459	10,734	-	-	138,459	-	-
Dr I Runge	80,000	-	-	-	-	-	80,000	-	-
R Walker	95,000	-	-	-	-	-	95,000	-	-
N Hatherly	95,000	-	-	-	-	-	95,000	-	-
	1,035,171	-	16,918	75,933	469,630	(14,449)	1,583,203	(1.0)	(1.0)
Other Key Ma	nagement Pers	onnel							
D Meldrum	288,061	-	32,489	63,638	-	5,038	389,226	1.3	1.3
K Wallis	180,664	-	5,614	16,260	-	4,514	207,052	2.2	2.2
J Sloman	13,246	-	-	3,800	85,297	(11,986)	90,357	(13.3)	(13.3)
K Lewis	275,229	75,000	8,459	31,197	-	3,035	392,920	19.9	0.8
P Olsen	317,872	-	25,724	30,275	-	10,582	384,453	2.8	2.8
S Henderson	207,232	-	31,227	20,351	-	3,122	261,932	1.2	1.2
	1,282,304	75,000	103,513	165,521	85,297	14,305	1,725,940	5.2	0.8
Total	2,317,475	75,000	120,431	241,454	554,927	(144)	3,309,143	2.3	0.0
2010									
Directors									
A Kinnane	377,951	-	6,966	50,000	-	24,487	459,404	5.3	5.3
C Larsen	288,765	-	-	14,462	-	17,158	320,385	5.4	5.4
V Gauci	119,266	-	7,938	10,734	-	9,360	147,298	6.4	6.4
Dr I Runge	80,000	-	-	-	-	-	80,000	-	-
R Walker	87,500	-	-	-	-	-	87,500	-	-
N Hatherly	87,500	-	-	-	-	-	87,500	-	-
	1,040,982	-	14,904	75,196	-	51,005	1,182,087	4.3	4.3
Other Key Ma	nagement Pers	onnel							
D Meldrum	211,932	50,000	46,796	53,272	-	17,120	379,120	17.7	4.5
J Buffington	276,895	-	7,938	25,000	-	13,197	323,030	4.1	4.1
J Sloman	244,239	-	-	14,474	-	11,067	269,780	4.1	4.1
K Lewis	244,967	5,000	7,492	22,497	-	11,067	291,023	5.5	3.8
P Williams	280,024	-	14,937	14,462	85,222	182	394,827	-	-
S Henderson	168,521	-	22,826	16,507	-	11,675	219,529	5.3	5.3
	1,426,578	55,000	99,989	146,212	85,222	64,308	1,877,309	6.4	3.4
Total	2,467,560	55,000	114,893	221,408	85,222	115,313	3,059,396	5.6	3.8

12. Remuneration Report - Audited (Continued)

12C. Share-based Compensation

All options refer to options over ordinary shares of Runge Limited, which are exercised on a one-for-one basis under the ESOP Plan.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using Black-Scholes option pricing, Trinominal Lattice and Hoadley's Hybrid models that take into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Model inputs for options granted during the year are disclosed in note 27 in the financial report.

Details of options over ordinary shares in the company provided as remuneration to each director and each of the key management personnel and the Group are set out below. When exercisable, each option is convertible into one ordinary share of Runge Limited. Further information on the options is set out in note 27 to the financial statements. No options were exercised during the year.

	Number of options granted during the year	Value of options at grant date* \$	Number of options vested and expired during the year	Number of options lapsed during the year	Value at lapse date** \$
A Kinnane	260,000	60,667	4,760	587,587	-
C Larsen	168,000	39,200	4,770	33,000	-
V Gauci	-	-	-	99,000	-
Dr I Runge	-	-	-	-	-
R Walker	-	-	-	-	-
N Hatherly	-	-	-	-	-
D Meldrum	168,000	39,200	4,452	33,000	-
K Wallis	118,000	27,533	-	-	-
K Lewis	118,000	27,533	-	16,500	-
P Olsen	668,000	85,500	-	-	-
S Henderson	118,000	27,533	5,088	16,500	-

^{*} The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date and the amount is included in the remuneration tables above.

12D. Service Agreements

The Group's policy is that service contracts for key management personnel are unlimited in term, but capable of termination on three month notice, except for K. Lewis, and S. Henderson, whose termination notice is one month, and D. Meldrum with notice period of 6 months by the Company. The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. Compensation levels are reviewed each year to meet the principles of the compensation policy.

D. Meldrum is entitled to the short term incentive up to 30% of his fixed remuneration, based upon qualitative and quantitative factors.

^{**} The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

13. Environmental Legislation

Runge Limited and its controlled entities are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

14. Shares under option

Unissued ordinary shares of Runge Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
21/05/2008	28/02/2012	\$1.32	416,500
12/01/2010	30/09/2013	\$0.88	1,745,962
01/08/2010	30/09/2013	\$0.88	500,000
14/12/2010	30/09/2014	\$0.57	2,422,000
			5,084,462

No option holder has any right under the options to participate in any other share issue of the company or any other entity. No shares were issued under any of these options in 2011 and 2010.

15. Auditor

PKF continues in office in accordance with section 327 of the Corporations Act 2001.

Details of the amounts paid to the auditor of the company, PKF and its related practices for non-audit services provided during the year and previous year are:

	Consolidated		
Remuneration for Other Services:	2011 \$	2010 \$	
PKF Australia (East Coast Practice) Service provided – Corelate Capital Pty Ltd	750	-	
	750	-	

16. Auditor's Independence Declaration

In accordance with Section 307C of the *Corporations Act 2001*, a copy of the auditor's independence declaration is enclosed on page 15.

17. Directors' Interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such investments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with section 205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

Runge Limited	Rung
•	Ordinary shares
103,471 102,000	1,103,471
692,910 370,749	5,692,910
634,375 370,749	4,634,375
091,945 -	16,091,945
400,000 -	400,000
100,000 -	100,000

18. **Rounding of Amounts**

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the Directors.

Vince Gauci

Meraun

Chairman Brisbane

Dated: 25 August 2011



Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: The directors of Runge Limited and the entities it controlled during the year

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- no contraventions of any applicable code of professional conduct in relation to the audit.

DIZE

Albert Loots

Partner

Dated at Brisbane this 25th day of August 2011

Tel: 61 7 3226 3555 | Fax: 61 7 3226 3500 | www.pkf.com.au

PKF | ABN 83 236 985 726

Level 6, 10 Eagle Street | Brisbane | Queensland 4000 | Australia

GPO Box 1078 | Brisbane | Queensland 4001

The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

FOR THE TEAR ENDED SO	JOINT ZOIT		
	Notes	2011 \$'000	2010 \$'000
Revenue from continuing operations			
Services		74,467	61,486
Licence sales		9,940	8,637
Software maintenance		8,832	8,013
Other revenue		974	867
Revenue		94,213	79,003
			4
Rechargeable expenses		(8,168)	(6,235)
Net Revenue		86,045	72,768
Expenses			
Amortisation	12	(2,548)	(2,347)
Depreciation	11	(2,025)	(1,711)
Employee benefits expense		(55,845)	(48,460)
Foreign exchange loss		(1,350)	(457)
Impairment of developed software	12	(1,016)	-
Office expenses		(4,183)	(2,945)
Professional services		(1,971)	(2,925)
Rent		(6,218)	(6,401)
Travel expenses		(2,631)	(1,873)
Other expenses		(2,570)	(2,236)
		(80,357)	(69,355)
Profit before finance costs and income tax		5,688	3,413
Finance income		148	137
Finance costs		(719)	(443)
Net finance costs		(571)	(306)
Profit before income tax	3	5,117	3,107
Income tax expense	4	(1,527)	(819)
Profit		3,590	2,288

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$'000	2010 \$'000
Profit		3,590	2,288
Other comprehensive income			
Foreign currency translation differences		(1,325)	(114)
Financial assets at fair value through other comprehensive income		(1,498)	-
Income tax attributable to financial assets		449	-
Other comprehensive income / (loss)		(2,374)	(114)
Total comprehensive income		1,216	2,174
Earnings per share			
Basic earnings per share (cents)	26	2.9	1.8
Diluted earnings per share (cents)	26	2.9	1.8

