ANNUAL REPORT '11

Adding Value Globally

"integrating world-leading mining consulting and software // a service delivered via 20 offices in 12 countries // 420 staff worldwide // adding lasting value globally."

Annual General Meeting // The Annual General Meeting of Runge Limited ACN 010 672 321 for the year ended 30 June 2011 will be held at The Christie Conference Centre, Kamisama Room, Level 6, 320 Adelaide Street, Brisbane, Queensland at 10.00 am (AEST), Wednesday 30 November 2011.

Who We Are

We are the world's largest dedicated group of mine planning professionals, delivering an integrated offering of consulting, professional development, market-leading technology and specialist laboratory testing services.

By combining our consulting and software expertise we deliver solutions that add value to our client's mining assets, across all commodities, mining methods and the mining life cycle.

Our clients are diverse and include all of the major global mining companies, mining contractors, financial institutions and other service providers to the mining industry.

What we are all about

Our vision is to be pre-eminent in our chosen fields due to our breadth of understanding of our client's business environment, our depth of understanding of technical issues, our global support and our dedication to meeting client needs.

Our mission is to assist our clients to create value for their stakeholders by optimising the value of their natural resource assets and help them identify and manage risk.

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Snapshot 2011

Financial Highlights

Revenue increases to

$94.2m

Up 19% with 44% derived from regional markets outside Australia

EBITA increases to

$9.1m

Up 58%

Reported NPAT increases to

$3.6m*

*Up 57%**

** (after $1 million write down of internally developed software assets)*

Declaration of final dividend of

1.0cent

unfranked, lifting full year dividends to 2.0 cents unfranked

Net cash improves to

$3.8m

Stronger operating cash flows with year end net cash up from a net debt position at 30 June 2010 of $(1.3) million

2011 Operational Highlights

- More buoyant demand from global mining sector lifts utilisation rates for consulting staff above 75% for last five months of the year, with a strong forward outlook for advisory services extending into FY 2012.
- Introduced initiatives to ensure each regional office now has the capacity to drive client growth and revenue through an integrated advisory and software solutions offering.
- Refocused planning for our next generation of software products in areas in which we have a strong established position, namely production scheduling, financial modelling, and simulation. Upgraded channels to harness client and consultant feedback for more efficient and faster product enhancement.
- Realigned our software distribution and marketing channels to leverage off the growing globalisation of the business, with responsibility focused on regional teams with increased levels of accountability and responsibility.
- Extended our world regional footprint and North America distribution capability with the opening of our 20th office (in Toronto, Canada in early July 2011).
- Launched GeoGAS testing business offshore through execution of a Services Collaboration Agreement in Indonesia, to target Kalimantan's rapidly expanding coal sector.
- Broadened our formal range of advisory services with our capital advisory team in Sydney receiving an Australian Financial Services Licence to service global clients' capital raising needs. This will operate under the banner of Corelate Capital Pty Ltd.
- Advised on one of the largest IPO's in 2011, the $11 billion Glencore capital raising via the London and Hong Kong stock exchanges.
- Appointment of a new Managing Director, David Meldrum, previously Runge Limited's Chief Operating Officer, following retirement of Tony Kinnane. Consolidation of a six person core senior executive management team to drive forward growth strategy.

2012 Goals

1 Further strengthen our client focus

Our clients will view our people as the Industry Experts and our products as the Industry Leaders that they are.

2 Unlock our people's potential

We will have a culture of teamwork and collaboration where our people are engaged, passionate and valued.

3 Encourage innovation and thought leadership

Our people will work in a rewarding and intellectually challenging environment where the seeds of our future growth and success are created.

4 Reinforce the links between our clients, our consultants and our technology development

The evolution of our technology products will be driven by those that rely on them.

5 Profitable Growth

Our aspiration is to achieve attractive returns for our shareholders, opportunity for our people and deepening service to our clients through consistent profitable growth.

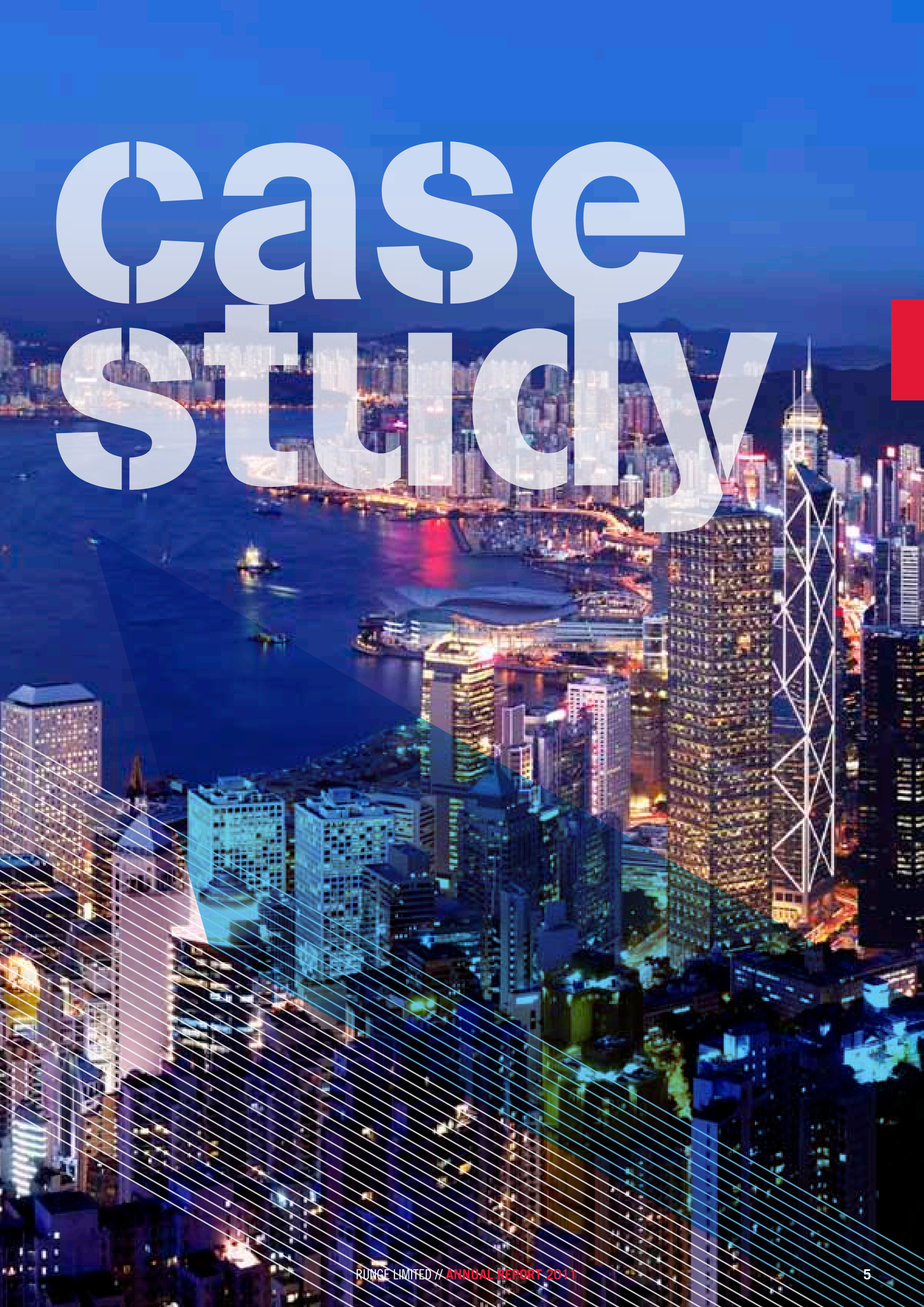
Floating off the back of China's booming mining investment

The increasing investment buy up of global mining assets by some of China's biggest state-owned enterprises, and more stringent listing rules introduced at the start of FY 2011 by the Hong Kong Stock Exchange, is generating record levels of transactional advisory work for Runge's North Asian offices.

