



**runge**

RUNGE LIMITED abn 17 010 672 321

---

*Helping You to Improve the Economics of Your Mine*

**ANNUAL REPORT**  
**YEAR ENDED 30 JUNE 2005**

**OCTOBER 2005**

# Runge Limited ACN 010 672 321

## Annual Report –Year Ended 30 June 2005

### Contents

	Page
Financial Report – 30 June 2005	
Directors' Report	1
Statements of financial performance	4
Statements of financial position	5
Statements of cash flows	6
Notes to the financial statements	8
Directors' declaration	34
Auditors independence declaration	35
Independent audit report	36

This financial report covers both Runge Limited as an individual entity and the consolidated entity consisting of Runge Limited and its controlled entities.

Runge Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Runge Limited  
Level 17  
Central Plaza One  
345 Queen Street  
Brisbane Q 4000

**Runge Limited and controlled entities  
Directors' Report  
For the year ended 30 June 2005**

Your Directors present their report on the company for the year ended 30 June 2005.

**Directors**

The following persons were Directors of the company during the whole of the financial year and up to the date of this report:

Ian Charles Runge  
Anthony Kinnane  
Christian Larsen  
Christopher Still

**Principal activities**

The company's principal continuing activities during the year consisted of:

- (a) technical consulting and business consulting for the international resources industry
- (b) software licensing and support
- (c) training

**Dividends**

Dividends paid in cash during the year were:

	\$
2003/2004 Final dividend of \$5.70 per share fully franked paid 1 <sup>st</sup> November 2004	1,352,832
2004/2005 Interim dividend of \$1.50 per share fully franked paid on 14 <sup>th</sup> February 2005	356,196
	-----
	1,709,028
	=====
On 4 <sup>th</sup> October 2005 Directors declared a 2004/05 final dividend. of \$0.06 per preference share fully franked to be paid on 1 <sup>st</sup> October 2005	1,342,320

No other dividends have been declared or paid subsequent to 30 June 2005 and up to the date of signing this report.

**Review and Results of operations**

Consolidated revenue from operating activities was \$17,363,709 (2004: \$12,024,167) and profit for the year before tax and minority interests was \$3,863,602 (2004: \$2,735,754). Net profit after tax from ordinary activities was \$2,715,279 (2004:\$1,990,899).

Business activity throughout the year was strong and relatively consistent across all periods, unlike with the previous few years that experienced some weakening during the first two quarters. As with previous years, performance during the last quarter, was particularly strong aided by the acquisition of PAH leading to a full-year net profit after tax attributable to members of Runge Limited exceeding the previous year's result by 20.5%.

In other respects the operations of the company have not differed materially from previous years.

**Significant changes in the state of affairs**

The significant changes in the company's state of affairs during the financial year are as follows:

- (a) The company increased ownership in MRM Mining Services (Pty) Ltd from 39% to 54%.

The company acquired the net assets, including the trading name of Pincock Allan & Holt from Hart Crowser, Inc.

PAH is a professional consulting business based in Denver, USA. A US\$2,306,400 finance facility was established to fund this acquisition.

**Matters subsequent to the end of the financial year**

Subsequent to year end the company and its majority shareholder, Dr Ian Runge, entered into an agreement with a third party which, if brought into effect will provide for the sale of certain shares by Runge International Pty Ltd to the third party in association with and conditional upon restructuring of some elements of the capital structure of the company and issuance of new ordinary shares. The series of envisaged transactions, once completed may result in the third party holding approximately 25% of the equity in the company.

Other than that noted above, no matter or circumstance has arisen since 30 June 2005 that has significantly affected, or may significantly affect:

- (a) the company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the company's state of affairs in future financial years.

**Likely developments and expected results of operations**

There are no developments in the company's operations that are likely to affect the expected results apart from issues discussed elsewhere in this report.

**Runge Limited and controlled entities  
Directors' Report  
For the year ended 30 June 2005**

**Information on Directors**

Director	Experience	Special responsibilities	Particulars of Directors' interests in shares and options:	
			Ordinary shares	Options
Ian Runge	Non-executive Chairman, Company founder. Qualifications: M.E. (Mining Engineering), Ph.D. (Economics), FAusIMM, FAICD	Chairman, Chairman – Audit Committee	122,739*	Nil
Tony Kinnane	Managing Director, 18 years with Runge. Qualifications: Grad. Dip. M.E., Grad. Dip. Geology, Grad. Dip. BA	Managing Director	33,851*	Nil
Christian Larsen	Executive Director, 18 years with Runge, Business Development & Strategy. Qualifications: B.E. (Mining Engineering), MBA, FAICD, PE	Exec. Director	14,675*	Nil
Christopher Still	Non-executive Director since 2000. Consultant Investment Banker with Beerworth & Partners Limited, B Econ., Grad. Dip. Corp. Fin. (London Bus. School), MAICD	Non-Exec Director Member – Audit Committee & Remuneration Committee	110*	Nil

(\* ) Shareholding associated with Directors include holdings of Directors' nominees.

**Company secretary**

The Company Secretary is Mr. Phillip McCaw BBus. ACPA and was appointed to the position 2<sup>nd</sup> April 2004. Mr McCaw also holds the position in the company as Chief Accountant.

**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 2005 and the number of meetings attended by each Director were:

	Full meetings of directors		Audit Committee	
	A	B	A	B
	Ian Runge	12	12	3
Tony Kinnane	11	12	n/a	n/a
Christian Larsen	12	12	n/a	n/a
Christopher Still	12	12	2	3

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

n/a = Not a member of the relevant committee

**Insurance of officers**

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



**Runge Limited and controlled entities**  
**Statements of financial performance**  
**For the year ended 30 June 2005**

	Notes	Consolidated		Parent entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>Revenue from ordinary activities</b>	2	<b>19,305,533</b>	13,038,457	<b>14,823,953</b>	12,211,377
Employee benefits expense		(10,111,134)	(7,186,869)	(7,616,477)	(6,488,736)
Depreciation and amortisation expenses	3	(555,772)	(457,333)	(446,356)	(424,545)
Borrowing costs expense	3	(43,804)	(6,153)	(3,648)	(5,621)
Professional services		(413,669)	(289,647)	(296,861)	(239,264)
Rent		(843,010)	(448,342)	(638,994)	(410,145)
Travel expenses		(605,875)	(252,712)	(219,426)	(200,978)
Recoverable disbursements		(1,453,210)	(863,824)	(853,020)	(737,265)
Other expenses from ordinary activities		(1,415,457)	(926,911)	(1,740,134)	(936,829)
Shares of net profits of associates and joint venture partnership accounted for using the equity method	31	-	129,088	-	-
<b>Profit from ordinary activities before income tax expense</b>		<b>3,863,602</b>	2,735,754	<b>3,009,037</b>	2,767,994
Income tax expense	4	(1,148,323)	(744,855)	(883,559)	(747,342)
<b>Net profit from ordinary activities</b>		<b>2,715,279</b>	1,990,899	<b>2,125,478</b>	2,020,652
Net profit after tax attributable outside equity interests		(317,174)	-	-	-
<b>Net profit attributable to members of Runge Limited</b>		<b>2,398,106</b>	1,990,899	<b>2,125,478</b>	2,020,652
Net exchange differences on translation of financial reports of foreign controlled entities	24	(88,178)	(29,548)	-	-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	35	<b>2,309,928</b>	1,961,351	<b>2,125,478</b>	2,020,652