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

ASSETS 2011 s/000 2010 s/000 Current assets Current assets 7 Q.334 9.304 Trade and other receivables 7 20.351 20.740 Work in progress 8 2,300 2,681 Current tax receivable 198 2,177 Available-for-sale financial assets 9 1,961 1,302 Other assets 9 1,963 1,332 Total current assets 34,156 37,895 Non-current assets 7 245 164 Financial assets 10 103 Froperty, plant and equipment 11 9,051 8,288 Deferred tax assets 12 29,717 32,184 Total non-current assets 13 7,681 43,032 Deferred tax assets 12 29,717 32,184 Total assets 13 7,685 43,032 Total assets 13 7,685 6,790 Borrowings 14 5,455 1,80 <tr< th=""><th>AS AT 30 JUNE 20</th><th></th><th></th><th></th></tr<>	AS AT 30 JUNE 20			
Current assets 6 9,344 9,304 Trade and other receivables 7 20,351 20,740 Work in progress 8 2,300 2,681 Current tax receivable 198 2,177 Available-for-sale financial assets 10 - 1,601 Other assets 9 1,963 1,392 Total current assets 34,156 37,895 Non-current assets 7 245 164 Financial assets 10 103 - Froperty, plant and equipment 11 9,051 8,282 Property, plant and equipment 11 9,051 8,282 Deferred tax assets 5 4,199 2,356 Intagible assets 12 29,717 32,184 Total assets 12 29,717 32,184 Total assets 13 7,685 6,790 LABILITES 7 685 6,790 Current liabilities 13 7,685 6,790 Borr		Notes		
Cash and cash equivalents 6 9,344 9,304 Trade and other receivables 7 20,351 20,740 Work in progress 8 2,300 2,681 Current tax receivable 198 2,177 Available-for-sale financial assets 10 - 1,601 Other assets 9 1,963 1,392 Total current assets 9 1,963 1,392 Total current assets 7 245 164 Financial assets 10 103 - Financial assets 10 103 - Property, plant and equipment 11 9,051 8,328 Deferred tax assets 5 4,199 2,356 Intangible assets 12 29,717 32,184 Total non-current assets 43,315 43,032 Total assets 3 43,632 Total assets 13 7,685 6,790 Borrowings 13 7,685 6,790 Borrowings <t< td=""><td>ASSETS</td><td></td><td></td><td></td></t<>	ASSETS			
Trade and other receivables 7 20,351 20,740 Work in progress 8 2,300 2,681 Current tax receivable 198 2,177 Available-for-sale financial assets 10 - 1,601 Other assets 9 1,963 1,392 Total current assets 34,156 37,895 Non-current assets 7 245 164 Financial assets 10 103 - Property, plant and equipment 11 9,051 8,328 Deferred tax assets 5 4,199 2,356 Intra gible assets 12 29,717 32,184 Total assets 13 7,685 <	Current assets			
Work in progress 8 2,300 2,681 Current tax receivable 198 2,177 Available-for-sale financial assets 10 - 1,601 Other assets 9 1,963 1,392 Total current assets 34,156 37,895 Non-current assets 7 245 164 Financial assets 10 103 - Froperty, plant and equipment 11 9,051 8,328 Deferred tax assets 5 4,199 2,356 Intangible assets 12 29,717 32,184 Total non-current assets 3 43,032 43,032 Total assets 12 29,717 32,184 Total current liabilities 13 7,685 6,790 Borrowings 14 5,455 1,807 Provisions 15 6,738 5,944 Current liabilities 16 8,241 7,680 Total current liabilities 16 8,241 7,680	Cash and cash equivalents	6	9,344	9,304
Current tax receivable 198 2,177 Available-for-sale financial assets 10 - 1,601 Other assets 9 1,963 1,392 Total current assets 34,156 37,895 Non-current assets 7 245 164 Financial assets 10 103 - Property, plant and equipment 11 9,051 8,328 Deferred tax assets 5 4,199 2,356 Intangible assets 12 29,717 32,184 Total non-current assets 43,315 43,032 Total assets 77,471 80,927 LABILITIES Total assets 43,315 43,032 Total assets 13 7,685 6,790 Borrowings 14 5,455 1,807 Provisions 15 6,738 5,944 Current tax liabilities 15 6,738 5,944 Current tax liabilities 16 8,241 7,680 Total current liabilities	Trade and other receivables	7	20,351	20,740
Available-for-sale financial assets 10 1,601 Other assets 9 1,963 1,392 Total current assets 34,156 37,895 Non-current assets 7 245 164 Financial assets 10 103 - Property, plant and equipment 11 9,051 8,328 Deferred tax assets 5 4,199 2,356 Intangible assets 12 29,717 32,184 Total non-current assets 5 4,199 2,356 Intangible assets 12 29,717 32,184 Total assets 77,471 30,927 LABILITIES 77,471 30,927 LABILITIES 77,471 30,927 LABILITIES 1 5,455 6,790 Borrowings 13 7,685 6,790 Borrowings 14 5,455 1,807 Other liabilities 3 3,24 22,839 Other liabilities 3 3,24 3,24	Work in progress	8	2,300	2,681
Other assets 9 1,963 1,392 Total current assets 34,156 37,895 Non-current assets 7 245 164 Financial assets 7 245 164 Financial assets 10 103	Current tax receivable		198	2,177
Total current assets 34,156 37,895 Non-current assets 7 245 164 Financial assets 10 103 - Property, plant and equipment 11 9,051 8,328 Deferred tax assets 5 4,199 2,356 Intangible assets 12 29,717 32,184 Total non-current assets 43,315 43,032 Total assets 77,471 80,927 LIABILITIES Total and other payables 13 7,685 6,790 Borrowings 14 5,455 1,807 Provisions 15 6,738 5,944 Current tax liabilities 705 618 Other liabilities 16 8,241 7,680 Total current liabilities 16 8,241 7,680 Total current liabilities 16 8,241 7,680 Borrowings 14 18 8,826 Provisions 15 11 31 Deferred tax liabilities	Available-for-sale financial assets	10	-	1,601
Non-current assets 7 245 164 Financial assets 10 103 Property, plant and equipment 11 9,051 8,328 Deferred tax assets 5 4,199 2,356 Intangible assets 12 29,717 32,184 Total non-current assets 43,032 77,471 80,927 LIABILITIES 77,471 80,927 12	Other assets	9	1,963	1,392
Trade and other receivables 7 245 164 Financial assets 10 103 - Property, plant and equipment 11 9,051 8,328 Deferred tax assets 5 4,199 2,356 Intangible assets 12 29,717 32,184 Total non-current assets 43,315 43,032 Total assets 77,471 80,927 LIABILITIES Trade and other payables 13 7,685 6,790 Borrowings 14 5,455 1,807 Provisions 15 6,738 5,944 Current tax liabilities 16 8,241 7,680 Other liabilities 16 8,241 7,680 Total current liabilities 16 8,241 7,680 Total current liabilities 14 18 8,826 Provisions 15 116 31 Deferred tax liabilities 5 47 16 Total inabilities 5 47 16	Total current assets		34,156	37,895
Financial assets 10 103	Non-current assets			
Property, plant and equipment 11 9,051 8,328 Deferred tax assets 5 4,199 2,356 Intangible assets 12 29,717 32,184 Total non-current assets 43,315 43,032 Total assets 77,471 80,927 LIABILITIES Current liabilities Trade and other payables 13 7,685 6,790 Borrowings 14 5,455 1,807 Provisions 15 6,738 5,944 Current tax liabilities 705 618 Other liabilities 16 8,241 7,680 Total current liabilities 16 8,241 7,680 Total current liabilities 14 18 8,826 Provisions 14 18 8,826 Provisions 15 116 31 Deferred tax liabilities 5 47 162 Other liabilities 3,956 13,419 Total liabilities 3,956 13,419 <td>Trade and other receivables</td> <td>7</td> <td>245</td> <td>164</td>	Trade and other receivables	7	245	164
Deferred tax assets 5 4,199 2,356 Intangible assets 12 29,717 32,184 Total non-current assets 43,315 43,032 Total assets 77,471 80,927 LIABILITIES Current liabilities Trade and other payables 13 7,685 6,790 Borrowings 14 5,455 1,807 Provisions 15 6,738 5,944 Current tax liabilities 705 618 Other liabilities 16 8,241 7,680 Total current liabilities 16 8,241 7,680 Non-current liabilities 14 18 8,826 Provisions 14 18 8,826 Provisions 15 116 31 Deferred tax liabilities 5 47 162 Other liabilities 5 47 162 Other liabilities 3,956 13,419 Total liabilities 3,956 13,419	Financial assets	10	103	-
Intangible assets 12 29,717 32,184 Total non-current assets 43,315 43,032 Total assets 77,471 80,927 LIABILITIES Current liabilities Trade and other payables 13 7,685 6,790 Borrowings 14 5,455 1,807 Provisions 15 6,738 5,944 Current tax liabilities 705 618 Other liabilities 16 8,241 7,680 Total current liabilities 28,824 22,839 Non-current liabilities 3 4 18 8,826 Provisions 15 116 31 31 31 31 31 31 32 32 32 32 32 32 32 33 34<	Property, plant and equipment	11	9,051	8,328
Total non-current assets 43,315 43,032 Total assets 77,471 80,927 LIABILITIES Current liabilities 7,685 6,790 Trade and other payables 13 7,685 6,790 Borrowings 14 5,455 1,807 Provisions 15 6,738 5,944 Current tax liabilities 705 618 Other liabilities 16 8,241 7,680 Total current liabilities 28,824 22,839 Non-current liabilities 3 116 31 Provisions 15 116 31 Deferred tax liabilities 5 47 162 Other liabilities 5 47 162 Other liabilities 3,956 13,419 Total non-current liabilities 32,780 36,258 Net assets 44,661 44,669 EQUITY 2 39,407 Contributed equity 17 39,408 39,407 Reserves	Deferred tax assets	5	4,199	2,356
Total assets 77,471 80,927 LIABILITIES Current liabilities Trade and other payables 13 7,685 6,790 Borrowings 14 5,455 1,807 Provisions 15 6,738 5,944 Current tax liabilities 705 618 Other liabilities 16 8,241 7,680 Total current liabilities 28,824 22,839 Non-current liabilities 14 18 8,826 Provisions 15 116 31 Deferred tax liabilities 5 47 162 Other liabilities 5 47 162 Other liabilities 3,956 13,419 Total non-current liabilities 32,780 36,258 Net assets 44,691 44,669 EQUITY Contributed equity 17 39,408 39,407 Reserves 18 (3,999) (1,671)	Intangible assets	12	29,717	32,184
LIABILITIES Current liabilities Trade and other payables 13 7,685 6,790 Borrowings 14 5,455 1,807 Provisions 15 6,738 5,944 Current tax liabilities 705 618 Other liabilities 16 8,241 7,680 Total current liabilities 28,824 22,839 Non-current liabilities 14 18 8,826 Provisions 15 116 31 Deferred tax liabilities 5 47 162 Other liabilities 5 47 162 Other liabilities 3,956 13,419 Total non-current liabilities 3,956 13,419 Total liabilities 32,780 36,258 Net assets 44,691 44,669 EQUITY Contributed equity 17 39,408 39,407 Reserves 18 (3,999) (1,671)	Total non-current assets		43,315	43,032
Current liabilities Trade and other payables 13 7,685 6,790 Borrowings 14 5,455 1,807 Provisions 15 6,738 5,944 Current tax liabilities 705 618 Other liabilities 16 8,241 7,680 Total current liabilities 28,824 22,839 Non-current liabilities 14 18 8,826 Provisions 15 116 31 Deferred tax liabilities 5 47 162 Other liabilities 16 3,775 4,400 Total non-current liabilities 3,956 13,419 Total liabilities 32,780 36,258 Net assets 44,691 44,669 EQUITY 17 39,408 39,407 Reserves 18 (3,999) (1,671)	Total assets		77,471	80,927
Trade and other payables 13 7,685 6,790 Borrowings 14 5,455 1,807 Provisions 15 6,738 5,944 Current tax liabilities 705 618 Other liabilities 16 8,241 7,680 Total current liabilities 28,824 22,839 Non-current liabilities 14 18 8,826 Provisions 15 116 31 Deferred tax liabilities 5 47 162 Other liabilities 16 3,775 4,400 Total non-current liabilities 3,956 13,419 Total liabilities 32,780 36,258 Net assets 44,691 44,669 EQUITY 17 39,408 39,407 Reserves 18 (3,999) (1,671)	LIABILITIES			
Borrowings 14 5,455 1,807 Provisions 15 6,738 5,944 Current tax liabilities 705 618 Other liabilities 16 8,241 7,680 Total current liabilities 28,824 22,839 Non-current liabilities 8 8,826 Provisions 15 116 31 Deferred tax liabilities 5 47 162 Other liabilities 16 3,775 4,400 Total non-current liabilities 3,956 13,419 Total liabilities 32,780 36,258 Net assets 44,691 44,669 EQUITY 2 39,408 39,407 Reserves 18 (3,999) (1,671)	Current liabilities			
Provisions 15 6,738 5,944 Current tax liabilities 705 618 Other liabilities 16 8,241 7,680 Total current liabilities 28,824 22,839 Non-current liabilities 8 826 Provisions 15 116 31 Deferred tax liabilities 5 47 162 Other liabilities 16 3,775 4,400 Total non-current liabilities 3,956 13,419 Total liabilities 32,780 36,258 Net assets 44,691 44,669 EQUITY 7 39,408 39,407 Reserves 18 (3,999) (1,671)	Trade and other payables	13	7,685	6,790
Current tax liabilities 705 618 Other liabilities 16 8,241 7,680 Total current liabilities Non-current liabilities Borrowings 14 18 8,826 Provisions 15 116 31 Deferred tax liabilities 5 47 162 Other liabilities 16 3,775 4,400 Total non-current liabilities 3,956 13,419 Total liabilities 32,780 36,258 Net assets 44,691 44,669 EQUITY Contributed equity 17 39,408 39,407 Reserves 18 (3,999) (1,671)	Borrowings	14	5,455	1,807
Other liabilities 16 8,241 7,680 Total current liabilities 28,824 22,839 Non-current liabilities 8 826 Borrowings 14 18 8,826 Provisions 15 116 31 Deferred tax liabilities 5 47 162 Other liabilities 16 3,775 4,400 Total non-current liabilities 3,956 13,419 Total liabilities 32,780 36,258 Net assets 44,691 44,669 EQUITY 2 39,408 39,407 Reserves 18 (3,999) (1,671)	Provisions	15	6,738	5,944
Total current liabilities 28,824 22,839 Non-current liabilities 8000 14 18 8,826 Provisions 15 116 31 Deferred tax liabilities 5 47 162 Other liabilities 16 3,775 4,400 Total non-current liabilities 3,956 13,419 Total liabilities 32,780 36,258 Net assets 44,669 44,669 EQUITY 2000 <td>Current tax liabilities</td> <td></td> <td>705</td> <td>618</td>	Current tax liabilities		705	618
Non-current liabilities Borrowings 14 18 8,826 Provisions 15 116 31 Deferred tax liabilities 5 47 162 Other liabilities 16 3,775 4,400 Total non-current liabilities 3,956 13,419 Total liabilities 32,780 36,258 Net assets 44,691 44,669 EQUITY Contributed equity 17 39,408 39,407 Reserves 18 (3,999) (1,671)	Other liabilities	16	8,241	7,680
Borrowings 14 18 8,826 Provisions 15 116 31 Deferred tax liabilities 5 47 162 Other liabilities 16 3,775 4,400 Total non-current liabilities 3,956 13,419 Total liabilities 32,780 36,258 Net assets 44,691 44,669 EQUITY Contributed equity 17 39,408 39,407 Reserves 18 (3,999) (1,671)	Total current liabilities		28,824	22,839
Provisions 15 116 31 Deferred tax liabilities 5 47 162 Other liabilities 16 3,775 4,400 Total non-current liabilities 3,956 13,419 Total liabilities 32,780 36,258 Net assets 44,691 44,669 EQUITY 17 39,408 39,407 Reserves 18 (3,999) (1,671)	Non-current liabilities			
Deferred tax liabilities 5 47 162 Other liabilities 16 3,775 4,400 Total non-current liabilities 3,956 13,419 Total liabilities 32,780 36,258 Net assets 44,669 44,669 EQUITY 17 39,408 39,407 Reserves 18 (3,999) (1,671)	Borrowings	14	18	8,826
Other liabilities 16 3,775 4,400 Total non-current liabilities 3,956 13,419 Total liabilities 32,780 36,258 Net assets 44,691 44,669 EQUITY 17 39,408 39,407 Reserves 18 (3,999) (1,671)	Provisions	15	116	31
Total non-current liabilities 3,956 13,419 Total liabilities 32,780 36,258 Net assets 44,691 44,669 EQUITY 17 39,408 39,407 Reserves 18 (3,999) (1,671)	Deferred tax liabilities	5	47	162
Total liabilities 32,780 36,258 Net assets 44,691 44,669 EQUITY 7 39,408 39,407 Reserves 18 (3,999) (1,671)	Other liabilities	16	3,775	4,400
Net assets 44,691 44,669 EQUITY Contributed equity 17 39,408 39,407 Reserves 18 (3,999) (1,671)	Total non-current liabilities		3,956	13,419
EQUITY Contributed equity 17 39,408 39,407 Reserves 18 (3,999) (1,671)	Total liabilities		32,780	36,258
Contributed equity 17 39,408 39,407 Reserves 18 (3,999) (1,671)	Net assets		44,691	44,669
Reserves 18 (3,999) (1,671)	EQUITY			
	Contributed equity	17	39,408	39,407
Retained profits 18 9,282 6,933	Reserves	18	(3,999)	(1,671)
	Retained profits	18	9,282	6,933
Total equity 44,669 44,669	Total equity		44,691	44,669