With transactional related technical reports now needing to contain international compliant resources and reserves estimates, our Hong Kong and Beijing offices are leveraging off their existing skill base and experience to become a dominant consulting force to a range of new listings and M & A activity. In FY 2011 we were involved in six of the nine successful major mining transactions completed on the Hong Kong Exchange, and which were cumulatively valued in excess of HK $8,000 million.

With established and successful processes in place, and a deep understanding of Chinese mining data and how it is collated, we are strongly placed to capture a significant share of the transactional consulting work from this market in the year ahead. During the first quarter of FY 2012 our Chinese offices were underway with assisting over 30 projects, a majority of which are large scale IPO's or M & A activity.

case study



Chairman's Report

"An improved trading environment post-GFC and increased demand from a rebounding mining sector in a majority of Runge's markets underpinned a stronger financial performance in FY 2011."

An improved trading environment post-GFC and increased demand from a rebounding mining sector in a majority of our markets underpinned a stronger financial performance in FY 2011.

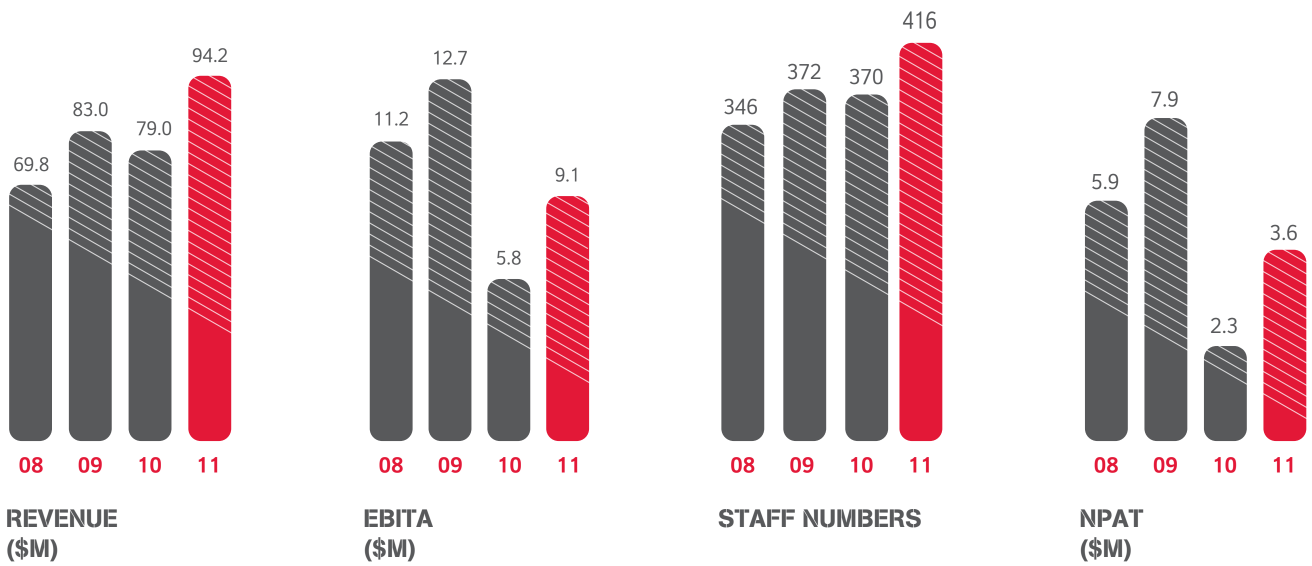
Importantly, it was also a year in which a renewed focus on client engagement and a complete review of the way we do business and develop our products, has established a strong foundation for future growth and profitability.

While increased demand across our worldwide consulting footprint contributed to a 19% growth in revenue to a record $94.2 million, the recovery of our software business post-GFC has lagged our consulting services with a similar result to FY2010. Our GeoGAS laboratory testing business leveraged off increased demand from the coal and coal seam gas sectors to record a strong performance, with revenue increasing 31%.

During the second half in particular, senior management undertook a strategic overview of our technology solutions, the process through which they are developed and what enhancements and improvements were needed to unlock greater value from this important aspect of our business.

Based on increased levels of client feedback we are now facilitating, via our distribution network of 20 offices in 12 countries, considerable time and resources on planning how best to consolidate and significantly improve key components of our software offerings.

These initiatives also resulted in a non-cash expense of approximately $1 million in write-downs of intangible technology assets. Going forward we expect to make a fundamental improvement to the way we develop and enhance our software, distribute and market it globally.



FY 2011 also reinforced our focus on the globalisation of Runge Limited's business, with strong growth throughout our established Asian markets, and the pursuit of new opportunities in the emerging markets of Mongolia, Russia and India. The depth and extent of our consulting services, combined with a strengthened and embedded technology offer, will provide us with a strategic and competitive position to achieve further growth in these emerging markets, and to strengthen our positions in the established markets of Australia, America, Asia and Africa.

I would like to take this opportunity of acknowledge the major contribution made to the company's success by Tony Kinnane, who sadly, due to serious health problems resigned as Managing Director in March 2011, and passed away in July this year.

As Managing Director since 1991, Tony led the significant globalisation of our business and the successful listing of the company on the ASX in 2008. I wish to acknowledge his inspirational leadership and commitment over such a long period of time.

I would also like to congratulate David Meldrum on his appointment as Managing Director in early July 2011. David's experience as Executive General Manager – Global Operations and his three months as Acting CEO has given him an invaluable insight to all areas of our business and, with the support of a strong senior management team, we are confident his appointment will result in significant longer term benefits for the company, our clients and shareholders.

Your board is confident that on the underlying strength of our business model, the continuing prosperity of the resources industry worldwide, and the continued globalisation of the company, the company will deliver stronger returns to shareholders in the years ahead.

Vince Gauci

Chairman

Managing Director's Report

> "Runge Limited's underlying value proposition for our clients worldwide, is the complementary connection between the consulting and technology sides of our business."

Financial Performance

A more buoyant mining market and improved trading conditions in a majority of the regions Runge Limited services resulted in an improved financial performance by the company in the year to 30 June 2011.

As a result, the company re-established sales to pre-GFC levels, with revenue increasing 19% to a record $94.2 million, including consulting fees of $68.7 million (up 19%), software sales and support $18.7 million (up 13%), and GeoGAS revenue of $8.0 million (up 31%).

