Runge | Annual Report 2010

A Single Company A Single Focus
Adding Value Globally

runge

We are in the process of refocusing Runge from a multi-national business comprising a number of group subsidiaries worldwide, into a global enterprise with a unified and consistent set of values and an enhanced range of offerings across the whole group.

As industry leaders in mine planning and with industry leading tools for mining efficiency, we are committed to growing our scale, capabilities and profit through a focus on adding real and lasting value to our clients' assets. Our unique advantage is brought to the fore through our innovative technology and industry leading advisory skills.

Annual General Meeting

The Annual General Meeting of Runge Limited reporting for the year ended 30 June 2010, will be held at the Kamisama Room, Christie Conference Centre, Level 6, 320 Adelaide Street, Brisbane, Queensland at 10am (AEST), Thursday 18 November 2010.

Runge Limited ABN 17 101 672 321

"In FY2010 we set in motion a number of changes to the way Runge will do business in the years ahead."

CONTENTS

2 Runge Overview
3 Financial Summary
5 Chairman's Report
6 Managing Director's Report
12 Our Global Footprint
15 Regional Review
18 Runge Board
20 Global Leadership Group
24 Financial Report
84 Corporate Directory

Runge Overview

Who We Are

We are one of the world's largest dedicated organisations of mine planning professionals (outside the major mining companies), delivering an integrated offering of consulting, professional development and industry leading technology.

We deliver solutions that add high levels of value to our customers' mining assets, across all commodities, mining methods and the mining life cycle.

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

Our global network of 19 offices in 12 countries allows our 370 multi-disciplinary staff to service all of the major global mining regions, even in the most remote locations.

Actions taken to improve our business in FY2010

While the worldwide impact of the Global Financial Crisis (GFC) depressed confidence in the mining industry, the GFC was a timely reminder to companies of all sizes and disciplines that flexibility, evolution, change and sustainability are vital prerequisites to any organisation's continued success. In FY2010 we learned that we too were less flexible than we thought and that our ability to evolve and change was also wanting. The robustness that our business model had previously delivered to us was also found wanting.

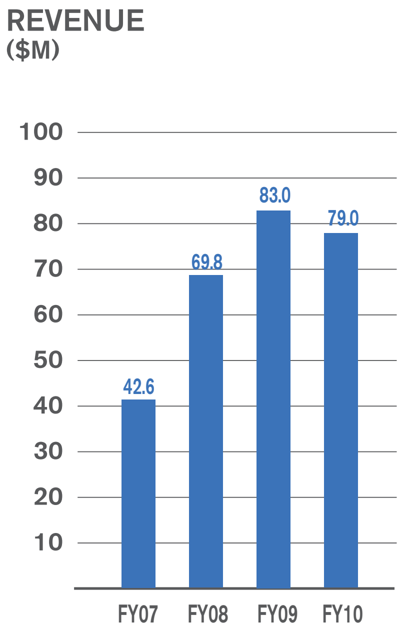
- Recognising this, we have now taken the opportunity to thoroughly re-evaluate our strengths and weaknesses. We have modified our organisational structure and we have integrated our global offerings and our mix of technical skills to position the Company to better respond to our customer needs. We have significantly increased our delivery capability through greater mobility of our skilled staff throughout our global office network.

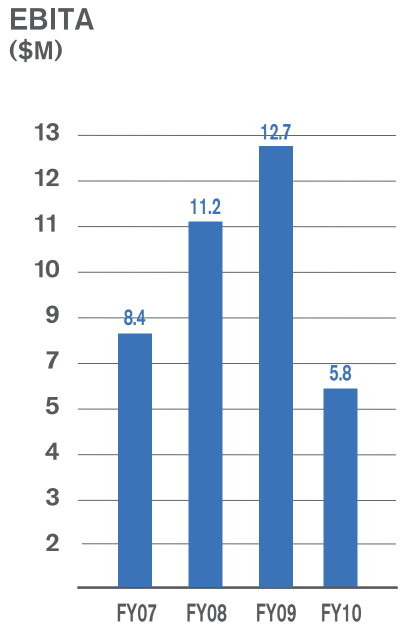
In addition, we:

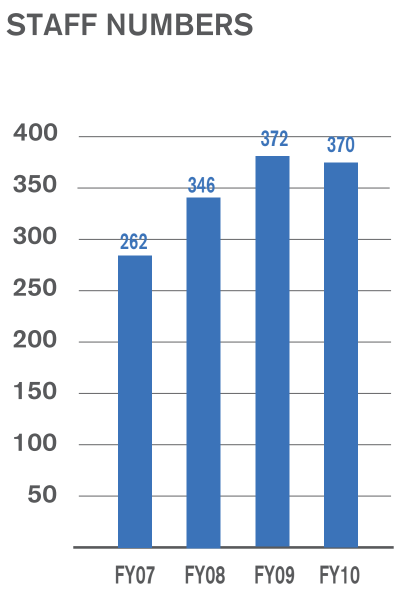
- Further strengthened our global footprint with new offices in Russia and Mongolia.
- Broadened our exposure to the burgeoning Coal Seam Gas (CSG) sector through formalising a heads of agreement with specialist services provider, Geological Solutions. This relationship enables us to offer a full range of services to the CSG industry, from drill hole to reservoir certification. We have also committed to larger laboratory space in Wollongong and upgraded our range of gas testing capability.
- Expanded the range of offerings in each of our global offices to more completely deliver all the Company's IP.
- Continued to unlock growth opportunities in the Asian markets.