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Contributed equity	Reserves	Retained profits	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2010	39,407	(1,671)	6,933	44,669
Total comprehensive income	-	(2,374)	3,590	1,216
Transactions with owners in their capacity as owners				
Payments received on partly paid shares	1	-	-	1
Employee share options	-	46	-	46
Dividends paid	-	-	(1,241)	(1,241)
	1	46	(1,241)	(1,194)
Balance at 30 June 2011	39,408	(3,999)	9,282	44,691
Balance at 1 July 2009	39,385	(1,833)	8,988	46,540
Total comprehensive income	-	(114)	2,288	2,174
Transactions with owners in their capacity as owners				
Payments received on partly paid shares	22	-	-	22
Employee share options	-	276	-	276
Dividends paid	-	<u>-</u>	(4,343)	(4,343)
	22	276	(4,343)	(4,045)
Balance at 30 June 2010	39,407	(1,671)	6,933	44,669

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2011

Notes	2011 \$'000	2010 \$'000
Cash flows from operating activities		
Receipts from customers	101,145	80,495
Payments to suppliers and employees	(87,362)	(74,247)
	13,783	6,248
Interest received	148	137
Finance costs	(719)	(443)
Income taxes paid	(1,449)	(2,383)
Net cash inflow from operating activities 24	11,763	3,559
Cash flows from investing activities		
Payments for property, plant and equipment	(2,921)	(1,518)
Payments for intangible assets	(1,537)	(2,463)
Proceeds from sale of property, plant and equipment	-	43
Receipts from short term deposits	-	243
Net cash outflow from investing activities	(4,458)	(3,695)
Cash flows from financing activities		
Proceeds from partly paid shares	1	22
Repayment of finance leases	(9)	(15)
Proceeds from borrowings	1,000	12,600
Repayment of borrowings	(6,150)	(5,466)
Dividends paid	(1,241)	(4,343)
Net cash inflow/(outflow) from financing activities	(6,399)	2,798
Net increase/(decrease) in cash and cash equivalents held	906	2,662
Cash and cash equivalents at the beginning of the financial year	9,304	6,689
Effects of exchange rate changes on cash and cash equivalents	(866)	(47)
Cash and cash equivalents at the end of the financial year 6	9,344	9,304

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial report comprises the consolidated entity ("Group") consisting of Runge Limited and its subsidiaries. Separate financial statements of Runge Limited as an individual entity are no longer presented as a consequence of a change to the *Corporations Act 2001*.

(a) Basis of Preparation

This general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent issues Group and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statements of Runge Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for available-forsale financial assets at fair value. The method used to measure fair values is discussed further below.

New and amended standards adopted by the group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

The adoption of these standards did not have any material impact on the current or any prior period and is not likely to affect future periods.

Early adoption of standards

The Group has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2010:

• AASB 9: Financial Instruments

The Group has early adopted AASB 9 Financial Instruments (AASB 9) with initial application from 1 July 2010. This standard has been applied prospectively to investments held at 1 July 2010.

In accordance with AASB 9 the Group has designated its investments in equity securities that were formerly designated as "available-for-sale", as "fair value through other comprehensive income." This results in all realised and unrealised gains and losses from the investments being recognised directly in equity through "other comprehensive income" in the Statement of Comprehensive Income. Dividend income is recognised in profit or loss.

Realised net gains and losses from the investment portfolio arising from transactions prior to 1 July 2010 are recognised in the profit or loss. Realised net gains and losses from the investment portfolio arising from transactions after 1 July 2010 are recognised as "other comprehensive income".

1. **Summary of Significant Accounting Policies (Continued)**

(a) **Basis of Preparation (Continued)**

There is no longer a requirement to assess individual investments for impairment under AASB 9. The adoption of this standard has no impact on the valuation of the Group's investments and therefore has no impact on the Group's net assets.

As permitted under the transitional provisions, the Group has elected not to adopt the December 2010 revised version of AASB 9 which addresses the accounting for financial liabilities and the derecognition of financial assets and liabilities.

(b) **Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Runge Limited as at 30 June 2011 and the results of all controlled entities for the year then ended. Runge Limited and its controlled entities together are referred to in this financial report as the "consolidated entity" or the "Group".

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1 (k)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Runge Limited.

(c) **Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

1. **Summary of Significant Accounting Policies (Continued)**

(c) Income Tax (Continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation

Runge Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Runge Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Runge Limited also recognises the current tax liabilities or assets and the deferred tax assets arising from the unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable or payable to other entities in the Group. Details about the tax funding agreements are disclosed in note 4.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operational decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

The assets and liabilities of the Group are regularly reviewed on a consolidated basis but are not regularly reported to the chief operating decision maker at a segment level. As such this information has not been included in the Operating Segment note (note 2).

Foreign Currency Translation (e)

i) Functional and presentation currency

> Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Runge Limited's functional and presentation currency.

Summary of Significant Accounting Policies (Continued) 1.

(e) **Foreign Currency Translation (Continued)**

ii) Transactions and balances

Foreign currency transactions are initially translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities whose changes in the fair value are presented in other comprehensive income are included in the related reserve in equity.

iii) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at actual exchange rates prevailing on the transaction dates; and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(f) **Revenue Recognition**

i) Sale of licences

Revenue from the sale of licences is recognised when the amount can be reliably measured and all significant risks and rewards of ownership have been transferred to the buyer. In most cases this coincides with the transfer of legal title or the passing of possession to the buyer.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

ii) Consulting

Revenue from the provision of consulting services is recognised on an accruals basis in the period in which the consulting service is provided. Revenue from the provision of these services is calculated with reference to the professional staff hours incurred on each client assignment adjusted for any time that may not be recoverable.

1. **Summary of Significant Accounting Policies (Continued)**

(f) **Revenue Recognition (Continued)**

iii) Software maintenance

When the outcome of a transaction involving software maintenance can be estimated reliably, revenue associated with the transaction is recognised on a straight-line basis over the service period.

iv) Interest revenue

Interest revenue is recognised using the effective interest method. It includes the amortisation of any discount or premium.

(g) **Trade Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the allowance is recognised in other expenses in profit or loss. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(h) **Work in Progress**

Work in progress represents costs incurred and profit recognised on client assignments and services that are in progress at balance date. Work in progress is valued at net realisable value after providing for any foreseeable losses.

Investments and other financial assets (i)

Prior to 1 July 2010

Available-for-sale financial assets comprising of marketable equity securities are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

1. **Summary of Significant Accounting Policies (Continued)**

(i) Investments and other financial assets (Continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as availablefor-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Post 1 July 2010

Investments are classified as fair value through other comprehensive income. After initial recognition at fair value (being cost), investments are measured at fair value.

Unrealised gains or losses on investments are recognised in a reserve until the investment is sold, collected or otherwise disposed of, at which time the cumulative gain or loss is transferred to the Asset Realisation Reserve.

The Company derecognises an investment when it is sold or it transfers the investment and the transfer qualified for derecognition in accordance with AASB 139. Upon derecognition, unrealised gains/losses net of tax relating to the investment are transferred from the revaluation reserve to the realisation reserve.

Interest bearing investments are recognised at fair value and then measured at amortised cost. Amortised cost is calculated with any difference between cost and redemption value being recognised in the income statement over the period of the investment on an effective interest basis.

(j) Leases

Leases of property, plant and equipment, where the Group as lessee has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight line basis over the lease term.

1. **Summary of Significant Accounting Policies (Continued)**

(k) **Business Combinations**

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(I) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(m) **Cash and Cash Equivalents**

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily converted to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1. **Summary of Significant Accounting Policies (Continued)**

(n) **Property, Plant and Equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight line basis to write off the net cost of each item of property, plant and equipment over its estimated useful life to the consolidated entity, or in case of lease hold improvements, the shorter lease term. Estimates of remaining useful lives are made on a regular basis for all assets. The estimated useful lives are as follows:

> Furniture and fittings 2 - 12 years Office equipment 3 - 12 years 2 - 10 years Computer equipment Motor vehicles 8 years Plant and equipment under lease 3 - 5 years

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets. These are included in profit or loss.

(o) **Intangible Assets**

i) Software developed or acquired for sales and licensing

> Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs and acquired software are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life, which varies from three to five years.

ii) Software – internal management systems

Software licences used in internal management systems, whether acquired or internally developed are stated at cost less amortisation. They are amortised on a straight line basis over the useful life from 2.5 to 5 years.

iii) Patents and trademarks

Costs associated with patents and trademarks are expensed as incurred.

iv) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/business at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

1. **Summary of Significant Accounting Policies (Continued)**

(o) Intangibles (Continued)

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from business combination in which goodwill arose, identified according to operating segments (note 2).

v) Client relationships and customer contracts

Customer relationships and client contracts acquired as part of a business combination are recognised separately from goodwill. The customer relationships and client contracts are carried at their fair value at the date of acquisition less accumulated amortisation. Amortisation is calculated on the straight line basis and utilises an estimated useful life of the customer relationships and client contracts, which is estimated to be between 2.5 -5 years.

(p) **Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) **Borrowing Costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

1. **Summary of Significant Accounting Policies (Continued)**

(s) **Employee Benefits**

i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and long service leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as provisions.

ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii) Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

iv) Superannuation

The Group has a defined contribution superannuation plan for its eligible employees. Contributions to the defined contribution fund are recognised as an expense as they become payable. contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

v) Share-based payments

Share-based compensation benefits are provided to employees via the Runge Limited employee share option plan (ESOP) and an employee share purchase plan. Information relating to these schemes is set out in note 27.

The fair value of options granted under the ESOP is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions, but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

1. **Summary of Significant Accounting Policies (Continued)**

(s) **Employee Benefits (Continued)**

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(t) Value Added Taxes (including Goods and Services Tax)

Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT is not recoverable from the relevant tax authority. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of the item as expense.

Receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the relevant tax authority is included as a current asset or liability in the statement of financial position.

Cash flows are presented on a gross basis. The VAT components of the cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant tax authority are classified as operating cash flows.

(u) **Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(v) Earnings per share

i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year.

ii) Diluted earnings per share

Dilutive earnings per share adjusts the figures used in determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Summary of Significant Accounting Policies (Continued) 1.

(w) **Financial Guarantee Contracts**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

Rounding of amounts (x)

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(y) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(z) **Critical Accounting Estimates and Significant Judgments**

The preparation of the financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. The notes in the financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial report such as:

- intangible assets, including goodwill (note 12),
- assessment of the fair value of financial assets (notes 10 & 25(d)), and
- impairment of receivables (note 7).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparation of the financial report are reasonable.

Parent entity financial information (aa)

The financial information for the parent entity, Runge Limited, disclosed in note 28 has been prepared on the same basis as the consolidated financial statements, except as set our below:

(i) Investments in subsidiaries

Investment in subsidiaries are accounted for at cost in the financial statements of Runge Limited.

1. **Summary of Significant Accounting Policies (Continued)**

(bb) New Accounting Standards and Interpretations not yet adopted

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2011, are as follows:

Standard/Interpretation	Application date*	Application date for the Group*
Revised AASB 124: Related Party Disclosures (December 2009) AASB 2009-12 Amendments to Australian Accounting Standards	1 Jan 2011	1 Jul 2011
[AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	1 Jan 2011	1 Jul 2011
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 Jan 2011	1 Jul 2011
AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	1 Jan 2011	1 Jul 2011
AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets	1 Jul 2011	1 Jul 2011
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 Jan 2013	1 Jul 2013

Application date is for annual reporting periods beginning on or after the date shown in the above table.

The Directors anticipate that the adoption of these Standards and Interpretations in future years may have the following impacts:

AASB 124 - Simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition of a related party. The amendments are not expected to have a significant impact on the financial statements.

AASB 2009-12 - AASB 2009-12 makes amendments to a number of Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.

It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The amendments are not expected to have a significant impact on the financial statements.

AASB 2010-5, AASB 2010-6 and AASB 2010-7 - These amendments introduce various changes to IFRSs. The Directors have not yet assessed the impact of the amendments, if any.

2. **Operating Segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director in order to make decisions about resource allocations and to assess performance of the Group. The reports are split into geographical areas.

The Managing Director monitors the following segments: Australia (Brisbane, Sydney, Maitland and Perth), Asia (China, Indonesia, Hong Kong, Mongolia and Russia), America (Canada, United States of America, Chile, Brasil) and Africa (South Africa).

In line with internal management reporting structure South and North Americas were combined in one segment since last reporting period.

Malaysia is combined with the Brisbane office for segment reporting purposes as it primarily operates in conjunction with Brisbane in the development and testing of software products.

GeoGAS operations are based in Australia (Brisbane, Wollongong and Mackay) and are reported separately as it provides different services and is managed separately.

Segment revenue, expenses and results include transfers between segments. Such transfers are priced on an "arms-length" basis and are eliminated on consolidation. Each segment, other than GeoGAS, sells all the products and services provided by the Group.