While the year was characterised by a continued strengthening of consultant utilisation rates, margins to some degree were impacted by the stronger Australian dollar which prevailed for much of the period. Despite these pressures, EBITA increased 60% to $9.3 million.

Following an in-depth management review of the carrying value of internally developed software products, the company has recognised a non-cash expense of $1 million in write-downs of intangible software assets. Before allowing for this one-off write-down, underlying net profit after tax increased 87% to $4.3 million.

The higher revenues and profit resulted in an improved net cash position at year end of $3.8 million, compared to a net debt position of $1.3 million at 30 June 2010.

In light of the improved financial position and the stronger outlook for the company across all markets, directors declared a final dividend of 1.0 cent per share unfranked, which lifts the full year's dividend to 2.0 cents per share unfranked.

Operations Overview

Demand for our consulting services, and to a lesser extent technology, increased throughout much of FY 2011, buoyed by stronger commodity prices and a resulting reinvestment in project planning, financing and development by mining groups world-wide.

Growth returned to both our established markets in the Australian and American regions, with demand for our consulting services again increasing in Asia. The increased level and size of the transactional activity being undertaken by our Hong Kong and Beijing offices is reflected by our appointment to advise on one of the largest capital raisings in FY 2011, Glencore's $11 billion IPO.

The utilisation rate of our consulting professionals in all our regional markets continued to strengthen throughout the year, and in the last five months of the financial year consistently measured around 75%.

A downside of the strengthening global commodity demand has been the overall tightening of the labour market for skilled professionals such as mining engineers and consultants in several of the markets in which we operate.

In some regions this has impacted on our ability to recruit skilled staff, and meet salary expectations. Measures being taken to address this issue include more clearly enunciating the company's value proposition for employees and recruiting and training staff in Indonesia, where the skilled labour market is more liquid, for deployment in other markets to meet identified staffing needs.

Our underlying value proposition for our clients world-wide is the complementary connection between the consulting and technology sides of our business. It is imperative that as we continue to globalise the business, that each of our regional offices has the capability and resources to leverage off this competitive advantage.

Over recent times there has been a concerted effort to ensure this model is embedded throughout our global network. Our regional businesses in America and Africa reflect the positive progress made towards this goal in FY 2011.

While our business in America has historically relied on consulting as a predominant revenue driver, over the past year it has proactively embraced technology as a key part of the consulting service offered to clients, resulting in software sales over this period representing an increasingly important and growing revenue earner.

Conversely, revenue from our South African business has historically been driven by software sales, with only limited consulting work undertaken. New staff appointments and a focus on broadening the business' market offer, resulted in consulting making a much greater contribution to revenue in FY 2011. We expect this to continue into the future.

A Stronger Global Offering

In FY 2011 we started reactivating our growth strategy. We refocused our software development priorities closer to market feedback and demand in each of our key regional markets. We initiated processes to ensure that the quality and number of our skilled people were in place for the highest level of after-sales support of our technology throughout the world.

Runge Limited has a strong underlying competitive advantage in that we are the only international mining software provider that has a deep and established advisory business. This advisory business has a proven proficiency to advise and lead clients through every phase of the mining process, commencing at exploration and the establishment of an ore reserve, through to capital raising, and on to mine site start-up and finally to mine operations management and financial analysis.

Our global distribution network not only affords us the opportunity to forge extremely close relationships with our clients, and gain a deep understanding of the specific issues which impact on their business, but an important feed-back channel to identify new software business opportunities and a guide-path on how to improve our software offerings.

As an organisation we have not fully capitalised on this unique value proposition to ensure innovation and market relevance are embedded in all our software, and to successfully integrate these products as a key part of our consulting services delivery. During the final three months of FY2011 considerable focus was placed on developing a process to ensure our future software is developed around streamlined and direct feedback channels from our clients world-wide, and is marketed as a value-adding component of our advisory capabilities.

Over the coming 12 months we are intending to improve adaptability, usability and the integration of our software. At the same time we will increase the size and shape of our sales team in order to improve sales revenue.

We are confident that this re-engineering of our software development process will increase our market penetration globally, accelerate software sales, and lead to higher, recurring annuity income from after sales service, help desk and maintenance.

In recognition of our core strengths, our future software development and marketing efforts will focus on meeting our clients' needs in the three areas in which we hold a highly developed and commercially successful track record:

- Production scheduling;
- Financial modelling (in collaboration with external business partners); and
- Simulation

We are focused on our annuity income stream and the value our clients receive from service and support. We are also seeking to streamline our licensing processes to meet our client's needs.

Our flagship software product, XPAC, has now been in use for over 30 years and its relevance to the industry throughout this time has been maintained only through continual upgrading and enhancement. With changing demands and changing client expectations, keeping such a product fresh and easy to use, whilst also offering increased functionality, has always been a challenge. We will be focused on developing a new, enhanced and upgraded version of this product during FY2012, including 3D visualization, which will significantly improve reporting and presentation whilst both reducing user time and making it more productive. "Mine scheduling" is not usually thought of as a "fun" activity, but these new enhancements will also make our products more fun to use!

An enhanced version of XERAS, our financial forecasting and budgeting solution, is also scheduled for release during this period.

HaulNetwork, a new package which simulates mine haulage routes for trucks, was commercially launched in late FY 2011. While several sales of this new software were made just prior to the year's end, we envisage demand will progressively increase over the current year, and during that time we will be extending its functionality based on client feedback.

In line with our increased focus on driving company-wide growth via our strengthening worldwide regional presence, regional managers have been empowered to assume responsibility for the marketing and sales of our software offerings. We expect this to open new business opportunities at the client "coalface", and increase applications of our software as natural extensions of the consulting services we offer. We consider this a far superior distribution model than the one previously driven via our Brisbane head office.

Mongolia – Adding value to a world-class uranium asset

As a rapidly emerging market, but one with a low skills and capital base, Mongolia is presenting us with a number of new business opportunities, and particularly embryonic mining companies looking to quickly prove up JORC-standard resource/reserves and progress projects into production.

For the past 18 months we have been advising Live Energy Group LLC ("LEG"), and in the process has added significant value to the company's Mongolian uranium assets. While highly prospective, these assets had little underlying technical data, apart from limited historical Soviet maps and rudimentary exploration results. With no quantifiable resources in place, LEG originally planned to sell the assets at a low valuation. However, following a further review of the initial data and the mapping of an exploration program by us, the project has been shown to contain significant uranium resource.

Based on the significant resource upgrade, our corporate advisory team in Sydney has been appointed by the project's owner to advise and prepare the company for its capital raising initiatives in order to further develop its uranium project. We have subsequently been retained to undertake additional technical advisory work to further refine the project's feasibility and is in the process of completing a project scoping study.

Following our consultants' 18 month involvement, LEG attracted investment in the project at a significantly higher value than they had originally envisaged selling the entire project for.

To support this distribution realignment we are investing in strengthening our regional software sales and marketing capability in our four major offshore markets of North America, Asia/Pacific, Africa and our emerging market area encompassing China, Mongolia, Russia and India.

We are also adopting a more formalised process in how we develop and manage future roadmaps for our software, with four Product Managers now holding responsibility and accountability for the future direction of each of Runge's core software products.