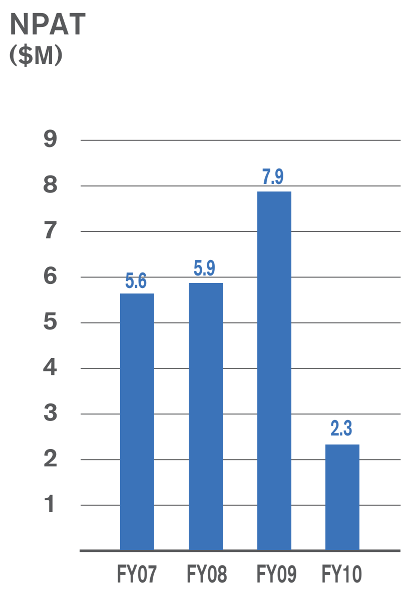
During the financial year, Runge was granted two patents (No 2006279250 and No 200800449) related to the methodology of the overall framework called 'method and system of integrated mine planning' of our enterprise solution, Mining Dynamics. The process has been pioneered by us for over four years and improves predictability of mining operations which have a high degree of variability. The method couples business process execution with comprehensive access to information. Any information from geology through to mine engineering / planning / scheduling, operations and reconciliation can be easily visualised, interrogated and reported to the executive, operations and systems management teams.

Financial Summary FY2010



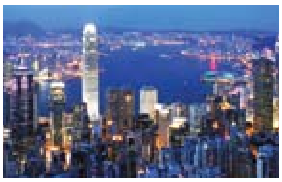






Adding value in Hong Kong

Advising to China's largest IPO in FY'10



Runge's Hong Kong based North Asia business is a recognised market leader in the provision of specialist technical services to support mining companies seeking stock market listings and capital raisings.

For over two years our team worked with other key advisors to China Metallurgical Corporation to prepare the group for a US$5 billion Initial Public Offering (IPO), preparing an initial Expert's Review and final Independent Expert's Report for inclusion in the company's prospectus. With the Independent Expert's Report involving an evaluation of, and reporting on, over 10 significant mining assets located in six countries, our North Asia team leveraged the local support of Runge's offices worldwide to complete this major assignment.

In China, the assets included Jinchang Mining Assets, Guanfen Iron Ore, Wutaigon Iron Ore, Songzhangzi Iron Ore, Xiangxi Carbon Shale and Nonggeshan Lead Zinc. The international assets reported on included Minera Sierra Iron Ore mine in Argentina, Ramu Nickel Laterite Project in Papua New Guinea, Aynak Copper Project in Afghanistan, the Duddar Lead Zinc Project and Saindak Copper and Gold Mine in Pakistan and the Cape Lambert Iron Ore Project in Australia.

The successful IPO was heavily oversubscribed and was the largest by value on the Hong Kong and Shanghai Stock Exchanges in FY2010.

Chairman’s Report

FY2010 was a very challenging year for Runge with the GFC and the ongoing uncertainty regarding the Australian Federal Government’s proposed Resources Super Profits Tax. It was also a defining one. Our underlying business model was seriously challenged by these events and we were slow to react to the changed conditions.

The Company’s full year result was a disappointing net profit after tax of $2.3 million (2009: $7.9 million).

Not all of our businesses were impacted equally. Our international businesses in the second half of FY2010 grew at nearly twice the rate of the Australian businesses. This was lead by our Asian operations and by year end international revenues were broadly in line with historic levels. Whilst this validates our geographical diversification strategy, our overall result shows that we still have some way to go before our current Australia-centric focus is balanced by business elsewhere.

One of the more significant and far reaching achievements we made during the year was a deep-seated analysis of our global business and market offering. A week long Business Alignment Forum was held in March 2010 in order to completely review the way we operate internally and how we interact with our customers. This Forum was attended by 60 senior managers from our global operations.

This was a very successful forum with the major outcomes being the renewal of our vision for the Company’s future and a strategic plan to meet our organisational and growth goals. One of the decisions taken at this meeting was to commit to a rebranding of the Company.

Historically, Runge has marketed its services under a range of different brand names on a regional basis, including MRM Mining Consultants in South Africa, Pincock, Allen & Holt in the United States of America and Minarco-MineConsult in the Asia Pacific Region.

Given our focus on providing a whole-of-enterprise response to our customers’ global needs, the Directors firmly believe that it is both timely and in the best interests of the Company to adopt a new single trading name across our expanding global network.