*The above statements of financial performance should be read in conjunction with the accompanying notes.*

**Runge Limited and controlled entities**  
**Statements of financial position**  
**As at 30 June 2005**

	Notes	Consolidated		Parent entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>Current assets</b>					
Cash assets	5	4,826,109	3,081,537	2,897,371	2,082,902
Receivables	6	5,097,335	3,877,092	4,838,637	4,582,197
Other	7	599,217	461,953	321,451	317,445
<b>Total current assets</b>		<b>10,522,661</b>	<b>7,420,582</b>	<b>8,057,459</b>	<b>6,982,544</b>
<b>Non-current assets</b>					
Investments accounted for using the equity method	8	-	36,923	-	-
Other financial assets	9	-	-	125,424	106,280
Property, plant and equipment	10	970,345	608,062	583,483	546,353
Deferred tax assets	11	406,427	351,639	315,646	331,400
Intangible assets	12	2,666,506	411,583	712,176	411,583
Other	13	10,353	13,163	10,423	13,163
<b>Total non-current assets</b>		<b>4,053,631</b>	<b>1,421,370</b>	<b>1,747,152</b>	<b>1,408,779</b>
<b>Total assets</b>		<b>14,576,292</b>	<b>8,841,952</b>	<b>9,804,611</b>	<b>8,391,323</b>
<b>Current liabilities</b>					
Payables	14	4,337,336	2,489,031	3,358,123	2,491,467
Provisions	15	1,192,646	776,626	927,313	709,163
Interest bearing liabilities	16	40,602	32,375	20,073	28,887
Current tax liabilities	17	176,216	162,660	19,101	224,766
Loans	18	604,561	-	-	-
<b>Total current liabilities</b>		<b>6,351,361</b>	<b>3,460,692</b>	<b>4,324,610</b>	<b>3,454,283</b>
<b>Non-current liabilities</b>					
Interest bearing liabilities	19	10,689	22,144	10,689	22,144
Deferred tax liabilities	20	130,608	149,469	130,608	130,178
Provisions	21	35,255	102,680	35,255	102,680
Loans	22	2,267,104	-	-	-
<b>Total non-current liabilities</b>		<b>2,443,656</b>	<b>274,293</b>	<b>176,552</b>	<b>255,002</b>
<b>Total liabilities</b>		<b>8,795,017</b>	<b>3,734,985</b>	<b>4,501,162</b>	<b>3,709,285</b>
<b>Net assets</b>		<b>5,781,275</b>	<b>5,106,967</b>	<b>5,303,449</b>	<b>4,682,038</b>
<b>Equity</b>					
Parent entity interest					
Contributed equity	23	1,571,344	1,366,383	1,571,344	1,366,383
Reserves	24	(139,800)	(51,622)	18,275	18,275
Retained profits	24	4,213,343	3,792,206	3,713,830	3,297,380
<b>Total parent entity interest</b>		<b>5,644,887</b>	<b>5,106,967</b>	<b>5,303,449</b>	<b>4,682,038</b>
Outside equity interest in controlled entities	35	136,388	-	-	-
<b>Total equity</b>	36	<b>5,781,275</b>	<b>5,106,967</b>	<b>5,303,449</b>	<b>4,682,038</b>

*The above statements of financial position should be read in conjunction with the accompanying notes.*

**Runge Limited and controlled entities**  
**Statements of cash flows**  
**For the year ended 30 June 2005**

	Notes	Consolidated		Parent entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		19,011,498	11,494,593	14,429,202	12,242,054
Payments to suppliers and employees		(12,902,073)	(8,524,089)	(9,813,719)	(9,38,780)
GST recovered /(paid)		(646,649)	(748,623)	(646,649)	(748,623)
		<b>5,462,776</b>	2,221,881	<b>3,968,834</b>	2,114,651
Dividends received		-	54,950	-	-
Interest received		153,921	110,544	78,074	96,639
Borrowing costs		(43,804)	(6,153)	(3,648)	(5,621)
Income taxes paid		(919,202)	(882,842)	(919,202)	(882,842)
<b>Net cash inflow from operating activities</b>	34	<b>4,653,691</b>	1,498,380	<b>3,124,058</b>	1,322,827
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(644,318)	(250,077)	(314,417)	(215,721)
Payment of research and development costs		(308,552)	(137,508)	(153,194)	(137,508)
Proceeds from sale of property, plant and equipment		-	-	-	-
Payment for entities acquired net of cash acquired	32	(2,960,099)	(4,630)	(317,642)	(124,010)
<b>Net cash (outflow) from investing activities</b>		<b>(3,912,969)</b>	(392,215)	<b>(785,253)</b>	(477,239)
<b>Cash flows from financing activities</b>					
Proceeds from issues of shares and other equity securities		204,961	(214,441)	204,961	(214,441)
Repayment of finance leases		(23,757)	(18,761)	(20,269)	(13,249)
Proceeds from borrowings		3,022,805	-	-	-
Repayment of borrowings		(151,140)	-	-	-
Payment of bank legal fees for establishment of borrowings		(67,510)	-	-	-
Dividends paid		(1,976,969)	(1,253,626)	(1,709,028)	(1,253,626)
<b>Net cash inflow (outflow) from financing activities</b>		<b>1,008,390</b>	(1,486,828)	<b>(1,524,336)</b>	(1,481,316)
<b>Net increase (decrease) in cash held</b>		<b>1,749,112</b>	(380,663)	<b>814,469</b>	(635,728)
Cash at the beginning of the financial year		3,081,537	3,463,562	2,082,902	2,718,630
Effects of exchange rate changes on cash		(4,540)	(1,362)	-	-
<b>Cash at the end of the financial year</b>	5	<b>4,826,109</b>	3,081,537	<b>2,897,371</b>	2,082,902

*The above statements of cash flows should be read in conjunction with the accompanying notes.*

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005**

Note	<b>Contents</b>	Page
1	Summary of significant accounting policies	8
2	Revenue	12
3	Profit from ordinary activities	13
4	Income tax	14
	Current assets	
5	Cash assets	14
6	Receivables	15
7	Other	15
	Non-current assets	
8	Investments accounted for using the equity method	15
9	Other financial assets	15
10	Property, plant and equipment	16
11	Deferred tax assets	17
12	Intangible assets	17
13	Other	18
	Current liabilities	
14	Payables	18
15	Provisions	19
16	Interest bearing liabilities	19
17	Current tax liabilities	19
18	Current liabilities Loans	19
	Non-current liabilities	
19	Interest bearing liabilities	19
20	Deferred tax liabilities	20
21	Provisions	20
22	Non current liabilities Loans	20
	Total equity	
23	Contributed equity	21
24	Reserves and retained profits	25
25	Dividends	25
26	Contingent liabilities	25
27	Remuneration of auditors	26
28	Commitments for expenditure	26
29	Employee entitlements	27
30	Investments in controlled entities	27
31	Investment in Associate	28
32	Payments for entities acquired	29
33	Event occurring after reporting date	29
34	Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities	30
35	Outside Equity Interests	30
36	Equity	31
37	Australian equivalents to International Financial Reporting Standards	31

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 1. Summary of significant accounting policies**

**(a) Basis of accounting**

In the Directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial reports.

This is a special purpose financial report that has been prepared for the sole purpose of complying with the *Corporations Act 2001* requirements to prepare and distribute a financial report to the members and must not be used for any other purpose. The Directors have determined that the accounting policies adopted are appropriate to meet the needs of the members.