Reflecting the strong market penetration of our specialist Scheduling software, which accounts for just over 60% of our global technology sales, two Product Managers are now responsible for this segment, one with responsibility for coal applications and the other for metals applications. The remaining two Product Managers will each have individual responsibility for our Financial solutions and our Simulation software.

In tandem with these software development and marketing initiatives, we are also lifting the bar with regard to our after sales service and support. Our help desk and software support are a critical component of our packaged technology solutions. This focus has now changed with pro-active implementation of these services to match and exceed client expectations wherever we operate in the world.

Our specialist laboratory testing business, GeoGAS, has expanded rapidly over the past two years, and has developed a growing expertise in CSG testing to complement its existing coal compliance analysis capabilities. In June 2011 a joint venture between GeoGAS and Indonesian group, PT Geoservices, was finalised to capitalise on what are emerging CSG extraction opportunities centred on Kalimantan's large coal reserves. Under this agreement, testing work from clients based in Indonesia will, depending on the category of analysis required, be shared between GeoGAS Australian laboratories and PT Geoservices' facility in Indonesia. The joint venture finalised its first bid for Indonesian testing work in July 2011.

Following the strong domestic market response to the successful launch of our latest e-learning product, Smartminer, we are looking at the feasibility of developing other language versions for launch offshore during the current financial year.

Outlook

FY2011 was a year in which we made a solid recovery, on the back of a more buoyant global resource sector and a number of key initiatives implemented by our senior executive team to reignite revenue and profit growth.

In the year ahead we will continue to focus on improving our technology solutions and embedding them as a key part of our consulting offer, and to strengthen the relationships we hold with clients worldwide. As a result we are aiming for an improved software sales performance in FY2012.

While we are anticipating increased demand for our consulting services, software and laboratory testing services based on high levels of mine planning and development in all of the regional markets we currently services, the immediate economic outlook at the time of this report's publication is uncertain. While the underlying fundamentals of world commodity markets remain strong, the sovereign debt crisis unfolding in Europe has the potential capacity to impact economic growth in FY2012.

Not withstanding this potential challenge, Runge Limited has entered the current financial year as a stronger and more resilient business.

Pending a continuation of strong, global commodities growth and no further deterioration of world trading confidence, we are well placed to continue the momentum built across all levels of our business in FY2011 into the current financial year.

David Meldrum
Managing Director

Our Global Footprint

American Regional Offices

Revenue up

24%

to $20.6 million

Calgary
Toronto
Gillette
Denver
Belo Horizonte
Santiago

Asian Regional Offices

Revenue up

22%

to $16.9 million

Beijing
Hong Kong
Kuala Lumpur
Jakarta
Ulaanbaatar
Moscow

Australian Offices

Revenue up

15%

to $52 million

Perth
Mackay
Brisbane
Maitland
Sydney
Wollongong

African Regional Offices

Revenue up

2%

to $4.7 million

Johannesburg
Witbank

Regional Review

Africa

Despite a reduction in software sales, our African operations capitalised on a more buoyant resources market and a successful ramp-up of advisory services to record a small increase in revenue to $4.8 million in FY 2011.

A highlight of the year was the successful realignment of the business towards a more balanced market mix between consulting services and software solutions. This business, and our African market as a whole, has traditionally been heavily skewed to software sales, and its repositioning as a consulting provider will enable it to better capitalise on the mine feasibility and planning opportunities, particularly in the region's emerging markets.

The outlook for the prospective emerging markets of Mozambique, Zambia and Democratic Republic of Congo remain positive, with Australian, Chinese and Indian interests in particular, leading a growing investment in these countries.

Staff numbers increased to 23 by year end, with several new employees appointed during the year, including new staff for consulting and software, an Operations Manager, and Business and Sales Executives. While the labour market, particularly for more senior, experienced professionals, remains tight, we are actively working to position ourselves as an employer offering a superior value proposition as an added incentive for prospective employees.

In FY 2011, after a considerable commitment of time and resources, on 1 July 2011 our business qualified to apply for recognised Broad Based Black Economic Empowerment (BBBEE) status, to comply with mandatory legislation, an important milestone which enables us to maintain and strengthen our established relationships with the major operatives in the African mining sector.

In FY 2012, we will continue to further consolidate our historical focus on the coal sector and to supplement this through unlocking new opportunities in the hard rock market. From a geographic perspective, our focus will be on strengthening our established market presence in South Africa, pursuing new project prospects in Botswana, and consolidating an operational beachhead in the emerging market of Mozambique via the establishment of a registered subsidiary company there.

A physical presence in this market will enable us to leverage our existing relationships with the major operatives in Mozambique, to play a pivotal role in the planning and development of their new major mining projects there.

There is undoubtedly a new era unfolding for the resources sector in the South African region, with the exploration and new mine site planning in emerging markets all requiring the specific skill sets and software support that we can provide.

While this will necessitate an investment in recruiting and training during the current financial year, it will provide a strong foundation to grow profitability in the years ahead.

Australia

A resurgent Australian mining sector increased demand for our consulting services, specialist laboratory testing services and training in FY 2011, pushing revenue 15% higher to $52 million. However, these gains were offset to some extent by subdued software sales during the first half.

From a consulting perspective, the volume of project studies significantly increased with advisory services sought by a more diversified and larger client spread. Areas in which there was a discernable increase in client activity included all stages of feasibility studies, mine planning and design work. A strong pipeline of independent technical reviews and due diligence assignments was also maintained throughout the year.

To meet increased demand an additional eight staff were appointed in New South Wales, lifting total consultants based there to 42, and laying the platform for growth in consulting revenue.

While Australia's mining sector continues to open new business opportunities for us, it is also severely tightening the availability of, and increasing demand for, experienced mining professionals, particularly for people holding statutory qualifications, experienced engineers and executive consultants. As a result there is heightened competition for these staff from both mining companies and our direct competitors across all regions in Australia.

In all offices we are actively focusing on sustaining staff tenure through mentoring and training programs to enhance skill sets, exposing our professionals to a wide variety of projects, and offering secondment assignments to other regional offices in Australia and overseas, including Beijing and Jakarta.

Our GeoGAS business again grew strongly, despite some disruption from the Central Queensland floods, with revenue up 31% on the back of increased demand from the coal and CSG sectors. Business volumes continued to ramp up over the second half with GeoGAS finishing the year strongly with revenue in June of approximately $1 million.

The level of investment now committed to Queensland's CSG sector and plans for creation of a massive LNG industry in Gladstone will underwrite sustained demand for GeoGAS' specialised testing services.

To cater for future growth, GeoGAS relocated to new, larger and better equipped laboratory premises in Mackay late in the financial year. Coupled with the upgraded facilities and laboratory now occupied in Wollongong, and additional staff recruited at both locations, the business has the capacity to capitalise on the significant ramp up of demand, particularly for CSG focused services, over coming years.

During the year we focused on ways to expand our reach into new regional and overseas markets and industry sectors. In line with this goal we entered a partnership agreement with Geoservices PT Indonesia to service their growing CSG exploration market. Consulting resources continue to operate out of our GeoGAS office in Wollongong to service the needs of our clients in the Hunter Valley region.