Reconciliation of segment profit to reported net profit:

	2011 \$'000	2010 \$'000
Segment profit	22,565	18,336
Adjustments:		
Amortisation	(2,548)	(2,347)
Foreign exchange gains/(losses)	(1,350)	(457)
Impairment of developed software	(1,016)	-
Unallocated corporate cost, including employee benefits	(11,963)	(12,119)
Finance income	148	137
Finance costs	(719)	(443)
Profit before income tax	5,117	3,107
Income tax expense	(1,527)	(819)
Net profit	3,590	2,288

2. **Operating Segments (Continued)**

2011	Australia	GeoGAS	Asia	America	Africa	Elimin- ations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue							
Services	33,309	7,904	15,312	15,632	2,310	-	74,467
Licence sales	4,960	-	1,173	3,074	733	-	9,940
Software maintenance	4,965	-	333	1,809	1,725	-	8,832
Other revenue	815	59	52	46	2	-	974
Total External sales	44,049	7,963	16,870	20,561	4,770	_	94,213
Inter-segment sales	7,974	30	3,675	2,126	163	(13,968)	-
Total sales	52,023	7,993	20,545	22,687	4,933	(13,968)	94,213
Rechargeable expenses	(3,761)	(709)	(8,718)	(7,386)	(1,562)	13,968	(8,168)
Net revenue	48,262	7,284	11,827	15,301	3,371	-	86,045
Expenses							
Salaries	26,515	3,104	5,159	9,123	2,050	-	45,951
Depreciation	1,289	289	136	100	46	-	1,860
Other expenses	9,039	982	2,464	2,542	642	-	15,669
	36,843	4,375	7,759	11,765	2,738	-	63,480
Segment profit	11,419	2,909	4,068	3,536	633	-	22,565
2010							
Revenue]				
Services	29,530	6,057	11,209	13,137	1,553	-	61,486
Licence sales	4,346	-	1,798	1,290	1,203	-	8,637
Software maintenance	4,331	-	98	1,769	1,815	-	8,013
Other revenue	865	-	-	2	-	-	867
Total External sales	39,072	6,057	13,105	16,198	4,571	-	79,003
Inter-segment sales	8,970	12	361	1,881	74	(11,298)	-
Total sales	48,042	6,069	13,466	18,079	4,645	(11,298)	79,003
Rechargeable expenses	(5,103)	(587)	(5,110)	(5 <i>,</i> 198)	(1,535)	11,298	(6,235)
Net revenue	42,939	5,482	8,356	12,881	3,110	-	72,768
Expenses							
Salaries	25,381	2,008	3,221	8,271	1,781	-	40,662
Depreciation	1,351	74	81	100	49	-	1,655
Other expenses	7,472	483	1,739	1,818	603	-	12,115
	34,204	2,565	5,041	10,189	2,433	-	54,432
Segment profit	8,735	2,917	3,315	2,692	677	-	18,336

3. **Profit Before Income Tax**

Profit before income tax includes the following specific expenses / (income)	2011 \$'000	2010 \$'000
Defined contributions superannuation expense	2,989	2,707
Impairment of receivables	267	94
Reduction in provision for impairment of receivables	(15)	(67)
Legal costs - USA litigation	162	540
Rental expense relating to operating leases		
Minimum lease payments	5,545	5,172
Net loss on disposal of plant and equipment	77	74
Foreign exchange (gains) / losses	1,350	457
Finance costs		
Interest expense on borrowings measured at amortised cost	719	443
4. Income Tax Expense		
Income tax expense		
Current tax	2,776	790
Deferred tax	(1,227)	271
Adjustments to prior periods	(22)	(242)
Income tax expense	1,527	819
Numerical reconciliation of income tax expense to prima facie tax		
Profit before income tax	5,117	3,107
Tax at the Australian tax rate of 30% (2010 - 30%)	1,535	932
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Attributed income	24	76
Non-deductible expense / (non-assessable income)	116	(16)
Tax losses not recognized	-	71
Research and development deduction	(30)	(61)
	1,645	1,002
Difference in overseas tax rates	(96)	59
Adjustments to prior periods	(22)	(242)
Income tax expense	1,527	819

4. Income Tax Expense (Continued)

Tax consolidation legislation

Runge Limited and its wholly-owned Australian controlled entities implemented the tax consolidation regime from 13 March 2007.

On adoption of the tax consolidation legislation, the entities in the tax consolidated Group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the whollyowned entities in the case of a default by the head entity, Runge Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Runge Limited for any current tax payable assumed and are compensated for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Runge Limited under the tax consolidated legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

5. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	2011 \$'000	2010 \$'000
Provision for impairment of receivables	137	73
Employee benefits provision	1,926	1,617
Lease incentive liabilities	1,265	1,369
Tax loss	400	240
Unearned income	350	283
Accrued expenses	730	862
Share capital raising costs	285	586
Financial assets at fair value	449	-
Other deferred tax assets	227	235
Development costs – software	(504)	(1,279)
Work in progress	(440)	(618)
Intangibles	9	(418)
Property, plant and equipment	(423)	(480)
Prepayments	(243)	(235)
Other deferred tax liabilities	(16)	(41)
Deferred tax assets	4,199	2,356
Deferred tax liabilities	(47)	(162)
Net tax assets/(liabilities)	4,152	2,194
Movements		
Balance at 1 July	2,194	2,669
Recognised in profit and loss	1,227	(271)
Recognised in other comprehensive income	449	
Adjustments to prior periods	282	(204)
Balance at 30 June	4,152	2,194

6.	Cash and Cash Equivalents	2011 \$'000	2010 \$'000
Cash a	t bank	9,338	9,157
Deposi	its	6	147
		9,344	9,304
7.	Trade and Other Receivables		
Curren	nt		
Trade i	receivables	20,595	20,814
Provisi	on for impairment of receivables	(415)	(233)
		20,180	20,581
Other i	receivables	171	159
		20,351	20,740
Von-cı	urrent		
Other	receivables - refundable deposits	245	164
		245	164
	ue less than 30 days ue between 31-90 days	4,135 2,659	3,099 2,526
		4,135	
	ue more than 90 days	2,289	2,136
		9,083	7,761
The m	ovement in the provision for impairment of trade receivables was as follo		
Balanc	e at 1 July	233	306
	on no longer required	(15)	(67)
	rs written off	(53)	(95)
mpair	ment loss recognised	267	94
Effect (of foreign exchange	(17)	(5)
Balanc	e at 30 June	415	233
3.	Work in Progress		
Nork i	n progress	2,300	2,681
9.	Other Assets		

Available-for-sale Financial Assets/ Financial Assets at Fair Value through Other Comprehensive 10. Income

	2011 \$'000	2010 \$'000
Current	y 000	\$ 555
Available-for-sale financial assets Investments in equity instruments	<u>-</u>	1,601
Non-current Financial Assets: at Fair Value through Other Comprehensive Income		
Investments in equity instruments	103	-

In June 2010 the Group received 4,000,000 ordinary shares in Element92 Resources, Corp., as consideration for consulting services in respect of a customer in China. These shares were recorded as available-for-sale financial assets as at 30 June 2010 at a carrying value of \$1.6 million. Element92 Resources, Corp. subsequently changed its name to Yinfu Gold Corporation ("Yinfu").

Yinfu, through wholly owned subsidiary companies, owns gold mining and exploration concessions in Shandong and Guangdong Provinces in China. The company is incorporated in Wyoming USA, is quoted on the OTC Bulletin Board (ticker: "ELREE") and has announced its intention to list on the NASDAQ market.

On 7 February 2011 Yinfu announced the termination of negotiations to acquire the Rongcheng gold mine in Shandong province China, and the return to Yinfu of common stock deposited towards the purchase price of the Rongcheng gold mine.

The shares in Yinfu are recorded at fair value. The Directors believe that there is not a sufficiently active market of Yinfu shares to use the OTC quoted prices to assess the fair value of the Yinfu shares. For this purpose management determined the fair value of the Yinfu shares based on financial reports of the company as at 30 June 2011.

The major inputs used by Runge in their internal fair value measurement of the shares in Yinfu included:

- Net assets of Yinfu per the company's consolidated financial statements as at 30 June 2011, USD 4.33 million, based on mining rights value of USD 24 million;
- Issued and outstanding shares as at 30 June 2011, 88 million shares;
- Discount applied for minority shareholding (30%) and for non-negotiability (20%); and
- USD exchange rate of USD 1.00 to AUD 1.07.

Investment in equity instruments are classified as fair value through other comprehensive income from 1 July 2010. Prior to that date they were classified as available-for-sale financial assets. Refer to notes 1(a) and 1(i) for further details.

Property, Plant and Equipment 11.

	2011 \$'000	2010 \$'000
Plant and Equipment - at cost	15,343	12,906
Less: accumulated depreciation	(6,345)	(4,658)
	8,998	8,248
Plant and equipment under finance lease	120	129
Less: accumulated depreciation	(67)	(49)
	53	80
	9,051	8,328

	Plant and equipment			
	Owned Under finance lease		Total	
	\$'000	\$'000	\$'000	
2011				
Balance at 1 July 2010	8,248	80	8,328	
Exchange differences	(138)	(9)	(147)	
Additions	2,914	7	2,921	
Disposals	(26)	-	(26)	
Depreciation	(2,000)	(25)	(2,025)	
Balance at 30 June 2011	8,998	53	9,051	
2010				
Balance at 1 July 2009	6,616	85	6,701	
Exchange differences	(24)	(2)	(26)	
Additions	1,518	-	1,518	
Non-cash additions	1,922	41	1,963	
Disposals	(99)	(18)	(117)	
Depreciation	(1,685)	(26)	(1,711)	
Balance at 30 June 2010	8,248	80	8,328	

12. Intangible Assets	2011	2010
	\$'000	\$'000
Software developed for sale and licensing – at cost	2,313	3,940
Less: accumulated amortisation	(634)	(1,275)
	1,679	2,665
Software acquired for sale and licensing – at cost	2,947	3,133
Less: accumulated amortisation	(2,213)	(1,821)
	734	1,312
Software – internal management systems – at cost	5,751	4,960
Less: accumulated amortisation	(3,073)	(2,343)
	2,678	2,617
Client relationships and contracts – at cost	1,494	3,372
Less: accumulated amortisation	(1,094)	(2,375)
	400	997
Goodwill – at cost	24,226	24,593
Total	29,717	32,184

		Software	Client		lient	
	Developed	Acquired	Internal systems	relationships and contracts	Goodwill	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2011						
Balance at 1 July 2010	2,665	1,312	2,617	997	24,593	32,184
Additions	543	50	944	-	-	1,537
Impairment	(1,016)	-	-	-	-	(1,016)
Disposal	-	-	(41)	-	-	(41)
Exchange differences	-	-	(32)	-	(367)	(399)
Amortisation *	(513)	(628)	(810)	(597)	-	(2,548)
Balance at 30 June 2011	1,679	734	2,678	400	24,226	29,717
2010						
Balance at 1 July 2009	2,332	1,938	1,628	1,585	24,699	32,182
Additions	844	-	1,619	-	-	2,463
Exchange differences	-	-	(8)	-	(106)	(114)
Amortisation *	(511)	(626)	(622)	(588)	-	(2,347)
Balance at 30 June 2010	2,665	1,312	2,617	997	24,593	32,184

^{*} Amortisation of \$2,548,000 (2010: \$2,347,000) is included in amortisation expense in profit or loss.

Impairment Tests for Goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) according to business unit and the country of operation.

In the current and prior years the recoverable amount of the CGUs has been determined by value-in-use calculations. These calculations were based on the following key assumptions:

12. Intangible Assets (Continued)

Impairment Tests for Goodwill (Continued)

- Cash flows were projected based on approved financial budgets and management projections over a five year period;
- Cash flows beyond five years are extrapolated using a constant growth rate ranging between 1.0% and 2.5% (2010: 4.0%); and
- The cashflows have been discounted using a pre-tax discount rate ranging between 13% and 18% (2010: 15%).

The calculations at balance date indicated no impairment of goodwill.

If pre-tax discount rate applied to the cash projections of all CGUs was increased by 500 basis points to be in a range between 18% and 23%, the recoverable amount of any CGU's goodwill is still greater than its carrying amount.

A segment level summary of the goodwill is presented below.