The Company engaged the services of a specialist global branding company to assist us in the rebranding process. As soon as trademark and other necessary processes have been finalised, shareholders will be asked to pass a special resolution to change the name of the Company. We believe the new corporate identity will help convey to our customers that we offer a global whole-of-enterprise offering to meet customers’ worldwide needs.

Your directors believe that the foundations put in place in FY2010, with continuing globalisation of our business under a single unified brand name, will further strengthen our brand, make us more recognisable to our international customers and, most importantly, add real and lasting value for all of our stakeholders.

V Gauci

Vince Gauci

Chairman

Managing Director's Report

Overview

In last year's report to shareholders we conveyed the significant impact the GFC had on our business and the markets we service worldwide.

The difficult trading conditions encountered in the last half of FY2009 continued into the first half of the year under review, with volatile commodity prices and tight credit conditions dampening mining companies' confidence and seriously constraining their expenditure.

We had predicted that any upswing in trading confidence would unlock a pent-up work pipeline, particularly for projects delivering mining companies optimised centralisation and control processes. As a result, we made a conscious decision to retain staff to capitalise on this expected upswing.

However, conditions post GFC did not return as expected in Australia with a major contributor being the uncertainty caused by the Federal Government's proposed Resources Super Profits Tax. Whilst Runge has always operated *internationally*, 2010 highlighted to us the challenge of operating *globally*. The difference to us is now stark. High market demand in one geographical area may not easily be addressed through redeployment of resources and skill sets. With hindsight we took longer than we should have in accurately understanding the mixed messages coming from the various markets we deal with, particularly Australia. This delayed the implemention of our intervention measures.

In 2010 Runge continued to address these issues, investing substantial resources to:

- Install a corporate wide enterprise management system, facilitating management information and ease of skills transfer and knowledge across the group, whilst at the same time honouring the many different regulatory and tax regimes within which we operate.
- As mentioned by the Chairman, we conducted a week long Business Alignment Forum. The goal was to redefine the Company's strategic direction and identify key initiatives and timeframes to take the business forward.
- Develop a strategy for rebranding of the Company to operate under a single name to present a unified face to all of our customers worldwide.

Our previous ability to mobilise staff between job types and disciplines to maintain utilisation was negated as mining companies reduced spending across every aspect of their business while maintaining an outward stance of business as usual. This same scenario was repeated in our large software sales deals, including our Mining Dynamics offering. Although actively endorsing our technology and thinking, our customers were not committing to this style of purchasing.

One of the key initiatives to deal with these changing market circumstances was the previously described Business Alignment Forum during which we reviewed our strategy and plan for the future direction of the Company.

The outcomes of this intensive planning session have led to a number of major changes in the way we now engage with our customers, what we expect of our people, the way we utilise them to meet our customers' needs, the way management works together and how we promote our competitive advantage.

Actions taken to refocus Runge included some retrenchments, natural attrition and significant geographical mobilisation. We have also changed the mix of types of consultants and developers in line with changed industry needs.

By year end, our modified business model and the gradual reduction in uncertainty within the mining sector, resulted in an improvement for our business in Australia. Our American, Asian and African businesses remained strong.

The Company is now squarely focused on the continued globalisation of our business and servicing the worldwide needs of our customers. Consistent with this philosophy, the Directors have determined that all of our global operations should operate under a new single brand. The necessary legal and other processes to facilitate this are well under way.

The Company has a very talented and experienced Global Leadership Group who are committed to delivering results for our people, investors and customers. Their identity and short biographies are included in this Annual Report.

Managing Director's Report continued

Financial Performance

The Company's improved trading performance in overseas markets in the second half of the year was largely offset by the continued uncertainty which prevailed for most of the year throughout our largest market, the Australian mining sector.

As a result of a 5.3% decline in revenue, Runge recorded a net profit after tax of $2.3 million for the year to 30 June 2010. While the result was in line with our May guidance update, it was a disappointing result and represented a significant decline over the prior year's profit. The major factor affecting the poor NPAT was the low utilisation rates we experienced (mainly in Australian consulting) because of our decision to retain staff during the period - $4.4 million.

EBITA for the year totalled $5.8 million, down from $12.7 million the prior year.

In light of the result, the Directors did not declare a final dividend for FY2010.

Preparing for Growth

One important flow on effect from the GFC is that some mining companies are increasingly focusing on their internal systems and in particular, on processes that support centralisation and control.

Our technology offerings are perfectly suited to meet these needs as they provide a higher degree of control, transparency and corporate governance.

By the end of the financial year, it was apparent that previously deferred spending by mining companies was slowly being reactivated both in Australia and overseas. Larger mining companies are again seeking global solutions to their needs together with certainty and continuity from their suppliers.

To ensure our Company can fully capitalise on these opportunities, we implemented several key initiatives in the second half of FY2010, designed to enhance our capacity and capability in tune with the new market.