Following five months preparatory work, in August 2011 Corelate Capital Pty Ltd (a wholly owned subsidiary) was granted an Australian Financial Services Licence. This will enable our existing corporate finance team in Sydney to extend the range of services it offers to clients and to tap into additional opportunities.

Disappointingly, our Brisbane business, despite the much stronger trading environment in FY 2011, did not match the growth achieved by our other Australian offices. We are confident initiatives now in place will reactivate Brisbane's growth in FY 2012.

The year also saw a concerted effort on better integrating our desktop software products with our consulting services, and we will be leveraging off the value proposition this offers to target potential clients outside of our historical focus, including non-coal and emerging mid-tier companies. As part of this process our regional offices which had not traditionally been software providers recruited additional skilled staff to strengthen their software support capability.

These initiatives resulted in an upswing in Australian software sales towards the end of the financial year.

We are refocusing our efforts towards increasing our recurring revenue streams generated by our service and support services.

Among the strategic internal priorities for our Australian businesses in the current financial year are the retention of key personnel, recruiting selected skilled staff to further strengthen our integrated consulting and software offering and the continued upskilling of our engineers in our mine planning processes and software tools.

Following on from the positive progress made over the past year, we are confident of achieving continued growth from training revenue in FY 2012. We will also be driving organic growth through continuing to focus on client engagement, capitalising on identified diversification opportunities and further developing our key regional client relationships in Asia, Africa, New Zealand and South America.

Asia

Our Asian businesses had another outstanding year in FY 2011, with revenue increasing 29% to $16.9 million as a result of the continued growth in investment from Asia into most of the world's major mining markets.

Increased brand awareness across the region, especially in the Hong Kong financial market, where we now hold an entrenched relationship with key stakeholders, and strong investment market conditions in China and in Hong Kong, delivered a record level of IPO and transaction related activity. Introduction of new listing rules for the Hong Kong Exchange has necessitated an increase in the technical work required to list, and this opened additional consulting opportunities, especially in the exploration advisory arena, where we continue to work closely with clients across the region to maximise the value of their inground resources prior to listing. Brand awareness in Indonesia also strengthened, and we are now recognised as one of the only providers of high quality independent expert documents in the country.

Throughout Hong Kong and China there is an increasing appreciation of the role JORC (The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) plays in accessing project funding outside China, and this is also driving an increased volume of exploration advisory work.

Our Asian businesses record work levels resulted in a significant ramp up in staffing, especially in Jakarta and Beijing, with regional staff numbers increasing by 24 to 72 full-time equivalent staff by year end. Recruitment focused mainly on adding technical consulting capacity and middle management/project management skills to the Asian offices.

Coalworks – Proving up world class coal provinces

Minarco-MineConsult (MMC), a trading division of Runge Limited, has forged a close relationship with the Australian-based coal exploration company, Coalworks Limited, since 2009.

MMC's longstanding consulting experience in the coal mining industry is being leveraged by Coalworks as a key part of its focus on building an inventory of large coal assets into world-class coal provinces.

MMC is providing consulting services for one of Coalworks' key assets, Vickery South, which is a major development for New South Wales in terms of coal production. In mid-2011 MMC successfully completed the Prefeasibility Study (PFS) and a subsequent PFS Update for Vickery South, which further reinforced the economics of the proposed $240 million capital cost project.

MMC is currently undertaking the BFS for the Vickery South coal mine, coal handling and preparation plant and mine infrastructure which is due for completion in mid 2012. As part of the study MMC is delivering a precise mine plan and providing a basis for project financing.

MMC has also assisted Coalworks with a pre-feasibility study for Coalworks' Oaklands North project, in southern New South Wales, which has a measured, inferred and indicated thermal coal JORC resource of 822 million tonnes. For Oaklands North the work undertaken by MMC includes mine design and associated surface infrastructure, and also extends to coordination of a Coal to Liquids PFS based on work undertaken for Coalworks by major international consultants, as well as transportation studies for the Petrol and LPG products to major markets.

Increasing demand from the Indonesian coal industry resulted in strong sales of software in FY 2011. There is a growing understanding throughout Indonesia of the value detailed mine planning can bring to projects, and this will increasingly open new opportunities for future software sales into this market.

Another highlight in the Asia region was the strong performance of our new office in Mongolia over its first 12 months. As a result of strong local marketing and relationship building, we have captured a significant share of the exploration advisory and detailed mine planning market in the country. During our first in Mongolia we year have added significant value to our clients through the use of our global resource pool to deliver high quality mine planning and geological advisory work. Strong client relationships are the key to further growing our business in Mongolia and our focus over the current financial year will be on expanding our local capability in mine planning consulting, as well as integrating more software solutions into our Mongolian offering.

In FY 2011 our major focus in Russia was on rekindling the relationship with one of Russia's largest coal producers and our largest software solution client in this market. As part of this process a pilot program paid for by the client was run to demonstrate the benefits of Xact for use in short term mine planning in both underground and open cut coal mines. Work will continue this year on converting this work to actual licence sales.

In the last quarter of FY 2011 we upgraded our management capabilities in Moscow. Focus for the coming 12 months will be on leveraging strategic relationships with a major international ERP provider and other implementation groups in the region to accelerate our software sales and implementation capacity within Russia.

Given the tightening labour market for skilled staff in Asia, our recruitment strategy for the local market has been broadened to target Africa and the USA, and also incorporates an established internship program in Mongolia and the training of local technical experts in other regional offices, including Jakarta. These initiatives have already resulted in trained Indonesian staff being deployed to our Australian and USA operations.

We have also continued to promote our staff value proposition for the Asian region, highlighting the significant professional development opportunities offered through exposure to a large diversity of professionally demanding projects in the region, as well as the opportunity for career progression into management roles within our network of regional offices.

America

The successful integration of software solutions as a core component of our American business market offering, and higher demand for consulting services from a strengthening mining sector, resulted in revenue for FY 2011 increasing 27% to $20.6 million.

While our North American market has historically been predominantly reliant on consulting work as a primary revenue driver, a heightened focus on integrating software solutions resulted in technology sales contributing 26% of North American revenue in the year under review.

The appointment during the year of additional implementation staff resulted in a concerted effort placed on large software sales, and the experience gained in transacting and implementing the business' first major sale in FY 2011 will be utilised as a forward model to secure additional large software contracts.

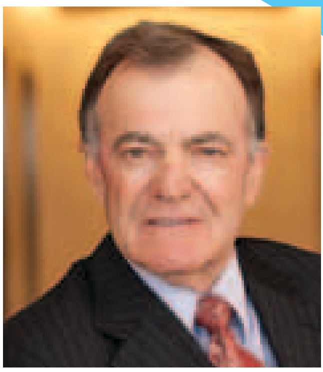
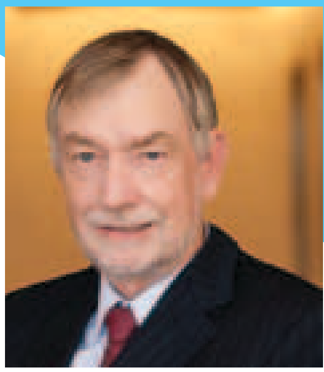
We also strengthened our North American footprint during the year with the opening of a fourth regional office in Toronto, Canada. The appointment of four additional staff to the Calgary office has introduced a full consulting offering into the market services it provides.