	2011	2010
	\$'000	\$'000
Australia	17,547	17,547
Australia – GeoGAS	4,921	4,921
USA	1,375	1,735
South Africa	383	390
	24,226	24,593

13. Trade and Other Payables

Current

Trade payables	3,142	2,428
Other payables and accruals	4,543	4,362
	7,685	6,790

14. **Borrowings**

	2011	2010
Current	\$'000	\$'000
Lease liabilities (note 22)	5	7
Bank loans – secured	5,450	1,800
	5,455	1,807
Non-current		
Lease liabilities (note 22)	18	26
Bank loans - secured	-	8,800
	18	8,826

Terms and Conditions

		Nominal		201	11	201	.0
Borrowing facilities	Currency	interest	Maturity	Facility	Utilised	Facility	Utilised
		rate		\$'000	\$'000	\$'000	\$'000
Secured loan	AUD	6.23%	Mar 2012	1,300	1,300	3,100	3,100
Secured loan	AUD	6.70%	Nov 2011	15,000	4,150	15,000	7,500
Finance leases	CAD	4.90%	Oct 2013	23	23	33	33
Loans and Borrowings				16,323	5,473	18,133	10,633
Other facilities							
Bank guarantee	AUD	2%		3,112	2,768	3,112	2,609

The Australian dollar loan facilities including the bank guarantee are secured by a first registered equitable mortgage over the Group's assets. The loan maturing in March 2012 requires quarterly repayments of \$450,000 until maturity.

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

15. Provisions	2011 \$'000	2010 \$'000
Current		
Employee benefits	6,738	5,944
Non-current		
Employee benefits	116	31

Other Liabilities 16.

Current	2011 \$'000	2010 \$'000
Unearned income - software maintenance	4,962	5,021
Unearned income - consulting and other	2,616	2,231
Lease incentive and make good obligations	663	428
	8,241	7,680
Non-current		
Lease incentive and make good obligations	3,775	4,400

17. Contributed Equity

		2011 Number	2010 Number	2011 \$'000	2010 \$'000
Share capital					
Ordinary shares	- fully paid	123,971,410	123,971,410	39,381	39,381
	- partially paid	108,590	108,590	27	26
		124,080,000	124,080,000	39,408	39,407

Movements in Share Capital:

D-4-		Notes	Ordinary shares		
Date		Notes	Number	\$'000	
01/07/09	Balance		124,080,000	39,385	
	Partly paid shares paid up		-	22	
30/06/10	Balance		124,080,000	39,407	
	Partly paid shares paid up		-	1	
30/06/11	Balance		124,080,000	39,408	

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a showing of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

Options

Information relating to the Runge Employee Share Option Plan (ESOP), including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of financial year, is set out in note 27.

Capital Risk Management

The Group's objectives when managing capital include safeguarding the ability to continue as a going concern, so they continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

17. Contributed Equity (Continued)

Capital Risk Management (Continued)

Consistent with the industry practice, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 30 June 2011 and 30 June 2010 were as follows:

	Notes	2011	2010
		\$'000	\$'000
Total borrowings, trade and other payables		13,158	17,423
Less: cash and cash equivalents	6	(9,344)	(9,304)
Net debt		3,814	8,119
Total equity		44,691	44,669
Total capital		48,505	52,788
Gearing ratio		7.9%	15.4%

18. **Reserves and Retained Profits**

Reserves	2011 \$'000	2010 \$'000
Share-based payments (i)	618	572
Foreign currency translation (ii)	(2,033)	(708)
Financial assets revaluation reserve (iii)	(1,049)	
Revaluation surplus	18	18
Reserve arising from an equity transaction (iv)	(1,553)	(1,553)
	(3,999)	(1,671)

Nature and Purpose of Reserves

(i) Share-based payments

The fair value of options issued to employees is recognised as an employment cost during the option vesting period with corresponding increase in equity recognised in the employee option reserve.

(ii) Foreign currency translation

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in accounting policy note 1(e).

(iii) Financial assets revaluation reserve

As explained in note 1(i), the Group elected to recognise changes in the fair value of investments in equity securities in other comprehensive income. These changes are accumulated in a separate reserve within equity. The entity does not have any policy on transferring amounts from this reserve to another reserve or to retained earnings when the relevant securities are sold.

Reserve arising from an equity transaction (iv)

This reserve arose from the acquisition of an additional interest in the controlled entity, MRM Mining Services (Pty) Ltd. The amount of goodwill arising on the additional interest has been restricted to the goodwill that was determined when control was first attained. The balance of the goodwill is considered an equity transaction and is recognised in reserves.

Movement in Reserves

	Employee Options		_	Foreign Currency Translation		Financial assets Revaluation Reserve	
	2011 2010 2011 2		2010	2011	2010		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 July	572	296	(708)	(594)	-	-	
Options expensed	46	276	-	-	-	-	
Impairment	-	-	-	-	(1,498)	-	
Income tax	-	-	-	-	449	-	
Foreign currency translation	-	-	(1,325)	(114)	-		
Balance at 30 June	618	572	(2,033)	(708)	(1,049)	-	

There were no other movements in reserves in 2011 and 2010.

18. **Reserves and Retained Profits (Continued)**

	2011 \$'000	2010 \$'000
Retained Profits		
Balance at 1 July	6,933	8,988
Net profit for the year	3,590	2,288
Dividends provided for or paid	(1,241)	(4,343)
Balance at 30 June	9,282	6,933
19. Dividends		
Dividends paid in cash during the year were:		
Interim dividend of 1.0 cents per share unfranked paid on 7 April 2011	1,241	-
Interim dividend of 1.0 cents per share fully franked paid on 7 April 2010	-	1,241
Final dividend of 2.5 cents per share fully franked paid on 6 October 2009	-	3,102
	1,241	4,343

Subsequent to year end, the directors have declared a final unfranked dividend of 1 cent per share. The aggregate amount of the proposed dividend expected to be paid on 6 October 2011, but not recognised liability at year end is \$1,240,800.

Franked Dividends

Franking credits available for subsequent financial	65	(1,277)
years based on a tax rate of 30% (2010 – 30%)	03	(1,277)

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for any:

- franking credits that will arise from the payment of the current tax liability; (a)
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; (b)
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; (c)
- (d) franking credits that may be prevented from being distributed in subsequent financial years; and
- franking credits acquired with subsidiaries that form a tax consolidated group with the parent entity. (e)

20. **Key Management Personnel Disclosures**

(a) Key Management Personnel Compensation	2011	2010
	\$	\$
Short term employee benefits	2,512,906	2,637,453
Post-employment benefits	241,454	221,408
Termination benefits	554,927	85,222
Share-based payments	(144)	115,313
	3,309,143	3,059,396

Shareholdings by Key Management Personnel (b)

The number of shares and options over shares in the Company held during the financial year by each Director of Runge Limited and each of the other key management personnel of the Group, including their personallyrelated entities, is set out below:

(i) **Ordinary Shares**

	Balance 1 July 2009	Sold during the year	Acquired during the year *	Balance 30 June 2010	Sold during the year	Acquired during the year	Balance 30 June 2011
Directors							
V Gauci	665,000	-	188,471	853,471	-	250,000	1,103,471
A Kinnane	10,081,171	-	40,000	10,121,171	-	100,000	10,221,171**
C Larsen	4,634,375	-	-	4,634,375	-	-	4,634,375
Dr I Runge	16,091,945	-	-	16,091,945	-	-	16,091,945
R Walker	50,000	-	100,000	150,000	-	250,000	400,000
N Hatherly	-	-	-	-	-	100,000	100,000
Other key manag	ement personi	nel of the Grou	р				
D Meldrum	5,692,910	-	-	5,692,910	-	-	5,692,910
J Sloman	15,000	-	-	15,000	-	-	15,000**
K Lewis	-	-	-	-	-	-	-
K Wallis	-	-	-	-	-	-	-
P Olsen	-	-	-	-	-	-	-
S Henderson	16,820	-	-	16,820	-	-	16,820

^{*} Acquired on market

^{**} Balance at resignation date

20. **Key Management Personnel Disclosures (Continued)**

(ii) **Options**

K Wallis

P Olsen

P Williams

S Henderson

Name	Balance 1 July 2009	Options granted as compensation	Options forfeited and expired	Balance 30 June 2010	Options granted as compensation	Options forfeited	Options expired	Balance 30 June 2011
Directors								
V Gauci	300,000	-	(99,000)	201,000	-	(99,000)	-	102,000
A Kinnane	109,521	260,587	(37,761)	332,347	260,000	(587,587)	(4,760)	-
C Larsen	109,521	168,749	(37,751)	240,519	168,000	(33,000)	(4,770)	370,749
Dr I Runge	-	-	-	-	-		-	-
R Walker	-	-	-	-	-		-	-
N Hatherly	-	-	-	-	-		-	-
Other key manag	ement perso	onnel of the Gro	up					
D Meldrum	108,905	168,749	(37,453)	240,201	168,000	(33,000)	(4,452)	370,749
J Sloman	50,000	119,116	(16,500)	152,616	-	(152,616)	-	-
K Lewis	50,000	119,116	(16,500)	152,616	118,000	(16,500)		254,116

(c) **Other Transactions with Key Management Personnel**

168,749

119,116

110,813

60,177

The Group employs the services of Johnston Rorke Chartered Accountants, an entity associated with Ross Walker. Johnston Rorke received \$55,830 (2010: \$56,790) for taxation and advisory services.

157,704

(279,562)

(21,589)

118,000

568,000

118,000

(16,500)

Aggregate amounts of each of the above types of other transactions with key management personnel of Runge Limited:

	2011	2010
	\$	\$
Amounts recognised as expense		
Professional fees	55,830	56,790
	55,830	56,790

118,000

568,000

254,116

(5,088)

21. **Remuneration of Auditors**

During the year the following fees were paid or payable for services provided by the auditors of the Group, and its related entities.

	2011	2010
	\$	\$
Audit services - Audit and review of the financial reports: Auditor of the parent entity:		
PKF Australia (East Coast Practice)	168,665	167,100
Auditors of subsidiaries:		
PKF Malaysia	3,454	2,538
PKF South Africa	15,577	21,657
Johan Malonda Mustika & Rekan Indonesia	16,814	-
Unistar - mongolia	2,841	-
CWCC Hong Kong	6,045	4,440
	213,396	195,735
Non- audit services:		
PKF Australia (East Coast Practice) – other services	750	-
	750	-

22. Commitments

(a) Non-cancellable Operating Leases

The Group leases various offices under non-cancellable operating leases expiring within one to seven years. The leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the lease are generally renegotiated. Excess office space is sub-let to third parties also under non-cancellable operating leases.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable:	2011 \$'000	2010 \$'000
Within one year	5,296	5,053
Later than one year but not later than 5 years	15,867	19,069
Later than 5 years	2,713	3,638
Commitments not recognised in the financial statements	23,876	27,760
Sub-lease payments Future minimum lease payments to be received in relation to non- cancellable sub-leases of operating leases:		
Within one year	97	452
(b) Finance Leases		
Commitments in relation to finance leases are payable:		
Within one year	6	7
Later than one year but not later than 5 years	19	30
Minimum lease payments	25	37
Less: future finance charges	2	4
Recognised as a liability	23	33
Representing lease liabilities:		
Current	5	7
Non-current	18	26
	23	33

Finance leases relate to motor vehicles which have residual payments with options to purchase at the end of the lease term.

23. Contingent Liabilities

On 21 September 2007 Standard Bank Plc filed an action against a controlled entity of Runge Limited, Runge, Inc trading as Pincock Allen and Holt (PAH) in the United States District Court of Colorado Civil Action No. 07-CV-01989-RPM-MJW. The lawsuit involved a coal mine in southern Indiana upon which PAH had worked in 2005-2006. Standard Bank advanced a series of loans to a third party amounting to US \$43 million to finance the purchase of the mine.

In January 2010 the Federal Judge in the District Court of Colorado granted judgment in favour of PAH and against the Plaintiff Standard Bank. The Judge dismissed the civil action (07-CV-01989-RPM-MJW) brought against PAH.

23. Contingent Liabilities (Continued)

On 17 February 2010 the Plaintiff filed a Notice of Appeal. On 17 November 2010 the 10th Circuit Court of Appeals heard oral argument from the parties. The Court of Appeal has reserved its decision and has not given any indication when it will publish its judgment.

PAH believes that the District Court's order granting judgment in its favor was correct and should be affirmed on appeal. Runge Limited was not named in the suit and was not involved in the underlying work which allegedly gave rise to the suit.

In 2008, pre IPO shareholders approved the placement of 5 million shares in Runge Limited with the trustee of RS Trust (the Trust Shares). The Trust Shares are to be held in trust for a minimum of four years or until the earlier resolution of the claim against PAH. Runge may require all or part of the Trust Shares to be sold in certain circumstances that relate to the outcome of the claim. The proceeds from the sale of the Trust Shares, after allowing for any associated tax expense, can be used by Runge for any purpose.