We expanded our global footprint to take advantage of opportunities in new growth markets with the opening of offices in Ulaanbaatar (Mongolia) and Moscow (Russia).

We also continued to invest in high calibre people and their continued retention and training to maintain our base IP resource. New Business Executives were appointed in Australia and the Americas to support our increased focus on marketing and promoting the Company's value adding proposition to both existing and prospective customers.

We are very proud to acknowledge the achievement of Dr Abani Samal of Pincock, Allen & Holt who was awarded the prestigious award of Young Scientist of the Year by the Society for Mining, Metallurgy and Exploration.

Our Global Leadership Group was strengthened in August 2010 with Peter Olsen's appointment as Executive General Manager, Corporate Development. Peter, who was previously Executive General Manager - Human Resources and Organisational Sustainability at Leighton Contractors, will have direct responsibility for Corporate Development.

Additionally, Runge appointed Kieran Wallis as Chief Financial Officer. Kieran commenced in October and joins us after successful periods as CFO at Industrea Limited and GBST Holdings Limited.

In line with our aim of becoming a more nimble and responsive business, we have focused on aligning and actively promoting the allocation of our internal resources with our customers' needs from a geographic and project perspective. Several multi office teams were deployed during the year on large projects in Sydney, Perth, South Africa, Denver, Jakarta and Beijing. Additionally, multi office teams undertook significant work in countries where we do not currently have representation.

We also moved several experienced staff from our Australian operations into key management positions in new emerging growth markets. Philippe Baudry from Perth was promoted to head our Beijing office, Tim Baitch was transferred to manage our new office in Ulaanbaatar and Michael Zubkov was promoted to head up our new Moscow office. As a global company with a single focus and set of values, we are now better utilising our ability to interchange key people between offices and deploy project specialists from any location to match our customers' needs more closely.

Considerable resources have been expended to align the range and scope of services that our customers can access from any of our offices. Up until 18 months ago, our office in Denver, which is a hub of the North American mining sector, was totally reliant on consulting as a revenue source. Since then we have progressively incorporated software as an increasingly significant part of its market offering, which is now supported by a sales and support team. Over recent times we have also strengthened our South African offering, which historically focused on software sales and implementation, through the addition of more traditional consulting services, which in FY2010 represented an increasingly important revenue contributor.

In September 2009 we strengthened the competitive standing of our specialist gas testing business, GeoGAS, through a formal alliance with Geological Solutions, a leading provider of field geological and supervisory services to the mining industry. The agreement with Geological Solutions enhances GeoGAS' already strong position in Australia's rapidly expanding CSG sector through provision of an end-to-end service.

Runge continues to invest in GeoGAS' future expansion, including the enlargement and automation of its isotherm gas testing facility and relocating GeoGAS' Wollongong laboratory to new and larger facilities.

Outlook

In virtually all markets, we have started the new financial year on a stronger footing than was the case one year ago.

At the start of FY2011, our forward software sales pipeline across all markets remains strong. Looking forward and based upon the performance during the last year, we expect our desktop software sales will be equal to or greater than FY2010. Whilst FY2010 did not include any large software sales (that is sales where the IP fees are greater than $1 million) we are quietly confident that our modified structure and focus places us in good stead to secure at least one large software sale during FY2011, although our focus is to secure more. With a greatly increased business development and sales group, combined with what we see as increased expenditure in this market by mining companies, we are positive that we can outperform our record of FY2009.

Importantly, in our largest single market of Australia, there are signs of previously deferred spending by mining companies being reactivated as demonstrated by the re-emergence of feasibility studies and due diligence work. In July 2010, the new business pipeline for consulting services from our Brisbane office was up substantially on July 2009. We have confidence that we will be able to convert this pipeline during the forthcoming year.

The continued development and consolidation of Australia's CSG sector will allow us to drive GeoGAS' continued growth and profitability. The CSG sector provides significant potential upside, as at present 90% of GeoGAS laboratory revenue is based on gas testing for underground coal operations.

Opportunities to expand GeoGAS' laboratory presence into select overseas markets will also be explored.

A study by major consulting group Gartner, found that organisations post GFC increasingly have to meet expansion objectives or project plans with a smaller resource pool. The obvious outcome from this scenario is an increasing reliance on "smart" technology as a key part of the execution strategy. We are well positioned with our technology solutions to service this demand worldwide. In addition, our collaborative work with partners such as SAP positions us well to provide the most reliable and practical solutions to meet this demand.

Growth in our Asian markets and particularly those not so heavily impacted by the GFC such as China and Indonesia, is expected to continue to escalate and we are looking to grow our offerings in these markets.

The opening of our new offices in Moscow and Ulaanbaatar strengthens our position in two of the world's high growth resource markets. The growth in these markets has resulted in an acknowledgment that they require world's best practice mine planning and resource compliance. This need is closely aligned with any IPO initiatives companies have and the requirement for JORC status reserves. Our experience and reputation in this area places us at the forefront of this market.