The company has applied Accounting Standard AASB 1025: *Application of the Reporting Entity Concept and Other Amendments*, which amended the application clauses of all standards existing at the date of its issue so that they now apply only to companies that are reporting entities or to companies which are not reporting entities but prepare general purpose financial reports. The financial report has been prepared in accordance with AASB 1018 *Statement of Financial Performance*, AASB 1034 *Financial Report Presentation and Disclosures*, AASB 1040 *Statement of Financial Position* and other applicable Accounting Standards and Urgent Issues Group Consensus Views with the exception of the disclosure requirements in the following:

AASB 1005 – *Segment Reporting*

AASB 1017 – *Related Party Disclosures*

AASB 1026 – *Statement of Cash Flows* – the disclosures required under paragraphs 11.1 and 12.2 only

AASB 1033 – *Presentation and Disclosure of Financial Instruments* (the classification standards in AASB 1033 have been complied with)

The financial report is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

**(b) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Runge Limited ("company" or "parent entity") as at 30 June 2005 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. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Investments in associates (non-controlled) are included in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post acquisition profits or losses of associates is recognised in the consolidated statement of financial performance and its share of post acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

**(c) Income tax**

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

No provision is made for additional taxes which could become payable if certain reserves of the foreign controlled entities were to be distributed as it is not expected that any substantial amount will be distributed from those reserves in the foreseeable future.

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**(d) Foreign currency translation**

*(i) Transactions*

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

*(ii) Foreign controlled entities*

As foreign controlled entities are self-sustaining, their assets and liabilities are translated into Australian currency at rates of exchange at balance date, while their revenues and expenses are translated at the average of rates ruling during the year. Exchange differences arising on translation are taken to the foreign currency translation reserve.

Upon disposal or partial disposal of a self-sustaining foreign operation, the balance of the foreign currency translation reserve relating to the operation, or to the part disposed of, is transferred to retained profits.

**(e) Acquisitions of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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 the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

Goodwill is brought to account on the basis described in note 1(m)(i).

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing to zero the recorded amounts of the non-monetary assets acquired, a discount balance remains, it is recognised as revenue in the statement of financial performance.

**(f) Revenue recognition**

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

- (i) Technical consulting and training revenue is recognised on the raising of an invoice for services rendered; or in respect of unbilled time, based on expectation of recoverability.
- (ii) Software licensing and related services revenue is recognised to the extent it is earned by the reporting date. Any revenue dependant on the rendering of future services is deferred until such services are performed and/or obligations fulfilled.
- (iii) The revenue from the annual software maintenance contracts is recognised evenly on a monthly basis, having regard to an estimated percentage of clients who may take up the full year agreement.

**(g) Receivables**

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

Bills of exchange purchased in the market at a discount to face value are carried at an amount representing cost and a portion of the discount recognised as income on an effective yield basis. The discount brought to account each period is accounted for as interest received.

## **Runge Limited and controlled entities**

### **Notes to the financial statements**

**30 June 2005** (continued)

**(h) Recoverable amount of non-current assets**

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

**(i) Investments**

Interests in unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(b).

**(j) Depreciation of property, plant and equipment**

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets. The expected useful lives are as follows:

Computer equipment	3.5 years
External software	2.5 years
Other	3.5-10 years

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

**(k) Leasehold improvements**

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

**(l) Leased non-current assets**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset.

Other operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

**(m) Intangible assets and expenditure carried forward**

*(i) Goodwill*

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over twenty years, being the period during which the benefits are expected to arise.

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

(ii) *Software development*

In accordance with conservative business practice, software development costs are expensed as incurred, unless the cost is in relation to core technology software.

To ensure the competitiveness of core technologies, continued reinvestment in software development is essential; accordingly costs associated with core technology software are deferred to future periods to the extent that they are expected beyond any reasonable doubt to be recoverable. Deferred costs are amortised on a straight line basis over the period of the expected benefit, which varies from 3 to 5 years.

(iii) *Patents and trademarks*

Costs associated with patents and trademarks are expensed as incurred.

(n) **Trade and other creditors**

These amounts represent liabilities for goods and services provided to the consolidated entity 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.

(o) **Maintenance and repairs**

The costs of maintenance are expensed as incurred.

(p) **Web site costs**

Costs in relation to web sites controlled by a controlled entity are treated in the same manner as software development costs (refer note (m)(ii)).

(q) **Employee entitlements**

(i) *Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) *Long service leave*

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured using a formula that reflects the amounts expected to be paid when the liabilities are settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and is measured using a formula that reflects the Present Value Basis of Measurement in Accounting Standard AASB1028 "Employee Benefits"; where the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Profit sharing and bonus plans*

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit
- the amounts to be paid are determined before the time of completion of the financial report, or
- past practice gives clear evidence of the amount of the obligation

Liabilities for profit sharing and 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 amount charged to the statement of financial performance in respect of superannuation represents the contributions made (at the statutory required rate) by the consolidated entity to various superannuation funds. The funds are selected at each employee's option. The consolidated entity does not provide any guarantees for the performance of such funds.

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**(r) Borrowing costs**

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings
- amortisation of discounts or premiums relating to borrowings
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings
- finance lease charges, and
- certain exchange differences arising from foreign currency borrowings

**(s) Service warranties**

Provision is made for the estimated liability on specific software products still under warranty at balance date. This provision is estimated having regard to service warranty experience.

**(t) Cash**

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

**(u) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian tax Office (ATO). In these circumstances the GST 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 GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of Cash flows on a gross basis. The GST components of the cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**Note 2. Revenue**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Revenue from operating activities</b>				
Software and Services	<b>17,363,709</b>	12,024,167	<b>13,398,906</b>	11,333,380
	<b>17,363,709</b>	12,024,167	<b>13,398,906</b>	11,333,380
<b>Revenue from outside the operating activities</b>				
Interest	<b>153,921</b>	110,542	<b>78,074</b>	96,639
Sale of non current assets	<b>13,705</b>	(1,562)	<b>10,338</b>	(1,562)
Disbursements recovered	<b>661,539</b>	617,649	<b>378,570</b>	548,525
Disbursements recovered – Associates	<b>1,089,356</b>	14,657	<b>500,299</b>	14,657
Foreign exchange gains/(losses) – net	<b>(189,602)</b>	20,538	<b>96,712</b>	(44,525)
Other	<b>212,905</b>	252,466	<b>361,054</b>	264,263
	<b>1,941,824</b>	1,014,290	<b>1,425,047</b>	877,997
Revenue from ordinary activities	<b>19,305,533</b>	13,038,457	<b>14,823,953</b>	12,211,377

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005** (continued)