24. Reconciliation of Net Profit to Net Cash Inflow from Operating Activities

Reconciliation of Net Profit to Net Cash Inflow from Operating Activities

	2011	2010
	\$'000	\$'000
Net profit	3,590	2,288
Depreciation and amortisation	4,573	4,058
Provision for impairment of receivables	183	(73)
Net loss on sale /write down of non-current assets	77	74
Impairment of developed software	1,016	-
Non cash financing and investment activities*	-	(3,564)
Net exchange differences	76	(64)
Employee share options	46	276
Change in operating assets and liabilities		
Decrease / (increase) in trade and other receivables	125	(2,916)
Decrease / (increase) in current tax asset	1,979	(1,427)
Decrease / (increase) in deferred tax asset	(1,394)	313
Decrease / (increase) in work in progress	381	(1,059)
Decrease / (increase) in other assets	(571)	(56)
Increase / (decrease) in trade and other payables	895	2,253
Increase / (decrease) in other liabilities	(64)	3,764
Increase / (decrease) in current tax liabilities	87	(613)
Increase / (decrease) in deferred tax liability	(115)	162
Increase / (decrease) in provisions	879	143
Net cash inflow from operating activities	11,763	3,559
* Non cash financing and investment activities include:		
Acquisition of plant and equipment by way of finance lease	-	41
Acquisition of available-for-sale financial assets for services rendered (note 10)	-	1,601
Additions to plant and equipment	-	1,922
Total non cash financing and investment activities	-	3,564

25. Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk.

The Board of Directors is ultimately responsible for reviewing, ratifying and monitoring systems of internal controls and risk management. The Board has established an Audit and Risk Committee, which is responsible for overseeing risk management systems.

25. Financial Risk Management (Continued)

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group's finance division is responsible for development and maintenance of policies which deal with each type of risk related to use of financial instruments.

The Group holds the following financial instruments:

	2011	2010
	\$'000	\$'000
Financial assets		
Cash and cash equivalents *	9,344	9,304
Trade and other receivables *	20,596	20,904
Available-for-sale financial assets/Financial assets	103	1,601
	30,043	31,809
Financial liabilities		
Trade and other payables **	7,685	6,790
Borrowings **	5,473	10,633
	13,158	17,423

Loans and receivables

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. For the parent entity it also arises from receivables due from its subsidiaries.

Cash and cash equivalents are held in banks or financial institutions with a minimum 'A' external rating by Standard and Poor's or Moody's.

The Group does not require guarantees or collateral of its trade and other receivables. In some foreign regions the Group works on a prepayment basis to avoid credit risk.

The Group has established an allowance for impairment that represents an estimate of incurred losses in respect of trade receivables. This allowance is determined based on the specific information regarding conditions of a particular individual debt. The information regarding the receivables ageing is monitored by both finance and operations management.

The maximum credit risk exposure of financial assets of the Group is represented by the carrying amounts of financial assets set out above. The Group had no significant concentrations of credit risk with any single counterparty or group of counterparties, other than banks or financial institutions.

54 % of cash and trade receivables are held with 'A', 'BBB' or 'BB' – rated customers and banks (2010: 64%). The ratings used are set by Standard and Poor's or Moody's as at the end of the financial year. Analysis of the maximum exposure to credit risk for financial assets at balance date by counterparts' credit rating:

A - rated counterparts	14,194	18,033
B - rated counterparts	1,926	2,309
Unrated counterparts	13,923	11,467
	30,043	31,809

^{**} At amortised cost

25. Financial Risk Management (Continued)

(b) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Group's reputation.

The Group regularly reviews cashflow forecasts, maintains sufficient cash on demand and has unutilised borrowing facilities disclosed in note 14.

Contractual maturities of the Group's financial liabilities, including interest thereon, is as follows:

2011	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Secured bank loans	5,450	5,606	5,199	406	-	-	-
Finance lease liabilities	23	26	3	3	6	14	-
Trade and other payables	7,685	7,685	7,685	-	-	-	-
	13,158	13,317	12,887	409	6	14	-
2010							
Secured bank loans	10,600	11,514	1,324	1,172	9,018	-	-
Finance lease liabilities	33	36	3	3	7	23	-
Trade and other payables	6,790	6,790	6,790	-	-	-	-
	17,423	18,340	8,117	1,175	9,025	23	-

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group manages its exposure to interest rate and foreign currency fluctuations through a policy approved by the Board of Directors. There are no other significant market risks affecting the Group.

Interest Rate Risk

Based on the expected movement of 100 basis points, the net financial liability position is not material.

Currency Risk

The current policy is not to take any forward positions. At 30 June 2011 and 2010 the Group had not entered into any derivative contracts to hedge these exposures. The Group does not engage in any significant transactions which are speculative in nature.

25. **Financial Risk Management (Continued)**

As a multinational corporation, the Group maintains operations in foreign countries and as a result of these activities, the Group is exposed to changes in exchange rates which affect its results of operations and cash flows.

The Group's exposure to foreign currency risk at balance date was as follows:

2011	USD \$'000	CAD \$'000	ZAR \$'000	Other \$'000	Total \$'000
Cash and deposits	4,053	626	491	1,246	6,416
Trade and other receivables	8,284	447	1,334	758	10,823
Financial assets	103	-	-	-	103
Trade and other payables	(1,241)	(200)	(113)	(425)	(1,979)
Interest bearing liabilities	-	(23)	<u>-</u>	-	(23)
Net balance sheet exposure	11,199	850	1,712	1,579	15,340
2010					
Cash and deposits	2,748	523	889	1,528	5,688
Trade and other receivables	7,630	1,371	1,405	262	10,668
Available-for-sale financial assets	1,601	-	-	-	1,601
Trade and other payables	(708)	(83)	(289)	(395)	(1,475)
Interest bearing liabilities	-	(33)	_	_	(33)
Net balance sheet exposure	11,271	1,778	2,005	1,395	16,449

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June 2011 based on assets and liabilities at 30 June 2011 would have increased/(decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

Equity		Profit/ (Loss)		
2011 2010		2011	2010	
\$'000 \$'000		\$'000	\$'000	
(886)	(635)	(628)	(961)	

A 10 percent weakening of the Australian dollar against the above currencies at 30 June 2011 would have had equal but opposite effect on the above currencies to the amounts shown above.

25. Financial Risk Management (Continued)

Interest Rate Risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Should the interest rates increase by 200 basis points the net effect on profit before income tax will decrease by \$73,000 (2010: \$177,000). If interest rates decrease by 200 basis points, the change will have an equal but opposite effect on the profit before income tax.

As at the reporting date, the Group had the following variable rate cash deposits and borrowings:

	_	ed average est rate	Bal	ance
	2011 2010 % %		2011 \$'000	2010 \$'000
Interest bearing deposits	7.90	4.76	1,780	1,727
Bank loans	6.59	5.74	(5,450)	(10,600)

An analysis by maturity is provided in note (b) above.

(d) Fair Value Estimation

The carrying amounts of receivables and financial liabilities at amortised cost are assumed to approximate their fair values due to their short-term nature or their terms and conditions including interest receivable or payable at variable rates.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:-

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or

liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable

inputs).

25. **Financial Risk Management (Continued)**

The following tables analyses the Group's financial instruments carried at fair value by the measurement levels set out above:

2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through other comprehensive income	-	-	103	103
Total assets	-	-	103	103
2010 Available-for-sale financial assets	-	-	1,601	1,601
Total assets	-	- -	1,601	1,601

The valuation technique for available-for-sale financial assets and financial assets is based on significant inputs as set out in note 10). The following tables present the changes in level 3 instruments for the years ended 30 June 2011 and 30 June 2010:

	2011	2010
	\$'000	\$'000
Available-for-sale financial assets/ Financial assets		
Opening balance	1,601	-
Shares received as consideration for consulting services (note 10)	-	1,601
Gains/(losses) recognised in other comprehensive income	(1,498)	-
Gains recognised in profit and loss	-	-
Closing balance	103	1,601
Gains/(losses) recognised in other comprehensive income Gains recognised in profit and loss	- -	- -

26. **Earnings Per Share**

	2011	2010
	Cents	Cents
Basic earnings per share	2.9	1.8
Diluted earnings per share	2.9	1.8

Earnings used in Calculating Earnings Per Share

	\$'000	\$'000
Profit attributable to the ordinary equity holders used in calculating earnings per share	3,590	2,288
	2011	2010
	Number '000	Number '000
Weighted average number of ordinary shares used as the		
denominator in calculating basic and diluted earnings per share	124,080	124,080

Options were not considered to be "potential ordinary shares" in 2011 and 2010, as the average share price in 2011 and 2010 was below the exercise price of the options.

2011

2010

27. **Share Based Payments**

Tax Exempt Share Plan

The Employee Share Scheme enables the Board to issue up to \$1,000 of shares tax free per employee of the Group each year.

There were no shares issued under \$1,000 Share Purchase Plan in 2011 or 2010.

Eligibility for the tax exempt share plan is approved by the board having regard to individual circumstances and performance. No directors or key management personnel are eligible for the Tax Exempt Share Plan.

Employee Share Option Plan (ESOP)

The Employee Share Option Plan (ESOP) was approved by the Board of Directors on 5 February 2008 and amended 7 October 2009.

Eligible participants of the ESOP include any person who is employed by, or is a director, officer or executive, of the Group and whom the Board or its nominee determines is eligible to participate in the Option Plan. Options are granted at the discretion of the Board of Directors.

Consideration for granting options, grant periods, vesting and exercise dates and exercise periods are determined by the Board of Directors in each case. Options issued under the plan may not exceed 5% of the total number of the diluted ordinary shares of the Company at the date of issue and carry no dividend or voting rights.

Options are not transferable and lapse following the resignation of employees before vesting date. The terms and conditions of the options are that all options are to be settled by the physical delivery of shares.

The vesting conditions attached to the options are set out in the Remuneration Report (12A) of the Directors Report.

27. Share Based Payments (Continued)

The number and weighted average exercise prices of share options are as follows:

Grant date	Vesting date	Exercise Price \$	Number beginning of year	Granted	Forfeited	Expired	Exercised	Number at end of year
2011								
Options gran	ted to eligible e	employees						
21/05/2008	30/08/2010	1.00	456,594	-	(16,082)	(440,512)	-	-
Options gran	ted to manage.	ment						
21/05/2008	30/08/2010	1.15	496,000	-	(496,000)	-	-	-
21/05/2008	30/08/2011	1.32	508,000	-	(91,500)	-	-	416,500
12/01/2010	1/09/2011	0.88	744,168	166,667*	(162,174)	_	_	748,661
12/01/2010	1/09/2012	0.88	744,160	166,667*	(162,174)	-	_	748,655
12/01/2010	1/09/2013	0.88	744,151	166,666*	(162,171)	-	-	748,646
/ /	/ /				(0= 004)			
14/12/2010	31/08/2012	0.57	-	902,357	(95,001)	-	-	807,356
14/12/2010 14/12/2010	31/08/2013 31/08/2014	0.57 0.57	-	902,322 902,321	(95,000) (94,999)	-	-	807,322 807,322
14/12/2010	31/00/2014	0.57	-	302,321	(34,333)			007,322
Total			3,693,073	3,207,000	(1,375,099)	(440,512)	<u>.</u>	5,084,462
_	erage exercise		0.99	0.62	0.94	1.00		0.77
	ns granted to P.	Olsen on 1 A	ugust 2010 on th	ie same terms a	as options issue	d in January 2	010.	
2010								
Options gran	ted to eligible e							
21/05/2008		employees						
21/03/2000	30/08/2009	employees 1.00	598,098	-	(75,800)	(522,298)	-	-
21/05/2008	30/08/2009 30/08/2010		598,098 597,924	-	(75,800) (141,330)	(522,298)	- -	- 456,594
21/05/2008		1.00 1.00		-		(522,298)	-	- 456,594
21/05/2008	30/08/2010	1.00 1.00				(522,298)	- -	- 456,594 -
21/05/2008 Options gran	30/08/2010 ted to manage	1.00 1.00 ment	597,924	- - -	(141,330)	(522,298) - - -	- - -	- 456,594 - 496,000
21/05/2008 Options grant 21/05/2008	30/08/2010 ted to manage 30/08/2009	1.00 1.00 ment 1.00	597,924 545,500	- - - -	(141,330) (545,500)	(522,298)	- - -	-
21/05/2008 Options gran 21/05/2008 21/05/2008	30/08/2010 ted to manage 30/08/2009 30/08/2010	1.00 1.00 ment 1.00 1.15	597,924 545,500 545,500	- - - - 827,209	(141,330) (545,500) (49,500)	(522,298) - - - -	- - -	496,000
21/05/2008 Options gran 21/05/2008 21/05/2008 21/05/2008	30/08/2010 ted to manage. 30/08/2009 30/08/2010 30/08/2011	1.00 1.00 ment 1.00 1.15 1.32	597,924 545,500 545,500	- - - - 827,209 827,201	(141,330) (545,500) (49,500) (51,000)	(522,298) - - - - - -	- - - - -	496,000 508,000
21/05/2008 Options grant 21/05/2008 21/05/2008 21/05/2008 12/01/2010	30/08/2010 ted to manage 30/08/2009 30/08/2010 30/08/2011 1/09/2011	1.00 1.00 ment 1.00 1.15 1.32	597,924 545,500 545,500		(141,330) (545,500) (49,500) (51,000) (83,041)	(522,298) - - - - - -	- - - - -	496,000 508,000 744,168
21/05/2008 Options grant 21/05/2008 21/05/2008 21/05/2008 12/01/2010 12/01/2010	30/08/2010 ted to manage 30/08/2009 30/08/2010 30/08/2011 1/09/2011 1/09/2012	1.00 1.00 ment 1.00 1.15 1.32 0.88 0.88	597,924 545,500 545,500	827,201	(141,330) (545,500) (49,500) (51,000) (83,041) (83,041)	(522,298) - - - - - - - (522,298)	- - - - - -	496,000 508,000 744,168 744,160

The fair values at grant date for non market options (EBITA & EPS vesting conditions) were estimated using a Trinomial Lattice model which defines the conditions under which employees are expected to exercise their options after vesting in terms of the stock price reaching a specified multiple of the exercise price. The fair values at grant date for market options (TSR vesting condition) were estimated using a Monte Carlo simulation and a trinomial tree (Hoadley's Hybrid Employee Share Option model - outperform index).