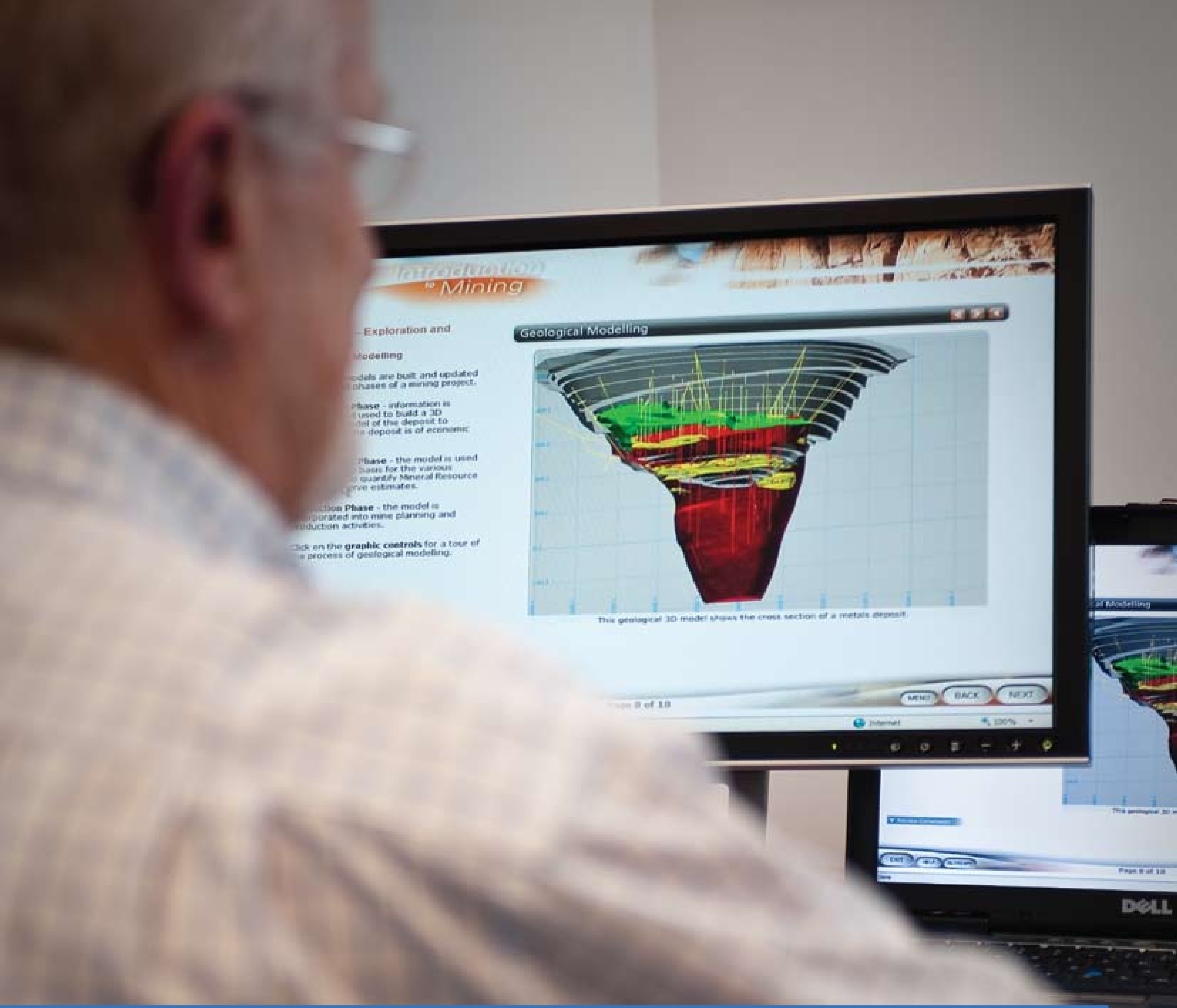
We believe our online training course, Smartminer®, is the first of its type in the world. Designed as an introductory course for non-mining people engaged in the mining industry, this course will lead the way for e-learning and lay the platform to deliver our IP to the global market through the internet.

While early indicators point to an improved trading performance in our largest single market of Australia, we remain cautious of the concerns and uncertainty of the domestic mining sector.

We are confident of an improved trading performance from our businesses around the globe and increased profitability in the year ahead.

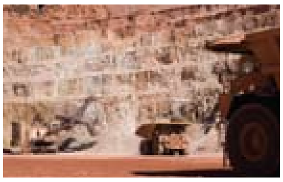
Our core IP held in consulting capability and world leading technology solutions, provides a strong underlying competitive advantage, an advantage we will capitalise on as the world mining sector continues to reactivate investment and expansion plans in FY2011.

Tony Kinnane
Managing Director



Adding value online

World's first online "Mining College"



In FY2010 we launched what we believe to be the world's first online mining college, Smartminer®.