**Note 3. Profit from ordinary activities**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Net gains and expenses</b>				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
<b>Net gains</b>				
Foreign exchange gains	<b>(189,602)</b>	20,538	<b>96,712</b>	(44,525)
Net foreign exchange gain	<b>(189,602)</b>	20,538	<b>96,712</b>	(44,525)
<b>Expenses</b>				
Depreciation				
Furniture and fittings	<b>12,542</b>	4,861	<b>7,169</b>	4,713
Office equipment	<b>15,769</b>	6,134	<b>11,439</b>	4,867
Computer equipment	<b>209,857</b>	162,636	<b>155,070</b>	148,136
Motor vehicles	<b>12,606</b>	3,949	<b>492</b>	455
External software	<b>95,650</b>	106,010	<b>94,109</b>	97,864
Total depreciation	<b>346,425</b>	283,591	<b>268,278</b>	256,034
Amortisation				
Plant and equipment under finance leases	<b>12,461</b>	13,672	<b>9,009</b>	8,440
Goodwill	<b>40,266</b>	8,442	<b>15,823</b>	8,442
Finance costs associated with PAH acquisition	<b>3,375</b>	-	-	-
Capitalised software development	<b>153,245</b>	151,628	<b>153,245</b>	151,628
Total amortisation	<b>209,347</b>	173,742	<b>178,077</b>	168,510
<b>Total depreciation and amortisation</b>	<b>555,772</b>	457,333	<b>446,356</b>	424,545
Borrowing costs				
Interest and finance charges paid/payable	<b>43,804</b>	6,153	<b>3,648</b>	5,621
Borrowing costs expensed	<b>43,804</b>	6,153	<b>3,648</b>	5,621
Net loss on disposal				
Property, plant and equipment	-	1,562	-	1,562
Other provisions				
Employee entitlements	<b>348,596</b>	151,383	<b>150,725</b>	122,780
Total other provisions	<b>348,596</b>	151,383	<b>150,725</b>	122,780
Rental expense relating to operating leases				
Lease payments	<b>749,791</b>	381,888	<b>568,914</b>	349,265
Total rental expense relating to operating leases	<b>749,791</b>	381,888	<b>568,914</b>	349,265

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 4. Income tax**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	<b>3,863,604</b>	2,735,754	<b>3,009,037</b>	2,767,994
Income tax calculated @ 30% (2004 – 30%)	<b>1,159,081</b>	820,726	<b>902,711</b>	830,398
Tax effect of permanent differences:				
Non-deductible depreciation and amortisation	<b>13,092</b>	2,754	<b>4,747</b>	2,754
Non-deductible entertainment	<b>349</b>	1,361	<b>301</b>	1,286
Non-deductible fines & penalties	<b>3,449</b>	1,285	<b>3,449</b>	1,285
Share of associates income	-	(38,725)	-	-
Attributed Income	-	-	-	-
Research and development deduction	<b>(40,952)</b>	(117,539)	<b>(40,952)</b>	(117,539)
Income tax adjusted for permanent differences	<b>1,135,019</b>	669,862	<b>870,255</b>	718,184
Effect of (lower)/higher rates of tax on overseas income		-		-
Under/ (over) provision in previous year	<b>13,304</b>	74,993	<b>13,304</b>	29,158
<b>Aggregate income tax expense</b>	<b>1,148,323</b>	744,855	<b>883,559</b>	747,342

Because subsidiaries of Runge Limited are all incorporated in foreign jurisdictions there is no requirement, or advantage, for Runge Limited to elect to be a tax consolidated group at 30 June 2005.

**Note 5. Current assets – Cash assets**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Cash at bank and on hand	<b>4,826,109</b>	3,081,537	<b>2,897,371</b>	2,082,902
	<b>4,826,109</b>	3,081,537	<b>2,897,371</b>	2,082,902

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	<b>4,826,109</b>	3,081,537	<b>2,897,371</b>	2,082,902
Balances per statement of cash flows	<b>4,826,109</b>	3,081,537	<b>2,897,371</b>	2,082,902

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 6. Current assets – Receivables**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Trade debtors	<b>4,817,165</b>	3,696,920	<b>2,294,752</b>	2,700,669
Less: Provision for doubtful debts	<b>(101,615)</b>	(48,745)	<b>(64,345)</b>	(48,745)
	<b>4,715,550</b>	3,648,175	<b>2,230,407</b>	2,651,924
Loans to controlled entities	-	-	<b>2,294,345</b>	1,915,634
Other debtors	<b>381,785</b>	228,917	<b>313,885</b>	14,639
	<b>5,097,335</b>	3,877,092	<b>4,838,637</b>	4,582,197

**Note 7. Current assets – Other**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Prepayments	<b>331,720</b>	187,301	<b>168,175</b>	205,941
Work in Progress	<b>267,497</b>	274,652	<b>153,276</b>	111,504
	<b>599,217</b>	461,953	<b>321,451</b>	317,445

**Note 8. Non-current assets – Investments accounted for using the equity method**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Shares in associates (note 31)	-	36,923	-	-
	-	36,923	-	-

**Shares in associates**

Investments in “non-controlled” associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (see note 31). Interests in controlled entities and associates are accounted for in the consolidated statements as set out in Note 1 (b).

During the current financial year the company increased ownership in an associate (MRM Mining Services (Pty) Ltd) to a controlling interest.

**Note 9. Non-current assets – Other financial assets**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Non-traded investments</b>				
Shares in controlled entities – at cost (note 30) *	-	-	<b>134,803</b>	115,659
Less: Provision for write down to recoverable amount	-	-	<b>(9,379)</b>	(9,379)
	-	-	<b>125,424</b>	106,280

\* Restatement due to a prior year miss-statement in the recording of Runge Malaysia Sdn Bhd. The loan with Runge Malaysia Sdn Bhd has also been affected. Refer note 14.

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 10. Non-current assets – Property, plant and equipment**

	Consolidated		Parent entity				
	2005	2004	2005	2004			
	\$	\$	\$	\$			
<b>Plant and equipment</b>							
Furniture and fittings – at cost	191,745	98,681	150,946	94,449			
Less: Accumulated depreciation	(69,354)	(55,085)	(61,081)	(53,937)			
	<b>122,391</b>	<b>43,596</b>	<b>89,865</b>	<b>40,512</b>			
Office equipment - at cost	265,022	170,731	128,867	117,845			
Less: Accumulated depreciation	(109,714)	(95,812)	(61,923)	(50,488)			
	<b>155,308</b>	<b>74,919</b>	<b>66,944</b>	<b>67,357</b>			
Computer equipment – at cost	1,119,114	754,033	818,638	670,834			
Less: Accumulated depreciation	(684,811)	(446,638)	(552,676)	(397,582)			
	<b>434,303</b>	<b>307,395</b>	<b>265,962</b>	<b>273,252</b>			
External software – at cost	681,245	566,549	632,247	533,155			
Less: Accumulated depreciation	(550,736)	(460,111)	(521,731)	(427,620)			
	<b>130,509</b>	<b>106,438</b>	<b>110,516</b>	<b>105,535</b>			
Motor vehicles – at cost	70,843	50,426	29,500	29,500			
Less: Accumulated depreciation	(48,004)	(44,629)	(27,683)	(27,191)			
	<b>22,839</b>	<b>5,797</b>	<b>1,817</b>	<b>2,309</b>			
Plant & equip't under finance lease	160,090	103,574	80,273	80,273			
Less: Accumulated amortisation	(55,095)	(33,657)	(31,894)	(22,885)			
	<b>104,995</b>	<b>69,917</b>	<b>48,379</b>	<b>57,388</b>			
	<b>970,345</b>	<b>608,062</b>	<b>583,483</b>	<b>546,353</b>			
	<b>Furniture &amp; fittings</b>	<b>Office equipment</b>	<b>Computer equipment</b>	<b>External software</b>	<b>Motor vehicles</b>	<b>Plant &amp; equipment under finance lease</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>							
Carrying amount at 1 July 2004	43,596	74,919	307,395	106,438	5,797	69,917	608,062
Additions	91,112	96,832	338,201	119,857	56,730	20,529	723,261
Depreciation/amort'n expense (note 3)	(12,542)	(15,769)	(209,857)	(95,650)	(12,606)	(12,461)	(358,885)
Foreign currency exchange differences	225	(674)	(1,437)	(136)	(38)	(35)	(2,095)
Carrying amount at 30 June 2005	<b>122,391</b>	<b>155,308</b>	<b>434,302</b>	<b>130,509</b>	<b>49,883</b>	<b>77,950</b>	<b>970,343</b>
<b>Parent Entity</b>							
Carrying amount at 1 July 2004	40,512	67,357	273,252	105,535	2,309	57,388	546,353
Additions	56,498	11,023	147,804	99,092	-	-	314,417
Depreciation/amortisation expense (note 3)	(7,169)	(11,439)	(155,070)	(94,109)	(492)	(9,009)	(277,288)
Carrying amount at 30 June 2005	<b>89,841</b>	<b>66,941</b>	<b>265,986</b>	<b>110,518</b>	<b>1,817</b>	<b>48,379</b>	<b>583,482</b>