Growing demand from projects throughout South America resulted in our Santiago, Chile office increasing staff numbers from seven to 11 people by year end.

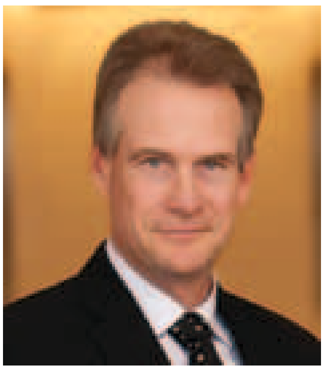
Our Vice President of global software was seconded to South America for six months in a major initiative to market our software capabilities, with a particular emphasis on Brazil. We are confident this will result in some software sales into this market during the current financial year.

Based on the progress made in FY 2011, and in particular the much stronger emphasis placed on integrating software solutions as part of our advisory services, we are confident of achieving additional growth in North and South America in the current year.

Runge Limited Board



Vince Gauci

Chairman

Vince has in excess of 40 years in the mining industry, most recently as Managing Director of MIM Holdings, a position held until the takeover by Xstrata Plc. in June 2003.

He is currently Non-Executive Director of Newcrest Mining Limited and Non-Executive Director of Liontown Resources Ltd.

In addition to his current board duties, Vince is voluntarily involved in the Broken Hill Community Foundation where he is Chairman.

Vince graduated from the University of NSW with a Bachelor of Engineering (Mining) and is a long time member of the Australian Institute of Mining Engineering.

Tony Kinnane

Managing Director (retired March 2011 and passed away July 2011)

Tony had extensive experience in the mining industry since 1973, having held managerial positions in various mines across Australia. He joined Runge Limited in 1986 as Operations Manager and in 1991 was appointed Managing Director. Since that time, Tony oversaw the growth of Runge through its continued international expansion in consulting, software and training.

Tony held a Diploma in Mine Engineering and a Diploma of Geology from RMIT. He was also a Fellow of The Australasian Institute of Mining and Metallurgy.

L to R: Vince Gauci, Tony Kinnane, David Meldrum, Christian Larsen, Ian Runge, Neil Hatherly, Ross Walker

David Meldrum

Managing Director (appointed July 2011)

David was appointed Managing Director in July 2011, having served as Acting Chief Executive Officer from March 2011 subsequent to Tony Kinnane's retirement. Prior to this he was Runge's Chief Operating Officer. He has over 26 years of experience in the resources sector in operations, consulting and investment banking. He was founding partner of Minarco and became General Manager of Minarco-MineConsult (MMC) upon its acquisition by Runge.

David has extensive experience in mine asset due diligence and valuation and over the last seven years has been part of a team that has developed a high profile and rapidly growing business unit in north Asia. In this capacity he has managed the establishment of businesses in Russia, Mongolia, China, Hong Kong and Indonesia.

David holds a Bachelor of Engineering (Hons Mining) from the University of New South Wales and a Graduate Diploma in Applied Finance.

Christian Larsen

Executive Director

Christian has been involved with Runge Limited for over 20 years and has been a Director since 1996. He has experience in the development of the company's software, business operating procedures and knowledge databases. His previous roles at Runge Limited have included Systems Engineer, Mining Consultant and Business Development Manager. Christian currently heads the Mergers and Acquisitions team for Runge Limited, a role he has fulfilled since 2003.

Christian holds a Bachelor of Engineering (Hons Mining) and a Master of Business Administration both obtained from the University of Queensland.

Ian Runge

Non Executive Director

Ian Runge founded the Runge Ltd group in 1977 after working in the mining industry in central Queensland, Europe and the United States of America. He transitioned from full-time operational involvement in 1992, but has continued to make significant contributions to the Company and to the industry since that time in the areas of governance processes and business strategy. He is recognised as a leading expert in the field of mining economics and strategy and is the author of the world recognised textbook "Mining Economics and Strategy" published by the Society of Mining, Metallurgy and Exploration (Denver).

Ian holds a Master of Engineering (Mining) from the University of Queensland and a MA and PhD in Economics from George Mason University (Virginia, USA).

Ian is a Fellow of the Australasian Institute of Mining and Metallurgy and Australian Institute of Company Directors.

Neil Hatherly

Non Executive Director

Neil has held numerous roles in the mining industry working in both coal and metalliferous mines, including Deputy General Manager of the Collinsville Coal company and the senior IT management role at Mount Isa Mines.

In addition to his mining experience, Neil was the Queensland state manager for PA Consulting, a management consulting firm where he specialised in business planning and performance improvement and his clients included several mining companies. Neil is currently a director of Brisbane Transport and President of the Indooroopilly Golf Club.

He has formerly held directorships of organisations such as Tarong Energy, Committee for Economic Development of Australia, University of Newcastle and the Abused Child Trust.

Neil holds a Bachelor of Science (Hons) from the University of Newcastle, is a Fellow of the Australian Institute of Company Directors, the Australian Institute of Management and the Australasian Institute of Mining and Metallurgy.

Ross Walker

Non Executive Director

Ross is a partner of Johnston Rorke (Chartered Accountants) having joined them in 1985. Johnston Rorke has over 120 staff and 14 partners. Ross held previous roles at Arthur Andersen having worked locally and in various offices throughout the United States of America.

Ross' experience includes corporate finance, auditing, valuations and capital raisings.

Ross holds a Bachelor of Commerce from the University of Queensland and is a member of the Institute of Chartered Accountants.

Moving Mozambique Mines Closer to Start-Up

Capitalising on our international mining expertise we have been advising on two major coal projects in Mozambique.

We were commissioned in 2008 to advise Riversdale Mining in relation to its Benga Coal Project. In 2010 we were also commissioned by Riversdale Mining in relation to its Zambeze Coal Project.

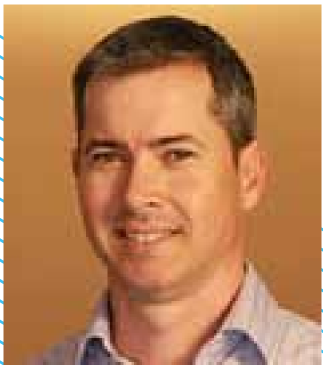
The Benga and Zambeze Projects, which are adjacent to each other are each based on multi-billion tonne resources of hard-coking and thermal coal designated for export.

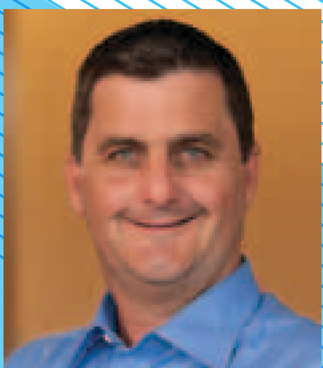
Our engagement on the Benga Coal Project included concept, pre-feasibility and feasibility studies. The Benga Coal Project is now under construction. Our engagement on the Zambeze Coal Project included our technical and economic assessment of the site and preparation of concept studies and pre-feasibility studies. The sites are located in the Tete province and as such involve the usual logistics issues in getting coal from mine site to ship.