Smartminer®, developed jointly with Catalyst Interactive, is a blended learning offering for both mining industry personnel and those on the periphery such as law, accounting and consulting firms who regularly interact with mining personnel.

The first course in the Smartminer® curriculum, Introduction to Mining, provides 4 - 6 hours of self-paced, interactive instructions over a series of 10 modules covering the foundations of underground and surface mining for both coal and metalliferous operations.

Smartminer® will not only deliver content via the internet, but will also incorporate online classrooms and informal training via online discussion boards.

URL: www.smartminer.com.au

Our Global Footprint

Group Offices

Canada
Calgary

USA
Gillette
Denver

Brasil
Belo Horizonte

Chile
Santiago

South Africa
Johannesburg
Witbank

Malaysia
Kuala Lumpur

Indonesia
Jakarta

China
Beijing

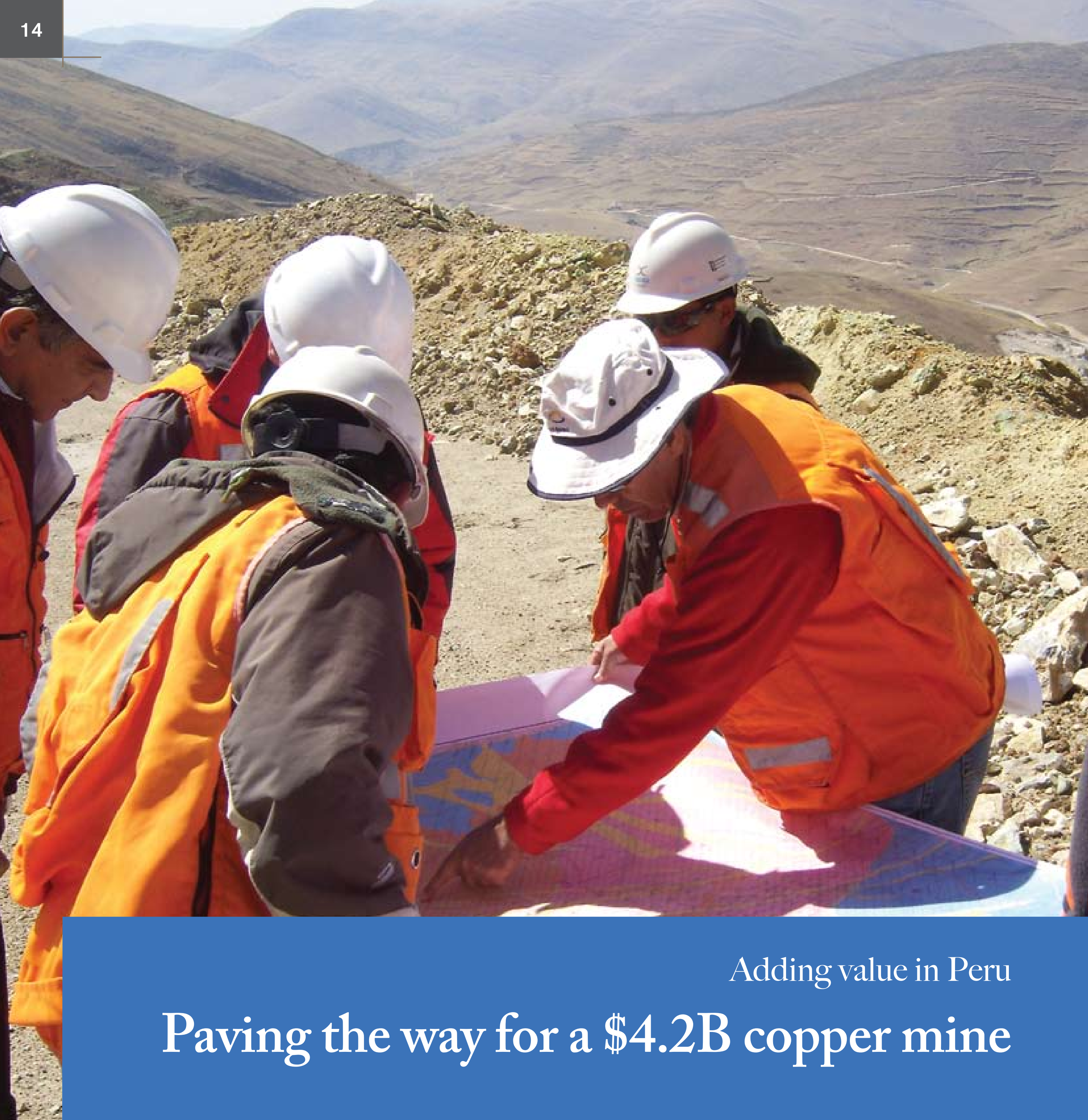
Hong Kong

Mongolia
Ulaanbaatar

Russia
Moscow

Australia
Perth
Mackay
Brisbane
Maitland
Sydney
Wollongong


RUSSIA
Moscow
MONGOLIA
Ulaanbaatar
Beijing
CHINA
Hong Kong
Pacific Ocean
MALAYSIA
Kuala Lumpur
INDONESIA
Jakarta
SOUTH AFRICA
Indian Ocean
Witbank
Johannesburg
Mackay
AUSTRALIA
Brisbane
Perth
Maitland
Sydney
Wollongong