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 11. Non-current assets – Deferred tax assets**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Future income tax benefit	<b>406,427</b>	351,639	<b>315,646</b>	331,400

**Note 12. Non-current assets – Intangible assets**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Goodwill	<b>2,263,327</b>	32,607	<b>349,075</b>	32,607
Less: Accumulated amortisation	<b>(72,488)</b>	(32,607)	<b>(48,431)</b>	(32,607)
	<b>2,190,839</b>	-	<b>300,644</b>	-
Capitalised Finance Costs	<b>67,510</b>	-	-	-
Less: Accumulated amortisation	<b>(3,375)</b>	-	-	-
	<b>64,135</b>	-	-	-
Acquired core intellectual property at 30 June 1994 *	<b>439,000</b>	439,000	<b>439,000</b>	439,000
Capitalised software development since 1 July 1994	<b>1,588,923</b>	1,435,729	<b>1,588,923</b>	1,435,729
Less: Accumulated amortisation since 1 July 1994	<b>(1,616,391)</b>	(1,463,146)	<b>(1,616,391)</b>	(1,463,146)
Core intellectual property (software) *	<b>411,532</b>	411,583	<b>411,532</b>	411,583
	<b>2,666,506</b>	411,583	<b>712,176</b>	411,583

As noted in significant accounting policies, all costs associated with software development are expensed in the period incurred unless the cost is in relation to reinvestment of core technology software. To ensure the competitiveness of core technology software, reinvestment is essential; accordingly these costs are deferred to future periods to the extent that they are expected to deliver future economic benefit. The split between costs expensed and those deferred is detailed below:

Consolidated	2005	2004
	Software Development	Software Development
	\$	\$
<b>Software Development Cost Summary</b>		
Software Development Expense	392,835	613,761
Reinvestment in Core Technology Software (costs deferred)	153,194	137,508
Total Software Development Costs	<b>546,029</b>	<b>751,269</b>
Parent	2005	2004
	Software Development	Software Development
	\$	\$
<b>Software Development Cost Summary</b>		
Software Development Expense	392,835	613,761
Reinvestment in Core Technology Software (costs deferred)	153,194	137,508
Total Software Development Costs	<b>546,029</b>	<b>751,269</b>

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 12. Non-current assets – Intangible assets (continued)**

	<b>Capitalised Finance Costs</b>	<b>Goodwill</b>	<b>Capitalised Software Development</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Consolidated</b>				
Carrying amount at 1 July 2004	-	-	411,583	411,583
Capitalised amount	67,510	2,230,720	153,194	2,451,424
Amortisation expense (note 3)	(3,375)	(39,881)	(153,245)	(196,501)
Carrying amount at 30 June 2005	<u>64,135</u>	<u>2,190,839</u>	<u>411,532</u>	<u>2,666,506</u>

	<b>Goodwill</b>	<b>Capitalised Software Development</b>	<b>Total</b>
	\$	\$	\$
<b>Parent Entity</b>			
Carrying amount at 1 July 2004	-	411,583	411,583
Capitalised amount	316,468	153,194	469,662
Amortisation expense (note 3)	(15,824)	(153,245)	(169,069)
Carrying amount at 30 June 2005	<u>300,644</u>	<u>411,532</u>	<u>712,176</u>

**Note 13. Non-current assets – Other**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Prepayments	<u>10,353</u>	13,163	<u>10,423</u>	13,163
	<u>10,353</u>	13,163	<u>10,423</u>	13,163

**Note 14. Current liabilities – Payables**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Trade creditors	<u>1,461,562</u>	532,025	<u>1,258,269</u>	516,072
Other creditors	<u>1,377,088</u>	889,926	<u>794,609</u>	788,541
Income Received in Advance	<u>1,498,686</u>	1,067,080	<u>1,076,056</u>	997,900
Payable to controlled entities *	-	-	<u>229,189</u>	188,954
	<u>4,337,336</u>	2,489,031	<u>3,358,123</u>	2,491,467

\* Restatement of payable to controlled entities due to a prior year miss-statement of the parent's loan with Runge Malaysia Sdn Bhd. The cost of the investment is also affected. Refer note 9.

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 15. Current liabilities – Provisions**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Employee entitlements (note 29)	<b>1,192,646</b>	776,626	<b>927,313</b>	709,163
	<b>1,192,646</b>	776,626	<b>927,313</b>	709,163

**Note 16. Current liabilities – Interest bearing liabilities**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Secured</b>				
Lease liabilities (note 28)	<b>40,602</b>	32,375	<b>20,073</b>	28,887
	<b>40,602</b>	32,375	<b>20,073</b>	28,887

**Note 17. Current liabilities – Current tax liabilities**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Income tax	<b>176,216</b>	162,660	<b>19,101</b>	224,766

**Note 18. Current liabilities – Loans**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Bank Loan	<b>604,561</b>	-	-	-

Bank loan is secured with a fixed and floating charge across the net assets of Runge Inc and Runge Limited. It is repayable over a period of 5 years and currently bears interest at LIBOR rates plus 2% per annum.

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 19. Non-current liabilities – Interest bearing liabilities**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Secured</b>				
Lease liabilities (note 28)	<b>10,689</b>	22,144	<b>10,689</b>	22,144
Total secured non-current interest bearing liabilities	<b>10,689</b>	22,144	<b>10,689</b>	22,144
<b>Total non-current interest bearing liabilities</b>	<b>10,689</b>	22,144	<b>10,689</b>	22,144

**Secured liabilities**

Total secured liabilities (current and non-current) are:

Lease liabilities (notes 16 & 19)	<b>51,291</b>	54,519	<b>30,762</b>	51,031
Total secured liabilities	<b>51,291</b>	54,519	<b>30,762</b>	51,031

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

**Note 20. Non-current liabilities – Deferred tax liabilities**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Provision for deferred income tax	<b>130,608</b>	149,469	<b>130,608</b>	130,178

**Note 21. Non-current liabilities – Provisions**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Employee entitlements (note 29)	<b>35,255</b>	102,680	<b>35,255</b>	102,680
	<b>35,255</b>	102,680	<b>35,255</b>	102,680

**Note 22. Non-current liabilities – Loans**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Bank loan	<b>2,267,104</b>	-	-	-
	<b>2,267,104</b>	-	-	-

Bank loan is secured with a fixed and floating charge across the net assets of Runge Inc and Runge Limited. It is repayable over a period of 5 years and currently bears interest at LIBOR rates plus 2% per annum.