In 2011 Rio Tinto acquired Riversdale Mining and we continue to assist Rio Tinto on both projects. In particular we are preparing additional studies and planning which will be central to government and public consultations and therefore the future development of the Zambeze Project.

Personnel from both our Brisbane and Sydney offices have been involved in these projects and were able to share their lessons and learnings from the Benga Coal Project in our engagement on the Zambeze Project to best advise our client.

Executive General Managers





Top to bottom: Ken Lewis, Peter Olsen, Kieran Wallis, Michael Scott

Ken Lewis

Group General Counsel and Company Secretary

Ken is an accomplished commercial lawyer with private practice and corporate experience. He joined Runge Limited in 2008, bringing extensive experience in general commercial law, corporate governance and company secretarial matters.

Prior to joining Runge Limited, Ken operated his own law firm for six years, during which time he represented several private multinational clients in diverse industries including retail, manufacturing and services. He was also the inaugural General Counsel and Company Secretary for Dominos Pizza Enterprises Limited, and assisted the company's listing on ASX in 2005 and its European expansion in 2006.

Ken holds a Bachelor of Laws from the Queensland University of Technology and is a solicitor of the Supreme Court of Queensland and the High Court of Australia.

Peter Olsen

Chief Operating Officer

Peter joined Runge Limited in August 2010, bringing over 20 years management experience across a number of high profile Australian corporations. He has a demonstrated track record of effectively developing a series of cross cultural teams that have delivered commercial advantage within the engineering and construction industries.

Prior to joining Runge Limited, Peter was Executive General Manager – Human Resources and Organisational Sustainability, for Leighton Contractors Pty Ltd.
He has also served in a range of senior management positions in South America, the United States of America and Australia for Bechtel Corporation. Peter holds an MBA majoring in International Human Resource Management from Charles Sturt University.

Kieran Wallis

Chief Financial Officer

Appointed Chief Financial Officer in October 2010. Kieran is a Chartered Accountant with over 20 years experience in commercial and public practice.

Kieran has previously held CFO roles in the ASX-listed technology company GBST Holdings and prior to joining Runge Limited was CFO of the mining services company Industrea Limited. Kieran's background includes substantial international management and operational experience including the negotiation and execution of major corporate finance transactions.

Michael Scott

Executive General Manager Talent and Organisational Development

Michael joined Runge as General Manager of Human Resources in 2006.

Michael has over 16 years human resource consulting experience, including over 10 years senior management experience. Among his key areas of expertise are employment branding, recruitment strategy and execution, staff retention strategy and media strategy and buying. Michael also specialises in global online recruitment strategy and implementation.

Prior to joining Runge Limited, he operated his own executive recruitment and human resources consultancy and held divisional management roles in international recruitment organisations. Michael holds a Bachelor of Arts (Psychology) and Post Graduate Degree in Business - Majoring in Tourism.

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)

FINANCIAL REPORT '11

CONTENTS

DIRECTORS' REPORT

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

1. Directors

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.

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.

9. Information on Current Directors and Company Secretary

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
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.

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:
  - 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.

12. Remuneration Report - Audited (continued)

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

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.

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.

	Performance based compensation				
Year ended 30 June	STI $'000	LTI $'000	Total $'000	Net profit $'000	Dividends $'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.

12. Remuneration Report - Audited (continued)

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

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.

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 grant to the year following grant above average annual Australian CPI increase in the corresponding period.	Less than 4%	0%
	4% or more, but less than 8%	20% plus an additional 5% for each 1% increment
	8% or more	40%
EBITA margin in the year following grant	Less than 15%	0%
	15% or more but less than 20%	20% plus an additional 4% for each 1% increment
	20% or more	40%
TSR growth above peer comparison group	Less than 50th percentile	0%
	50th percentile or higher but lower than 75th percentile	10% plus, from 51st to 75th percentile, 0.4% for every 1 percentile
	75th 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			
	Cash salary and fees $	STI cash bonus $	Non-monetary benefits $	Super-annuation $	Termination benefits $	Options $	Total $	Proportion of remuneration performance related %	Value of options as 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 Management Personnel									
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**

12. Remuneration Report - Audited (continued)

12B. Details of Remuneration (continued)

	Short-term benefits			Post-employment benefits		Share-based payment			
	Cash salary and fees $	STI cash bonus $	Non-monetary benefits $	Super-annuation $	Termination benefits $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
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 Management Personnel									
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**

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.

12. Remuneration Report - Audited (continued)

12C. Share-based Compensation (continued)

	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 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.

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.

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 37.

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	
	Ordinary shares	Options over ordinary shares
V Gauci	1,103,471	102,000
D Meldrum	5,692,910	370,749
C Larsen	4,634,375	370,749
Dr I Runge	16,091,945	-
R Walker	400,000	-
N Hatherly	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
Chairman
Brisbane
Dated: 25 August 2011

AUDITOR'S INDEPENDENCE DECLARATION

PKF

Chartered Accountants
& Business Advisers

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.

PKF

PKF

Albert Loots
Partner

Dated at Brisbane this 25th day of August 2011

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	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**
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.

	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

	Notes	2011 $'000	2010 $'000
ASSETS			
Current assets			
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		**34,156**	**37,895**
Non-current assets			
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			
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			
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)
Retained profits	18	9,282	6,933
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 $'000	Reserves $'000	Retained profits $'000	Total equity $'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	-	-	(4,343)	(4,343)
	22	**276**	**(4,343)**	**(4,045)**
Balance at 30 June 2010	**39,407**	**(1,671)**	**6,933**	**44,669**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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-for-sale 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".

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.

1. Summary of Significant Accounting Policies (continued)

(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 de-consolidated 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.

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 future.

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.

1. Summary of Significant Accounting Policies (continued)

(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).

(e) Foreign Currency Translation

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.

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.

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.

1. Summary of Significant Accounting Policies (continued)

(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.

(i) Investments and other financial assets

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.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-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.

(l) 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.

(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
Computer equipment	2 - 10 years
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.

1. Summary of Significant Accounting Policies (continued)

(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.

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. Prepaid 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.

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.

1. Summary of Significant Accounting Policies (continued)

(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.

(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.

(x) 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.

(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.

1. Summary of Significant Accounting Policies (continued)

(aa) Parent entity financial information

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.