Adding value in Peru

Paving the way for a $4.2B copper mine

Xstrata Copper, a subsidiary of Xstrata plc, engaged Pincock, Allen & Holt (PAH), a subsidiary of Runge, to conduct a four month Peer Review of the Las Bambas Copper Project Feasibility Study prepared by Bechtel Mining and Metals (Bechtel). The Peer Review process involving eight engineers from our Denver operations, included a project site visit by the PAH team and a report that provided Xstrata Copper and Bechtel with a commentary on the draft document's completeness and recommended improvements to the technical, environmental, social and economic sections. Following submission of the final document in August 2010, the US$4.2 billion Las Bambas project was approved by Xstrata plc. Construction is scheduled to commence in third quarter 2011, subject to regulatory approvals, with production commencing in 2014.

Located in southern Peru's Apurimac Region, southwest of Cusco, the world class project will include three open pit mines, concentrate production and waste management facilities and supporting infrastructure. The project will operate for at least 18 years with initial annual production being 400,000 tonnes of copper in concentrate, including significant gold, silver and molybdenum by products. As one of the two largest copper greenfield projects to come on stream globally in the next decade, Las Bambas will generate an average of approximately 3,600 direct jobs during construction and 1,350 permanent jobs once in operation.

Regional Review

Asia

A continuation of relatively strong trading conditions and a growing pipeline of specialist transactional consulting work grew revenue for the Asian region by 42% in FY2010.

Our Hong Kong office has become a well respected provider of specialist consulting services to support major transactions for Asian-based mining groups. With the volume of new listings on Asian stock exchanges constrained by subdued global markets, the historic channels of IPO work conducted by our Hong Kong office were largely replaced by an upswing in compliance work on mergers and acquisitions.

Despite the slowdown in IPO related consulting, the Hong Kong office completed a highly successful two year advisory assignment during the year on behalf of China Metallurgical Corporation, which culminated in the largest listing on the Hong Kong and Shanghai Stock Exchanges in FY2010, with China Metallurgical Corporation's $5 billion IPO heavily oversubscribed.

Revenue from Indonesia, which proved one of the more resilient markets in the face of the GFC, also increased on the back of a significant lift in software and sales and support. Software sales grew by 675% in FY2010.

To fully capitalise on the strong growth occurring in virtually all Asian markets, the Company further expanded its footprint into the region with the opening of new offices in Mongolia in May 2010 and Russia a little later.

We have a history of building strong local staff in our global offices. To facilitate this, an internship program to train Mongolian geologists and mining engineers in Australia for six to 12 months is being conducted, with the aim of deploying these skilled personnel back in Mongolia.

Russia has a large and highly skilled labour market and we are confident of being able to meet the resourcing needs of the new offices from local professionals.

All up staff numbers in the Asian region grew by 71% to meet the growing workload generated across all markets.

Based on the new business pipeline in place at the start of FY2011 and budget forecasts for the year, we expect to bolster Asian staff numbers by around 50% over the next 12 months.

Successful recruitment is paramount to our continued expansion in Asia. As such, our recruitment strategies are specifically tailored to the differing characteristics of each regional labour market to ensure the best possible people are hired and retained. For instance in Indonesia, while recruitment of more junior personnel is relatively easy, more flexible and creative remuneration packages are being offered to more senior professionals to remain competitive with the government owned organisations that tend to dominate the local mining services sector.

The current financial year has started extremely strongly throughout Asia, with the volume of new work won in July and August significantly up on the comparative prior period.

Additional research will also be directed to unlocking work potential in countries with which we have had only a limited involvement to date such as India, Malaysia and Vietnam.

We are also confident that the increase of software sales in Indonesia in FY2010 will be sustained throughout the current financial year, accompanied by continued growth in implementation work.

Based on the high levels of new business generated over the first two months of FY2011, the region's strong underlying fundamentals and our expanding company footprint, Asia is expected to become our second largest region within 12 months.

Australia

Despite our large global footprint, approximately 61% of our consulting and 51% of our software revenues are generated in Australia.

The adverse and uncertain trading conditions throughout the year and the associated "marking time" stance taken by mining companies severely affected our revenue.

Any recovery of mining sector confidence in Australia was seriously curtailed by the Federal Government's proposed new resource tax, which further exacerbated the delay and deferral of many projects.

During FY2010, as part of our corporate refocus, we have strengthened our customer relationships and energised the strategic marketing of our competitive strengths and value adding proposition.

To this end, three new Business Executives were appointed globally in the latter half of FY2010. Our Business Executives are dedicated solely to a business building role, with responsibility for identifying additional opportunities with existing customers and unlocking recurring revenue streams.