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005** (continued)

**Note 23. Contributed equity**

	Notes	Parent entity		Parent entity	
		2005 Shares	2004 Shares	2005 \$	2004 \$
<b>(a) Share capital</b>					
Ordinary shares					
Fully paid	(c)	<b>237,539</b>	231,273	<b>1,571,344</b>	1,366,383
		<b>237,539</b>	231,273	<b>1,571,344</b>	1,366,383

**(b) Movements in ordinary share capital:**

Date	Details	Notes	Number of shares	Price per share \$	\$
1 Jul 2004	Opening balance		231,273		1,366,383
1 Jul 2004	Share issue under employee share scheme - type 3	(d)	402	65.02	32,020
1 Aug 2004	Share issue under employee share scheme - type 3	(d)	1,244	65.02	72,796
1 Aug 2004	Share issue under employee share scheme - type 2	(d)	4,420	20.00	88,400
1 Feb 2005	Share issue under employee share scheme - type 3	(d)	125	65.02	7,315
1 Jun 2005	Share issue under employee share scheme - type 3	(d)	75	65.02	4,430
30 June 2005	Balance		<u>237,539</u>		<u>1,571,344</u>

**(c) Ordinary shares**

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 show 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.

## **Note 23. Contributed equity (continued)**

### **(d) Options**

The implementation of an employee share/option scheme is subject to review annually by the Board.

The total number of shares exercisable through the options still not expired, if fully exercised, equates to 461 shares, which represents 0.2% of the total number of shares on issue at 30 June 2005. In determining the fair market value of shares under the employee share scheme, the Directors take into account recent arms-length transactions for share trades between employees of the company, professional advice received and company earnings and liquidity.

#### *Type 1 Options*

Under this scheme options to purchase shares up to 3 years into the future are offered to all staff who are permanently employed by the company and have been with the company for two years or more or alternatively who satisfy other conditions as determined by the Board. The number of options offered to individual employees is determined by the Directors in accordance with the anticipated contribution of the employee to the growth and development of the company.

The purchase price of type 1 options is set at 10% of the fair market value and the exercise price of the shares (50% of which are due for exercise two years hence and 50% of which are due for exercise three years hence) was set at 90% of the value.

All type 1 options issued to date have been exercised or have expired.

#### *Type 2 Options*

These options were issued on a once only basis to executives of the company who did not participate in the Type 1 or the type 3 option schemes. The purchase price of options type 2 is nil and the exercise price of the shares is \$20.

All type 2 options issued to date have been exercised or have expired.

#### *Type 3 Options*

Type 3 options were issued in November 2003 in lieu of type 1 options. They have the same conditions as type 1 except that type 3 options can be exercised at any time between 1 July 2004 and 30 June 2006. The balance of the type 3 options not yet exercised equates to 461 shares.

### **(e) Share buy-back**

On 14 October 2003, the company bought back 6,000 ordinary shares at a price of \$65.02 per share. These shares were subsequently re-issued under the Type 3 Options plan.

### **(f) Employee Share Plan**

An employee share plan was approved by the directors of the company on 30<sup>th</sup> June 2005. The essence of the plan is as follows:

- (a) Up to 10% of Company shares can be issued at market price annually.
- (b) Employee pays 25% deposit and Runge Limited loans the balance at the market rate of interest.
- (c) Shares are ordinary shares.

There have been no Employee Share Plan shares issued to date.

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 23. Contributed equity (continued)**

**2004/2005 Options Exercised**

Payments for exercise of options under plans implemented were as follows:

<b>Date</b>	<b>Description</b>	<b>Instrument</b>	<b>Number</b>	<b>Unit Price</b>	<b>Amount</b>
					\$
01 Jul 2004	(Type 3 plan) Tranche of 2001-02 plan	(Shares issued)	402	\$65.02	32,020
01 Aug 2004	(Type 2 plan) Tranche of 2000-01 plan	(Shares issued)	4,420	\$20.00	88,400
	(Type 3 plan) Tranche of 2001-02 plan	(Shares issued)	1,244	\$65.02	72,797
1 Feb 2005	(Type 3 plan) Tranche of 2001-02 plan	(Shares issued)	125	\$65.02	\$7,315
1 Jun 2005	(Type 3 plan) Tranche of 2001-02 plan	(Shares issued)	75	\$65.02	\$4,430
			<b>6,266</b>		<b>204,962</b>

Details of options not exercised as at 30 June 2005 are as follows:

<b>Options</b>	<b>Number</b>	<b>Date</b>	<b>Issue Price of Share</b>	<b>Expiry Date</b>
			\$	
2001 – 2002 Option type 3 Plan	461	15 Oct 2003	65.02	30 Jun 2006

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 24. Reserves and retained profits**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>(a) Reserves</b>				
Asset revaluation reserve	18,275	18,275	18,275	18,275
Foreign currency translation reserve	(158,075)	(69,897)	-	-
	<b>(139,800)</b>	<b>(51,622)</b>	<b>18,275</b>	<b>18,275</b>
<b>Movements:</b>				
Asset revaluation reserve				
Balance 30 June 2004 & 30 June 2005	-	18,275	-	18,275
Foreign currency translation reserve				
Balance 30 June 2004	(69,897)	(40,350)	-	-
Net exchange differences on translation of foreign controlled entity	(88,178)	(29,548)	-	-
Balance 30 June 2005	<b>(158,075)</b>	<b>(69,897)</b>	<b>-</b>	<b>-</b>
<b>(b) Retained profits</b>				
Retained profits at the beginning of the financial year	3,792,206	3,054,933	3,297,380	2,530,355
Net profit attributable to members of Runge Limited	2,398,106	1,990,899	2,125,478	2,020,651
Dividends provided for or paid	(1,976,969)	(1,253,626)	(1,709,028)	(1,253,626)
Retained profits at the end of the financial year	<b>4,213,343</b>	<b>3,792,206</b>	<b>3,713,830</b>	<b>3,297,380</b>

**(c) Nature and purpose of reserves**

**(i) Asset revaluation reserve**

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1(h). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

**(ii) Foreign currency translation reserve**

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(d)(ii).

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 25. Dividends**

	Parent entity	
	2005	2004
	\$	\$
<b>(a) Ordinary shares</b>		
Dividends paid in cash during the year were:		
Final dividend of \$5.70 per share fully franked paid on 1 November 2004	1,352,832	968,711
Interim dividend of \$1.50 per share fully franked paid on 14 February 2005	356,196	284,915
	<u>1,709,028</u>	<u>1,253,626</u>

**(b) Post balance date dividends**

Subsequent to year end, the directors declared no further dividends.

**(c) Franked dividends**

The franked portions of dividends will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2005.

	Parent entity	
	2005	2004
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>644,246</u>	<u>582,997</u>

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

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of controlled entities were paid as dividends.