27. Share Based Payments (Continued)

The model inputs for options granted during the 2011, 2010 and 2008 financial years included:

	Options with TSR hurdles				Options TSR h	without urdles		
	Aug 2010	Dec 2010	Jan 2010	May 2008	Aug 2010	Dec 2010	Jan 2010	May 2008
Fair value of share options at grant o	late:							
Options granted 21/05/2008	-	-	-	\$0.173		-	-	\$0.17
Options vesting 1/09/2011	\$0.0790	-	\$0.35	-	\$0.094	-	\$0.427	-
Options vesting 1/09/2012	\$0.0790	-	\$0.35	-	\$0.097	-	\$0.452	-
Options vesting 1/09/2013	\$0.0780	-	\$0.35	-	\$0.097	-	\$0.464	-
Options vesting 31/08/2012	-	\$0.196	-	-	-	\$0.242	-	-
Options vesting 31/08/2013	-	\$0.193	-	-	-	\$0.246	-	-
Options vesting 31/08/2014	-	\$0.193	-	-	-	\$0.240	-	-
Assumptions:								
Share price	\$0.415	\$0.57	\$0.965	1.00	\$0.415	\$0.57	\$0.965	1.00
Exercise price	\$0.88	\$0.57	\$0.88	1.32	\$0.88	\$0.57	\$0.88	1.00
Expected volatility (weighted average volatility)	70%	70%	77%	40%	70%	70%	77%	40%
Option weighted average life	3.2 years	3.8 years	3.7 years	2.8 years	3.2 years	3.8 years	3.7 years	2.3 years
Expected dividends	5%	5%	5%	5%	5%	5%	5%	5%
Risk-free interest rate (based on government bonds)	4.60%	5.31%	5.18%	6.94%	4.60%	5.31%	5.18%	6.94%

The expected price volatility is based on the historic volatility since listing to December 2010, that of similar listed companies and the remaining life of the options. This has been adjusted to take into consideration the recent extreme market movements using a mean reversion tendency of volatilities (the concept of volatility returning to normal levels after going to an extreme).

Employee Expenses		Consolidated		
Share-based payment expense recognised during the financial year	2011 \$'000	2010 \$'000		
Options issued under employee option plan	46	276		
Shares issued under employee share scheme	-	-		
	46	276		

28. **Parent Entity Disclosures**

As at and throughout the financial year ending 30 June 2011 the parent entity of the Group was Runge Limited.

Summary financial information

The individual financial statements for the parent entity show the following aggregation:

	2011	2010
	\$'000	\$'000
Profit/(loss)	1,692	1,912
Total comprehensive income	1,692	1,912
Financial position		
Current assets	28,917	32,314
Total assets	74,927	79,543
Current liabilities	25,139	24,648
Total liabilities	34,606	39,725
Net assets	40,321	39,818
Issued capital	39,408	39,403
Reserves	36	10
Retained profits	877	405
Total Shareholders' equity	40,321	39,818
Contingent liabilities	-	-
Contractual commitments for the acquisition or property, plant or equipment	-	-

The parent entity has provided guarantees to third parties in relation to the performance and obligations of controlled entities in respect of banking facilities, approved deeds and property lease rentals. The guarantees are for the terms of the facilities, deeds and leases. The periods covered by the guarantees range from one to five years.

No deficiency of net assets existed in the controlled entities covered by guarantees at 30 June 2011 or 30 June 2010. No liability was recognised by the parent entity in relation to these guarantees, as the fair value of the guarantee is immaterial.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 (a) to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Vince Gauci, Chairman

Wolaun

Brisbane

Dated this 25th day of August 2011



INDEPENDENT AUDITOR'S REPORT

To the members of Runge Limited

Report on the Financial Report

We have audited the accompanying financial report of Runge Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of Runge Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

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Liability limited by a scheme approved under Professional Standards Legislation.



Opinion

In our opinion:

- the financial report of Runge Limited is in accordance with the Corporations Act 2001, including: (a)
 - giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its (i) performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- the consolidated financial statements also comply with International Financial Reporting Standards as (b) disclosed in Note 1.

Emphasis of Matter Regarding Litigation

Without qualifying our opinion, we draw attention to Note 23 to the financial statements which describes the uncertainty related to the outcome of the appeal notice lodged against a controlled entity of Runge Limited by Standard Bank.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 12 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

PKF

In our opinion, the Remuneration Report of Runge Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

PKF

Albert Loots Partner

Dated at Brisbane this the 25th day of August 2011

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The Board and management believe that it is crucial to the Company's economic, social and ethical objectives that it meet the highest standards of governance and business conduct across its operations in Australia and internationally.

The key aspects of the Group's corporate governance framework are outlined in this section. The Company's policies meet the requirements of both the *Corporations Act 2001* and the Listing Rules of the Australian Stock Exchange (ASX) and, in the opinion of the Board, comply with best practice including the ASX Principles, except where noted.

PRINCIPLE 1: - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board is committed to protecting the interests of the shareholders and other stakeholders of the Company, promoting and maintaining good corporate governance structures while managing risk, acting effectively, honestly and fairly and acting in accordance with all applicable laws. The Board is responsible for setting the strategic direction of the Group; Group executives are responsible for day-to-day management of the operations of the Group within the strategic framework that the Board sets.

As set out in more detail in the Board Charter, the key functions reserved to the Board are to:

- a) oversee the Company, including its control and accountability systems.
- b) oversee the business and strategic direction of the Company in order to maximise performance and generate appropriate levels of shareholder return.
- c) appoint, evaluate and remove the Chairman, the Managing Director, any other Executive Director, the Company Secretary, and where appropriate, senior executives.
- d) review, ratify and monitor systems of internal controls, risk management, codes of conduct and legal compliance.
- e) provide input into and final approval of management's development of corporate strategy and performance objectives.
- f) review the performance and implementation of corporate strategies by senior management and ensure that senior management have the necessary resources to do so.
- g) approve and monitor progress of major capital expenditure, capital management, acquisitions and divestments.
- h) approve and monitor annual budgets and strategic plans.
- i) approve and monitor financial and other reporting made to shareholders and the ASX under the continuous disclosure regime.

The Board Charter can be found on the Company's website, at: http://www.runge.com/en/investor_relations/corporate_governance/board_charters.

The Board delegates specific responsibilities to various Board Committees. The Board has established the following Committees:

- An Audit and Risk Committee, which is among other things responsible for overseeing the external and internal auditing functions of the Company's activities;
- An HR and Remuneration Committee, which is responsible for making recommendations to the Board on remuneration packages for executives, senior managers, Non-executive Directors and overseeing the HR policies of the Company; and

• A Nominations Committee, which is responsible for making recommendations to the Board on the composition of the Board and appointment and evaluation of the Managing Director.

The Charter of each of the above listed Committees can be found on the Company's website, at: http://www.runge.com/en/investor relations/corporate governance/board charters.

The performance of the Group's former Managing Director, Anthony Kinnane and senior executives has been assessed this year in accordance with the process adopted by the Board. The new Managing Director, David Meldrum was appointed subsequent to year and will be reviewed in FY12. The process is as set out below.

In relation to the performance of the Managing Director, he presents an annual self-assessment to the Chairman of the Board. The assessment this year was in accordance with the performance criteria set out in the Managing Director's employment contract and included the following factors: evolution and execution of strategy, meeting operational and financial targets, Board communications and relations, recruitment and retention of staff and other factors. The Chairman presents the assessment to the Board for its comment.

The Managing Director will assess, at least annually, the performance of all key executives mentioned in the Directors' report. Both qualitative and quantitative measures are used consistent with KPIs set annually by the Managing Director in consultation with the key executives. The Managing Director reports to the HR and Remuneration Committee on the performance of these key executives. The HR and Remuneration Committee then approves changes to remuneration and to the establishment of new KPIs.

PRINCIPLE 2: - STRUCTURE THE BOARD TO ADD VALUE

The names of the Directors of the Company in office at the date of this report, specifying which are independent, are set out below. The Chairman of the Board is independent, and the Chairman and the Managing Director are different persons.

The Board is committed to ensuring that there will be at least five Directors of whom a majority will be Non-executive Directors and as far as possible, at least two will be independent Directors.

A Director is regarded as independent if that Director is a Non-executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. When determining the independent status of a Director, the Board has considered whether the Director:

- a) is a substantial shareholder of the Company or an officer of, or otherwise associated directly with a substantial shareholder of the Company;
- b) within the last three years has been employed or has previously been employed in an executive capacity by the Company or another group member;
- c) within the last three years has been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
- d) is a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- e) has a material contractual relationship with the Company or another Group member other than as a Director of the Company.

Current Board Composition

Voting Director	Board membership	Date of appointment
D Meldrum	Managing Director	July 2011
C Larsen	Executive	January 1996
V Gauci	Independent Chairman	February 2008
N Hatherly	Independent	October 2007
Dr I Runge	Non-executive	December 1986
R Walker	Independent	March 2007

The Board has determined, on an individual by individual basis, that each of the three Voting Directors designated as independent Directors above satisfy all of the above criteria. In addition the Board comprises a Non-executive Director and two Executive Directors.

The Board presently does not comprise a majority of independent Directors, but the Board believes that the current individuals on the Board are able to make quality and independent judgements in the best interests of the Company on all relevant issues. The Company may consider appointing an additional independent Director if and when the scale of its operations justifies such an appointment and an appropriate candidate becomes available. The criteria used to assess independence are reviewed from time to time.

The Non-executive Directors understand the benefits of conferring regularly without management present, and do so.

The Board is also committed to ensuring that all Directors, whether independent or not, bring an independent judgment to bear on Board decisions. To facilitate this, the Board has agreed on a procedure for Directors to have access, in appropriate circumstances, to independent professional advice at the Company's expense.

The Board is committed to ensuring that its members have a broad range of skills, experience and expertise. This will assist the Board to maximise performance and ensure appropriate levels of shareholder return.

The Board has, in accordance with ASX Recommendation 2.4 and as stated above, established a Nominations Committee. The primary purpose of the Nominations Committee is to assist the Board to discharge its responsibilities with regard to the following areas:

- overseeing the composition of the Board and competencies of Board members;
- providing recommendations of appointment and evaluation of the Managing Director;
- ensuring that appropriate procedures exist to assess the performance levels of the Chairman, Nonexecutive Directors, Executive Directors; and
- developing succession plans for the Board and overseeing development by management of succession planning for senior executives.

The Nominations Committee Charter can be found on the Company's website, at: http://www.runge.com/en/investor relations/corporate governance/board charters.

The Charter requires that a majority of members of the Nominations Committee must, as far as possible, be independent Non-executive Directors. The Chairman of the Nominations Committee is an independent Director. The current members of the Nominations Committee are the entire Board, so the Committee is not comprised of a majority of independent Directors. The Board is of the view that the entire Board brings the appropriate mix of skills and experience to satisfy the responsibilities under the Committee's Charter

It is the responsibility of the Board and its Committees to review their performance (group and individually) annually to ensure that they are operating effectively and in the best interests of the Company.

The skills, experience and length of appointment relevant to each Director is set out in the Directors' Report, section "Information on Current Directors and Company Secretary".

The names of each of the Directors considered to be independent and the materiality thresholds are set out in this Statement under 2. The relevant transactions with independent Directors, namely Ross Walker are set out in note 20(c) of the financial statements. The Board considers that the transactions involving Ross Walker are not material.

There is a procedure for Directors to take independent advice.

A record of all Board and Committee meetings held and the attendance of each Director at those meetings is set out in section 10 of the Directors' Report.

A performance review of the Board and its Committees was conducted during the year.

No changes to independence status occurred during the financial year.

The Company Secretary monitors whether Board policy and procedures are being followed, and co-ordinates timely completion and despatch of Board agenda and briefing material.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

The Board fully supports a strong commitment to ethical and responsible decision-making, and in this regard the Company has established a Code of Conduct Policy setting out the standards of ethics and conduct to which all Group Directors, executives and employees must adhere whilst conducting their duties. The Code of Conduct Policy can be found on the Company's website, at:

http://www.runge.com/en/shareholders/corporate governance/policies.