(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)	1 Jan 2011	1 Jul 2011
AASB 2009-12 Amendments to Australian Accounting Standards [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 $'000	GeoGAS $'000	Asia $'000	America $'000	Africa $'000	Eliminations $'000	Group $'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)	(5,198)	(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

	2011 $'000	2010 $'000
Profit before income tax includes the following specific expenses / (income)		
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

	2011 $'000	2010 $'000
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 recognised	-	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**

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 wholly-owned 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

Cash at bank	9,338	9,157
Deposits	6	147
	9,344	**9,304**

7. Trade and Other Receivables

	2011 $'000	2010 $'000
Current		
Trade receivables	20,595	20,814
Provision for impairment of receivables	(415)	(233)
	20,180	20,581
Other receivables	171	159
	20,351	**20,740**
Non-current		
Other receivables - refundable deposits	245	164
	245	**164**

The ageing of the trade receivables past due at the reporting date but not impaired was:

	2011 $'000	2010 $'000
Past due less than 30 days	4,135	3,099
Past due between 31-90 days	2,659	2,526
Past due more than 90 days	2,289	2,136
	9,083	**7,761**

The movement in the provision for impairment of trade receivables was as follows:

	2011 $'000	2010 $'000
Balance at 1 July	233	306
Provision no longer required	(15)	(67)
Debtors written off	(53)	(95)
Impairment loss recognised	267	94
Effect of foreign exchange	(17)	(5)
Balance at 30 June	**415**	**233**

8. Work in Progress

	2011 $'000	2010 $'000
Work in progress	**2,300**	**2,681**

9. Other Assets

	2011 $'000	2010 $'000
Prepayments	**1,963**	**1,392**

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

	2011 $'000	2010 $'000
Current		
Available-for-sale financial assets		
Investments in equity instruments	-	**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 1.07 to AUD 1.00.

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.

11. Property, Plant and Equipment

	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 $'000	Under finance lease $'000	Total $'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 $'000	2010 $'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					
	Developed $'000	Acquired $'000	Internal systems $'000	Client relationships and contracts $'000	Goodwill $'000	Total $'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.

12. Intangible Assets (continued)

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:

- 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 $'000	2010 $'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

Current		
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**

14. Borrowings (continued)

Terms and Conditions

Borrowing facilities	Currency	Nominal interest rate	Maturity	2011 Facility $'000	2011 Utilised $'000	2010 Facility $'000	2010 Utilised $'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**

16. Other Liabilities

Current		
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:

Date		Notes	Ordinary shares Number	Ordinary shares $'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.

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 $'000	2010 $'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

	2011 $'000	2010 $'000
Reserves		
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.

(iv) Reserve arising from an equity transaction

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 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'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 years based on a tax rate of 30% (2010 – 30%)	65	(1,277)

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

(a) franking credits that will arise from the payment of the current tax liability;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date;

(d) franking credits that may be prevented from being distributed in subsequent financial years; and

(e) franking credits acquired with subsidiaries that form a tax consolidated group with the parent entity.

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**

(b) Shareholdings by Key Management Personnel

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 personally-related 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 management personnel of the Group							
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)

(b) Shareholdings by Key Management Personnel (continued)

(ii) Options

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 management personnel of the Group								
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
K Wallis	-	-	-	-	118,000	-	-	118,000
P Williams	110,813	168,749	(279,562)	-	-	-	-	-
P Olsen	-	-	-	-	568,000	-	-	568,000
S Henderson	60,177	119,116	(21,589)	157,704	118,000	(16,500)	(5,088)	254,116

(c) Other Transactions with Key Management Personnel

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.

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

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:	168,665	167,100
PKF Australia (East Coast Practice)		
Auditors of subsidiaries:	3,454	2,538
PKF Malaysia		
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.

	2011 $'000	2010 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable:		
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.

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 $'000	2010 $'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.

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 $'000	2010 $'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

** At amortised cost

(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**

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:

	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
2011							
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.

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.

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.

25. Financial Risk Management (continued)

(c) Market Risk (continued)

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

	USD $'000	CAD $'000	ZAR $'000	Other $'000	Total $'000
2011					
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)	-	-	(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 $'000	2010 $'000	2011 $'000	2010 $'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.

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:

	Weighted average interest rate		Balance	
	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.

25. Financial Risk Management (continued)

(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).

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

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
2011				
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 $'000	2010 $'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**

26. Earnings Per Share

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

Earnings used in Calculating Earnings Per Share

	2011 $'000	2010 $'000
Profit attributable to the ordinary equity holders used in calculating earnings per share	3,590	2,288

	2011 Number '000	2010 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.

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)

Employee Share Option Plan (ESOP) (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 granted to eligible employees								
21/05/2008	30/08/2010	1.00	456,594	-	(16,082)	(440,512)	-	-
Options granted to management								
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*	(162,172)	-	-	748,655
12/01/2010	1/09/2013	0.88	744,151	166,666*	(162,171)	-	-	748,646
14/12/2010	31/08/2012	0.57	-	902,357	(95,001)	-	-	807,356
14/12/2010	31/08/2013	0.57	-	902,322	(95,000)	-	-	807,322
14/12/2010	31/08/2014	0.57	-	902,321	(94,999)	-	-	807,322
Total			**3,693,073**	**3,207,000**	**(1,375,099)**	**(440,512)**	**-**	**5,084,462**
Weighted average exercise price			0.99	0.62	0.94	1.00		0.77

* Sign-on options granted to P. Olsen on 1 August 2010 on the same terms as options issued in January 2010.

Grant date	Vesting date	Exercise Price $	Number beginning of year	Granted	Forfeited	Expired	Exercised	Number at end of year
2010								
Options granted to eligible employees								
21/05/2008	30/08/2009	1.00	598,098	-	(75,800)	(522,298)	-	-
21/05/2008	30/08/2010	1.00	597,924	-	(141,330)	-	-	456,594
Options granted to management								
21/05/2008	30/08/2009	1.00	545,500	-	(545,500)	-	-	-
21/05/2008	30/08/2010	1.15	545,500	-	(49,500)	-	-	496,000
21/05/2008	30/08/2011	1.32	559,000	-	(51,000)	-	-	508,000
12/01/2010	1/09/2011	0.88	-	827,209	(83,041)	-	-	744,168
12/01/2010	1/09/2012	0.88	-	827,201	(83,041)	-	-	744,160
12/01/2010	1/09/2013	0.88	-	827,190	(83,039)	-	-	744,151
Total			**2,846,022**	**2,481,600**	**(1,112,251)**	**(522,298)**	**-**	**3,693,073**
Weighted average exercise price			1.09	0.88	0.99	1.00		0.99

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)

Employee Share Option Plan (ESOP) (continued)

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

	Options with TSR hurdles				Options without TSR hurdles			
	Aug 2010	Dec 2010	Jan 2010	May 2008	Aug 2010	Dec 2010	Jan 2010	May 2008
Fair value of share options at grant date:								
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 $'000	2010 $'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 date;
- 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
Brisbane

Dated this 25th day of August 2011

INDEPENDENT AUDITOR'S REPORT

PKF

Chartered Accountants
& Business Advisers

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*.

Opinion

In our opinion:

(a) the financial report of Runge Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with *International Financial Reporting Standards* as 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.

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PKF

Chartered Accountants
& Business Advisers

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 29 to 35 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

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

PKF

Albert Loots
Partner

Dated at Brisbane this the 25th day of August 2011

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CORPORATE GOVERNANCE STATEMENT

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, Non-executive 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 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 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:

- Mr Neil Hatherly Committee Chairman (independent)
- 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.

B. 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 issued shares
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 Investment A/C>	1,280,000	1.03
Mrs Tracy Anne Rowlands	1,250,705	1.01
Mr S J Baldwin and Mrs A M Baldwin <Steve Baldwin S/Fund A/C>	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.

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