**Note 26. Contingent Liabilities**

Consolidated		Parent entity	
2005	2004	2005	2004
\$	\$	\$	\$

Details and estimates of maximum amounts of contingent liabilities are:

-	-	-	-
---	---	---	---

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 27. Remuneration of auditors**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:				
Auditor of the parent entity – PKF Chartered Accountants & Business Advisors	<b>19,000</b>	17,000	<b>19,000</b>	17,000
	<b>19,000</b>	17,000	<b>19,000</b>	17,000

Remuneration for other services:  
Fees paid to the Ehrhardt Keefe Steiner & Hottman (EKSH), a Denver based affiliate of PKF Chartered Accountants & Business Advisors:  
Service provided were agreed on procedures performed in relation to PAH Due diligence

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
	<b>29,887</b>	-	-	-
	<b>29,887</b>	-	-	-

**Note 28. Commitments for expenditure**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Operating leases</b>				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	<b>740,680</b>	740,680	<b>714,251</b>	714,251
Later than one year but not later than 5 years	<b>3,195,204</b>	3,195,204	<b>3,194,085</b>	3,194,085
Later than 5 years	<b>584,963</b>	584,963	<b>584,963</b>	584,963
Commitment not recognised in the financial statements.	<b>4,520,847</b>	4,520,847	<b>4,493,299</b>	4,493,299

Parent entity's operating leases relate to leased premises at Central Plaza One incorporating levels 17 and 18 which has a bank guarantee of \$400,000 to cover the lease period.

**Finance leases**

Commitments in relation to finance leases are payable as follows:

Within one year	<b>27,771</b>	27,771	<b>23,917</b>	23,917
Later than one year but not later than 5 years	<b>34,318</b>	34,318	<b>34,318</b>	34,318
Later than 5 years				-
Minimum lease payments	<b>62,089</b>	62,089	<b>58,235</b>	58,235
Less: Future finance charges	<b>(7,570)</b>	(7,570)	<b>(7,204)</b>	(7,204)
Recognised as a liability	<b>54,519</b>	54,519	<b>51,031</b>	51,031
Representing lease liabilities:				
Current (note 16)	<b>40,602</b>	32,375	<b>20,073</b>	28,887
Non-current (note 19)	<b>10,689</b>	22,144	<b>10,689</b>	22,144
	<b>51,291</b>	54,519	<b>30,762</b>	51,031

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

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 29. Employee entitlements**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Employee entitlement liabilities</b>				
Provision for employee entitlements and related on-costs liabilities				
Current (note 15)	<b>1,192,646</b>	776,626	<b>927,313</b>	709,163
Non-current (note 21)	<b>35,255</b>	102,680	<b>35,255</b>	102,680
Aggregate employee entitlement liability	<b>1,227,901</b>	879,306	<b>962,568</b>	811,843
	<b>Number</b>		<b>Number</b>	
<b>Employee numbers</b>				
Average number of employees during the financial year	<b>114</b>	<b>84</b>	<b>75</b>	<b>74</b>

Employees by virtue of their employment with Runge Limited are entitled to purchase shares and options when available – refer note 23 for details of share issues in which staff were able to participate. Ownership of Runge Limited shares are separate from any remuneration or bonuses paid to employees except where specifically noted.

**Note 30. Investments in controlled entities**

Name of entity	Country of incorporation	Class of shares	Equity Holding		Cost of parent entity's investment	
			2005	2004	2005	2004
			%	%	\$	\$
						**
Runge Mining Inc	United States	Ordinary	<b>100</b>	100	<b>130</b>	130
Runge Mining (Canada) Ltd	Canada	Ordinary	<b>100</b>	100	<b>107</b>	107
Runge Latin America	Chile	Ordinary	<b>100</b>	100	<b>15,000</b>	15,000
Runge Mining (RSA) Ltd	South Africa	Ordinary	<b>100</b>	100	<b>9,379*</b>	9,379*
Runge Malaysia Sdn Bhd	Malaysia	Ordinary	<b>100</b>	100	<b>91,043</b>	91,043
MRM Mining Services (Pty) Ltd	South Africa	Ordinary	<b>54</b>	39	<b>19,144</b>	-
					<b>134,803</b>	115,659

\* Note that a provision was raised for the full amount of the investment in Runge Mining (RSA) Ltd in a prior year.

\*\* Runge Malaysia Sdn Bhd was restated for 2004 due to an miss-statement in the original cost.

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 31. Investments in associates**

During the year the company acquired a controlling interest in MRM Mining Services (Pty) Ltd and therefore accounted for the investment in the consolidated financial statements in accordance with AASB 1024.

Name of company	Principal activity	Ownership interest		Carrying Amount	
		2005 %	2004 %	\$ 2005	\$ 2004
MRM Mining Services (Pty) Ltd	Mining software consultants	54%	39%	-	36,923
				<u>-</u>	<u>36,923</u>

**Movements in carrying amounts of investments in associates**

Carrying amount at the beginning of the financial year	-	72,685
Purchase of additional 3328 shares in March 2004	-	4,630
Share of profits from ordinary activities after income tax		129,088
Dividends received and receivable		(169,480)
Carrying amount at the end of the financial year	<u>-</u>	<u>36,923</u>

Results attributable to associates

Profits from ordinary activities before income tax	-	211,846
Income tax expense	-	(82,758)
Profits from ordinary activities after income tax	-	129,088
Less: Dividends received and receivable	-	(169,480)
	-	(40,392)

Retained profits attributable to associates at the beginning of the financial year

Retained profits attributable to associates at the beginning of the financial year	-	58,472
Retained profits attributable to associates at the end of the financial year	<u>-</u>	<u>18,080</u>

**Summary of the performance and financial position of associate**

The aggregate profits, assets and liabilities of associates are:

Profits from ordinary activities after income tax expense	-	327,635
Assets	-	557,682
Liabilities	-	(436,451)

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 32. Payments for Entities Acquired**

During the year the company acquired a controlling interest in MRM Mining Services (Pty) Ltd and purchased the net assets, including the trading name, of the business trading under the name of Pincock Allan & Holt from Hart Crowser, Inc. PAH is a professional consulting business based in Denver, USA.

	2005	2004
	\$	\$
<b>Entities Acquired</b>		
Purchase Consideration:		
Cash	3,168,978	-
Investments previously held in cash	36,923	-
Outside equity interests at date of acquisition	54,843	-
Total Consideration:	<u>3,260,744</u>	-
Fair value of net assets net of cash acquired		
Cash at bank	208,879	-
Trade debtors	1,997,208	-
Inventories	189,728	-
Property plant and equipment	58,414	-
Trade creditors	(294,707)	-
Other creditors	(832,396)	-
Provisions	(141,744)	-
	<u>1,185,382</u>	-
Goodwill on acquisition	2,075,362	-
	<u>3,260,744</u>	-
Outflow of cash net of cash acquired		
Cash consideration:	3,168,978	-
Less balances acquired		
Cash	208,879	-
Outflow of cash	<u><u>2,960,099</u></u>	-

**Note 33. Events occurring after reporting date**

Subsequent to year end the company and its majority shareholder, Dr Ian Runge, entered into an agreement with a third party which, if brought into effect will provide for the sale of certain shares by Runge International Pty Ltd to the third party in association with and conditional upon restructuring of some elements of the capital structure of the company and issuance of new ordinary shares. The series of envisaged transactions, once completed may result in the third party holding approximately 25% of the equity in the company, along with changes to the composition of the board.