The Code of Conduct Policy, among other things, requires the Directors, executives and employees of the Group to:

- a) act with high standards of honesty, integrity, fairness and equity in all aspects of their employment;
- b) comply fully with the content and spirit of all laws and regulations which govern its operations, its business environment and its employment practices;
- c) not directly or indirectly offer, pay, solicit or accept bribes, secret commissions or other similar payments or benefits in the course of conducting business;
- d) not divulge any information about the Company without appropriate authorisation;
- e) not participate in insider trading by using knowledge not generally available to the market to gain unfair advantage in the buying or selling of the Company's securities;
- f) not knowingly participate in any illegal or unethical activity; and
- g) not enter into any arrangement or participate in any activity that would conflict with the interests of the Company or prejudice the performance of professional duties.

The Managing Director ensures that all employees are made aware of all procedures and policies and takes any necessary reporting steps. All new employees are provided with a copy of the Code of Conduct Policy during induction.

The Company is committed to ensuring that employees may raise concerns regarding illegal conduct or unethical behaviour and will support employees who report violations in good faith. All reports received will be thoroughly investigated and any necessary action taken.

Internal audits will be undertaken to ensure compliance.

The Board has tasked the HR and Remuneration Committee with the development of the Company's formal Diversity Policy to be established in accordance with the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (2nd Addition).

The HR and Remuneration Committee has established a working committee, Diversity Working Committee to review the Company's existing diversity policies and procedures throughout its 20 offices in 12 countries and report back with to the Committee with recommendations as to the appropriate diversity model for the Company to adopt across its global operations.

The Diversity Working Committee has been requested to provide its recommendations by the end of March 2012. The Board intends to have approved its diversity policy by the end of FY12 and will report on in its next annual statement.

The Company has established a Securities Trading Policy in respect of trading in Company shares by the Group's Directors, executives and employees. The Policy can be found on the Company's website, at: http://www.runge.com/en/shareholders/corporate governance/policies.

The Securities Trading Policy provides that all Group officers, employees and Directors are prohibited from dealing in any Company securities, except while not in possession of unpublished price sensitive information. It is also contrary to the Policy for Directors, executives and employees to engage in short term trading of the Company's securities. Directors and other officers may only deal in the Company's securities during specified periods, between 24 hours and 45 days after the release of the Company's results, or AGM, or while the Company has a disclosure document on issue ("Trading Window"). Directors and other officers are prohibited from trading in securities, except in exceptional circumstances, in the period between the close of books and the release of half year or full year financial results and at other times when the company is aware of, or has under consideration, a market sensitive matter ("Blackout Period"). Directors and other officers must obtain the approval of a Clearance Committee prior to dealing in the Company's securities except during a Trading Window.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board has established an Audit and Risk Committee. The Committee consists of three Non-executive Directors, two of whom are independent. The Committee Chair is not the Chairman of the Board. The current composition of the Audit and Risk Committee is:

Mr Ross Walker Committee Chair (Non-executive and independent)

Mr Vince Gauci Member (Non-executive and independent)

Dr Ian Runge Member (Non-executive)

Each Director has an appropriate knowledge of the Company's affairs and has the financial and business expertise to enable the Committee to discharge its mandate effectively. The qualifications of each member of the Audit and Risk Committee are set out on page 5.

The Audit and Risk Committee's formal Charter, which complies with ASX Principles, can be found on the Company's website, at: http://www.runge.com/en/investor_relations/corporate_governance/board_charters.

The primary purpose of the Audit and Risk Committee is to assist the Board to discharge its responsibilities with regard to:

- monitoring and reviewing the effectiveness of the control environment in the Group in the areas of operational and balance sheet risk, legal/regulatory compliance and financial reporting; and
- providing an independent and objective review of financial and other information prepared by management, in particular that to be provided to members and/or filed with regulators.

Further, the Audit and Risk Committee leads the review of the performance of the external auditors, and sets the procedures for both the selection and appointment of external auditors and the rotation of external audit engagement partners.

The members of the Committee have direct access to employees, external auditors and financial and legal advisers without management present. The Committee meets as often as required. Attendance at Audit and Risk Committee meetings is set out in the Directors' Report. The Audit and Risk Committee met three times during the reporting period. The Audit and Risk Committee keeps minutes of its meetings and includes them for the next full Board Meeting.

The Company does not publish on its website the procedures for the selection and appointment of external auditors, and for the rotation of external audit engagement partners. The Company has had no need to formalise these procedures at this stage although it recognises the need to develop such procedures.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Board supports continuous disclosure consistent with ASX Principles. The Company's Board approved a Continuous Disclosure Policy and Market Disclosure Guidelines which are designed to ensure that:

- shareholders have equal and timely access to material information concerning the Company; and
- Company announcements are clear, concise, factual and balanced.

A copy of the Continuous Disclosure Policy and market Disclosure Guidelines can be found on the Company's website, at: http://www.runge.com/en/shareholders/corporate_governance/policies.

The Board has overall responsibility for ensuring compliance with the Continuous Disclosure Policy and Market Disclosure Guidelines. The Board has established a Disclosure Committee, consisting of the Chairman, the Managing Director, the Company Secretary and the Global Communications Manager, to assist the Board in ensuring compliance with the Continuous Disclosure Policy and Market Disclosure Guidelines. The Disclosure Committee in turn appoints reporting officers, and those officers are required to:

- Immediately disclosure any material information which may need to be disclosed under Listing Rule 3.1; and
- Ensure awareness of and compliance with the Continuous Disclosure Policy and Market Disclosure Guidelines.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Shareholder communication is conducted in accordance with the Company's Continuous Disclosure Policy and the Company's Shareholder Communications Policy. Both policies can be found on the Company's website, at: http://www.runge.com/en/shareholders/corporate_governance/policies.

Releases made to the ASX are posted on the Company's website. The Company's website also contains general information regarding the Company and its activities, notices of future meetings, announcements, half yearly and annual reports and the Chairman's AGM addresses since listing.

Shareholders are encouraged to attend and actively participate at General Meetings. The Company's Directors and the Chairmen of all Committees plus senior management will be present at each AGM to answer shareholder questions. The Company's auditor is also present at each AGM to answer any shareholder questions.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Board understands the importance of establishing a sound system of risk oversight and management and internal control. The Board has adopted an Enterprise Risk Management Policy Manual reflecting the Group's risk profile, describing the elements of the Group's risk management and internal control system and setting out the steps to be taken to manage the Group's material business risks. The policy manual was prepared based on the principles of International Standard ISO 31000: 2009 Risk Management – Principles and Guidelines. .

The ERM Policy sets out the Company's commitment to manage risks on an enterprise-wide basis in accordance with ISO 31000:2009 Risk Management - Principles and Guidelines, by:

- Involving all stakeholders, including the Board, management, employees, contractors and shareholders;
- Complying with all applicable regulatory obligations in each country in which the Group conducts business;
- Maintaining an up-to-date risk register to identify, prioritise and manage the material risks facing the Group;
- Preparing risk management improvement plans, with management accountability and responsibility;
- Incorporating enterprise risk management into the Company's strategic planning and decision making processes;
- Conducting regular enterprise risk management training and risk control reviews to deliver continuous risk improvement; and
- Developing and maintaining up-to-date business continuity plans.

The ERM Policy requires management to maintain the Group's current risk management systems and internal controls, and to continuously improve those systems and controls as required in order to manage the Group's material business risks.

The ERM Policy requires the Group General Counsel (in conjunction with the Audit and Risk Committee) to prepare an annual report for the Board that confirms whether:

- the Group's risk management systems effectively identify all areas of material risk for the Group;
- management has designed and implemented effective systems and controls to manage identified areas
 of material risk;
- audits have been undertaken to confirm the effectiveness of and compliance with the Group's risk management systems and controls;
- in respect of identified areas of ineffectiveness or non-compliance, remedial measures have been taken or are being taken to address the identified issues; and
- all major risks have mitigation plans in place.

The ERM Policy further requires the Group General Counsel to table for consideration at each Board meeting each risk identified in the ERM Policy as "extreme" and "high."

The Group General Counsel provides a written monthly Risk Management Report to the Board concerning the effectiveness of the company's management of its material business risks.

The Board has received declarations from the Managing Director and Acting CFO pursuant to s295A of the *Corporations Act* which state that the financial statements are founded on sound risk management and internal

controls and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company has established an Audit and Risk Committee in accordance with the ASX Principles and sets out a summary of the Policy/s under this principle. A copy of the Audit and Risk Committee Charter can be found on the Company's website, at

http://www.runge.com/en/investor relations/corporate governance/board charters.

The Company does not have an internal audit function. The Directors have assessed a need to establish an internal audit function this year and believe that sufficient internal control mechanisms currently exist in the Company.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Company has established a Human Resources and Remuneration Committee ("HR and Remuneration Committee) to assist the Board in establishing appropriate remuneration levels for the Group's employees. The Committee is comprised of three Directors, two of whom are independent. The Chairman of the Committee is an independent Director. The current composition of the committee is as follows:

Committee Chairman (independent) Mr Neil Hatherly Mr Vince Gauci Board Chairman (independent)

Mr David Meldrum Managing Director (Appointed July 2011)

The HR and Remuneration Committee, among other things:

- assists the Board in setting remuneration, recruitment, retention, development and termination policies for senior executives;
- recommends to the Board remuneration packages for Executive Directors;
- recommends to the Board a remuneration framework for Directors and all employees in the Group; and
- recommends to the Board appropriate superannuation arrangements.

The Company clearly distinguishes the structure of Non-executive Director remuneration from that of Executive Directors and senior executives. Non-executive Directors are paid a set fee as agreed by the Board annually, and do not receive performance based fees or retirement benefits. The remuneration of Non-executive Directors is not more than the aggregate fixed sum determined by the Company's shareholders in a general meeting.

The remuneration structure for Executive Directors and senior executives is balanced between fixed salary and incentive schemes that are designed to align as closely as possible with the Company's short term and long term objectives.

The Remuneration Report provides a detailed disclosure of Non-executive Directors, Executive Directors and senior Executives in accordance with reporting obligations.

The Directors' Report sets out the number of meetings of the HR and Remuneration Committee and attendance at those meetings.

There is not any scheme for retirement benefits, other than superannuation, for Non-executive Directors.

A copy of the HR and Remuneration Committee Charter can be found on the Company's website at: http://www.runge.com/en/investor relations/corporate governance/board charters.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 1 August 2011.

A. **Distribution of Equity Securities**

Analysis of number of equity security holders by size of holding:

	Ordinary Shares	Options
1 – 1,000	74	-
1,001 – 5,000	376	-
5,001 – 10,000	275	5
10,001 – 100,000	512	25
100,001 – and over	117	17
	1,354	47

The number of shareholdings held in less than marketable parcels of 1,220 shares is 96.

Equity Security Holders

Twenty largest quoted security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Number held	Percentage of
Runge International Pty Ltd atf Runge Family A/C	15,012,899	12.10
Mr A Kinnane and Mrs P Kinnane atf A & P Kinnane S/F A/C	8,298,442	6.69
National Nominees Limited	6,395,691	5.15
RS Company Pty Ltd	5,000,000	4.03
Citicorp Nominees Pty Limited < Cwlth Bank Off Super A/C>	4,130,518	3.33
MHB Holdings Pty Ltd	3,810,000	3.07
Mrs Debra Larsen	3,740,546	3.01
Mr David Meldrum	3,667,105	2.96
Mr Ian Desmond Perks	3,317,650	2.67
Cogent Nominees Pty Limited	2,000,000	1.61
Anajam Pty Ltd	1,723,544	1.39
UBS Wealth Management Australia Nominees Pty Ltd	1,686,148	1.36
ACN 065903335 Pty Ltd	1,495,246	1.21
Mr John Francis Buffington	1,317,127	1.06
J P Morgan Nominees Australia Limited	1,304,261	1.05
Moat Investments Pty Ltd <moat a="" c="" investment=""></moat>	1,280,000	1.03
Mrs Tracy Anne Rowlands	1,250,705	1.01
Mr S J Baldwin and Mrs A M Baldwin <steve a="" baldwin="" c="" fund="" s=""></steve>	1,250,000	1.01
Equitas Nominees Pty Limited <2874398 A/C>	1,197,346	0.96
Mrs Andre Joan Phillips	1,173,508	0.95
	69,050,736	55.65

Unquoted equity securities

5,084,462 options over unissued shares: for further details see note 27.

SHAREHOLDER INFORMATION

C. Substantial Holders

The names of the substantial shareholders listed in the holding register are:

	Number held	Percentage
Runge International Pty Ltd atf Runge Family Trust	16,091,945	12.97
Mr and Mrs A Kinnane	10,121,171	8.24
Aviva Investors Australia Limited	8,767,940	7.07
Acorn Capital Limited	6,522,193	5.26

D. Voting Rights

Refer to note 17 for voting rights attached to ordinary shares.

E. Voluntary Escrow

Details of ordinary shares under voluntary escrow are as follows:

Expiry Date	Number held	Number of Holders
21 May 2012	5,000,000	1