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 34. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Profit from ordinary activities after income tax	2,398,106	1,990,899	2,125,478	2,020,651
Depreciation and amortisation	555,387	457,333	446,356	424,547
Provision for doubtful debts	52,870			
Net loss (gain) on sale of non-current assets	-	1,562	-	1,562
Unrealised loss (gain) on foreign exchange	-	(29,547)	-	-
Share of profits of associates not received as dividends	-	40,392	-	-
<b>Change in operating assets and liabilities</b>				
Decrease (increase) in trade debtors	876,963	(1,196,000)	421,517	29,232
Decrease (increase) in other debtors	(150,059)	-	-	-
Decrease (increase) in future income tax benefit	(54,788)	(109,602)	15,754	(101,021)
Decrease (increase) in other inventories	7,155	-	-	--
Decrease (increase) in other operating assets	45,309	(468,697)	(300,512)	(160,221)
Increase (decrease) in trade creditors	634,830	103,186	742,197	101,044
Increase (decrease) in other operating liabilities	86,372	634,601	(272,222)	(1,070,080)
Increase (decrease) in provision for income taxes payable	(128,188)	(102,694)	(205,665)	(32,096)
Increase (decrease) in provision for deferred income tax	(18,861)	25,564	430	(13,571)
Increase (decrease) in other provisions	348,595	151,383	150,725	122,780
<b>Net cash inflow from operating activities</b>	<b>4,653,691</b>	<b>1,498,380</b>	<b>3,124,058</b>	<b>1,322,827</b>

**Note 35. Outside Equity Interests**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Interest in MRM Mining Services (Pty) Ltd:				
Share Capital	24,708	-	-	-
Reserves	-	-	-	-
Retained profits	111,680	-	-	-
<b>Total Minority Interests equity at the end of the financial year</b>	<b>136,388</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 36. Equity**

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Total equity at the beginning of the financial year	5,106,967	4,613,682	4,682,038	4,129,452
Total changes in equity recognised in the statement of financial performance	2,309,928	1,961,351	2,125,478	2,020,652
Transactions with owners as owners:				
Contributions of equity, net of transaction costs (note 23)	204,961	175,680	204,961	175,680
Buy-back of shares (note 23)	-	(390,120)	-	(390,120)
Dividends provided for or paid (note 25)	(1,976,969)	(1,253,626)	(1,709,028)	(1,253,626)
Total changes in outside equity interest (note35)	136,388	-	-	-
Total equity at the end of the financial year	<b>5,781,275</b>	<b>5,106,967</b>	<b>5,303,449</b>	<b>4,682,038</b>

**Note 37. Australian equivalents to International Financial Reporting Standards**

Australian equivalents to International Financial Reporting Standards (AIFRS) will be adopted in the financial report for the year ending 30 June 2006 and the comparative information presented in that report for the year ending 30 June 2005. In preparation for the transition, opening balances as at 1 July 2004 for the comparative year ending 30 June 2005 will be converted to AIFRS in accordance with new accounting standard AASB 1 "First Time Adoption of Australian International Financial Reporting Pronouncements".

Management of the consolidated entity has assessed the significance of the expected changes and is preparing for their implementation. The impact of the alternative treatments and elections under AASB 1 "First Time Adoption of Australia Equivalents to International Financial Reporting Standards" has been considered where applicable.

Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or if interpretation of the AIFRS requirements changes from the continued work of the economic entity's management. Consequently, the final reconciliations presented in the first financial report prepared in accordance with AIFRS may vary materially from the reconciliations provided in this Note.

The directors are of the opinion that the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows.

**Income Tax**

AASB 112 "Income Tax" requires all income tax balances to be calculated using the comprehensive balance sheet liability method. Deferred tax items will be calculated by comparing the difference in carrying amounts to tax bases for all assets and liabilities and multiplying this by the tax rates expected to apply to the period when the asset is realised or the liability settled. Recognition of the resulting amounts is subject to some exceptions, but generally deferred tax balances must be calculated for each item in the statement of financial position. Deferred tax assets will only be recognised where there exists the probability that future taxable profit will be available to recognise the asset.

**Property, Plant & Equipment**

Under AASB 116 "Property Plant & Equipment", property, plant and equipment is subject to an impairment test when there is an indication that impairment exists by reference to internal and external market factors. Any item of property, plant and equipment which is impaired must be written down to its recoverable amount. The amount of the impairment write down for assets carried at cost will be expensed through the statement of financial performance.

**Intangible Assets**

AASB 138 "Intangible Assets" generally requires derecognition of all items that do not qualify as identifiable intangible assets. The transition rules allow items that were purchased as part of a business combination and do not qualify as an

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

identifiable intangible to be transferred back to the related goodwill balance. The treatment of each specific intangible is set out below:

Research and Development

Qualifying expenditure in relation to development phase costs may be capitalised and impairment tested annually until the related asset is complete at which time they will be amortised over the useful life of the related asset. This may lead to a reduction in expensed (increase in capitalised) software development costs with subsequent positive earnings impacts in the initial years when these costs may not be offset by equivalent changes in amortisation.

**Foreign Currency Transactions**

AASB 112 “The Effect of Changes in Foreign Currency” removes the distinction between self-sustaining and integrated foreign operations and will require all entities to account for foreign operations as per a prescribed method. Where the presentation currency of the foreign entity is not in Australian dollars, this will result in a Foreign Currency Translation Reserve being created in equity and represents the cumulative differences of translating the financial statements of all foreign subsidiaries into the presentation currency of the entity. On disposal of foreign operations, the amount in the reserve in relation to the disposed operation, is transferred to the profit and loss account and recognised as income in the period of disposal. On initial adoption of AIFRS the current balance of the foreign currency translation reserve will be transferred to retained earnings in accordance with AASB 1 “First Time Adoption of Australian International Financial Reporting Pronouncements”.

**Business Combinations**

AASB 3 “Business Combinations” mandates that discounts on acquisition will no longer be allocated over the non-monetary assets of the entity. Instead a discount on acquisition will be recognised in profit and loss as income. Goodwill on acquisitions will continue to be recognised as an intangible but will be subject to impairment testing rather than amortised.

The following reconciliation’s explain how it is estimated that the transition to AIFRS will affect the reported financial position at 1 July 2004 and 30 June 2005.

(a) **Reconciliation of equity as presented under GAAP to that under AIFRS**

	Consolidated Entity		Parent Entity	
	30 June 2005**	1 July 2004*	30 June 2005**	1 July 2004*
	\$	\$	\$	\$
<b>Total equity under GAAP</b>	\$5,781,275	\$5,106,967	\$5,303,449	\$4,682,038
<b>Adjustments to retained earnings (net of tax)</b>				
Amortisation of goodwill written back	\$40,266		\$8,442	
Amortisation of Capitalised R&D written back	\$153,245		\$153,245	
Impairment of Capitalised Development Costs	(\$156,689)		(\$156,689)	
Restatement Of Deferred tax Asset	\$3,615		\$3,616	
Restatement Of Current tax Liability	(\$11,314)		(\$28,299)	
<b>Total equity under AIFRS</b>	<b>\$5,810,398</b>	<b>\$5,106,967</b>	<b>\$5,283,763</b>	<b>\$4,682,038</b>

\* This column represents the adjustments as at the date of transition to AIFRS

\*\* This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

**Runge Limited and controlled entities**  
**Notes to the financial statements**  
**30 June 2005** (continued)

(b) **Reconciliation of net profit under GAAP to that under AIFRS**

<b>Year Ended 30 June 2005</b>	<b>Consolidated</b>	<b>Parent Entity</b>
	<b>\$</b>	<b>\$</b>
<b>Net profit/(loss) as reported under GAAP</b>	\$2,309,928	\$2,125,478
Amortisation of goodwill written back	\$40,266	\$8,442
Amortisation of Capitalised R&D written back	\$153,245	\$153,245
Impairment of capitalised Development Costs	(\$156,689)	(\$156,689)
Tax Expense	(\$847)	(\$15,045)
	<hr/>	
<b>Net profit/(loss) under AIFRS</b>	<b>\$2,345,903</b>	<b>\$2,115,431</b>