There are no doubts that these resources now ensure we are managing our client interaction in a more robust and targeted manner whilst successfully consolidating a sustainable pipeline of new work for the future.

While a degree of economic uncertainty still pervades the Australian mining environment, there were signs at the outset of FY2011 of growing confidence and certainty.

At a consulting level, we are seeing high levels of activity in "local" mine planning level work and some larger asset reviews being undertaken. For example, at the end of FY2010, Runge was awarded a $2.8 million consulting services contract for a major global mining company which includes the final optimised mine design and mine plan. The current year should see relatively sustained levels of activity in mine planning, feasibility and concept studies, software consulting and contract estimates.

We are also confident that the marketing initiatives deployed in FY2010 will unlock increased volumes of higher level advisory assignments, such as Independent Technical Reviews and Due Diligence Reports.

The current financial year will also open further opportunities for our Australian operations to share in new work from all other regions.

Buoyed by Australia's rapidly expanding CSG sector and growing demand for greenhouse gas emission reporting, revenue from our specialist GeoGAS business grew strongly again in FY2010, up 42%.

Increased utilisation of the group's two gas testing laboratories in Mackay and Wollongong was driven throughout the year by the overall growth and consolidation of the CSG industry, a growing demand for compliance testing in Australia's underground coal mines and increasing levels of work from the open cut coal sector for fugitive gas emissions analysis.

Based on forward workflows, additional technical staff for both the Mackay and Wollongong laboratories will be appointed in the current financial year.

North America

Despite the initial slow start to the year, a conscious decision was made to retain and train staff in readiness for the expected upturn in activity. These expectations were realised with trading conditions improving in the second half of FY2010. Offsetting this, to some degree, were lower than projected software sales, with mining companies in the United States of America still maintaining a cautionary position on capital expenditure.

In January 2010 we received positive news in relation to the legal action brought against our United States of America subsidiary, Pincock, Allen & Holt (PAH) with a Federal Judge dismissing the civil action brought by Standard Bank PLC. As expected, Standard Bank have appealed the dismissal of their claim. PAH is confident that the Court's order granting judgment in its favour was correct and should be affirmed on appeal.

Trading conditions for FY2010 in Canada were slightly different, with software sales maintained at a reasonable level, due largely to an active oil sands sector. However, consulting work volumes were hindered by difficulties in hiring new employees with appropriate skill sets. Mobilisation of staff from other offices has reduced this problem.

Based on work levels underway at the outset of the current financial year and growing confidence by North American miners, the outlook in these markets looks positive.

South America

Mirroring the North American experience, a continuation of the GFC dampened activity in Brasil during the first quarter of FY2010. However, encouraged by improved commodity prices, clear signs emerged of mining companies recommencing the evaluation of projects.

The appointment of a new Director of Business Development for our Brasil office during the year strengthened our new business pipeline in the region and the positive outlook for software and consulting services which were clearly evident by year end.

A continued effort was placed on technical staff recruitment during the year to further deliver the full range of our product and service offerings in both Brasil and Chile.

Plans are currently underway to increase staff in each office to around 20, in line with improved order books. This will provide the critical mass and skill base to capitalise on the strengthening demand expected in South America in FY2011.

South Africa

South Africa experienced dramatically different trading periods between the first and second halves of FY2010.

The GFC curtailed mining company expenditure in the first half, resulting in full year revenue dropping by around 10% over the prior year.

We commenced FY2011 with an order book covering 70% of our budgeted revenue for the year.

Increased software sales also occurred towards the end of FY2010 and appear to be sustainable throughout the current financial year based on the increase in number of quotes requested at the start of the year.

A number of other African countries are continuing to experience rapid growth in terms of mining exploration and development. Corporations from Australia, India, China and Japan are all actively involved in evaluating and expanding their assets in these markets. Given our strong global relationships, these are areas we will continue to target for opportunities in FY2011.

Mozambique in particular is now viewed as one of the last "outposts" of unexplored and unexploited coking coal deposits, with a number of the world's largest steel producers staking significant investments in the country.

Runge 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

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

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

Christian Larsen

Executive Director

Christian has been involved with Runge for over 20 years and has been a Director since 1996. He has experience in the development of Runge software, business operating procedures and knowledge databases. His previous roles at Runge have included Systems Engineer, Mining Consultant and Business Development Manager. Christian currently heads the Mergers and Acquisitions team for Runge, 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 is currently the Managing Director of RJI Group/RNH Consulting, a specialist executive search firm. 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 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.

Global Leadership Group

John Buffington

Executive General Manager Australasia

John is an experienced manager of mine operations and engineering. His background prior to Runge includes frontline supervision, contract management, business planning and mine maintenance management both in Australia and internationally. His business management experience, combined with operational achievements, has led to development of key strengths in team building, organisational planning and business improvement.

As head of Runge's Australasian based consulting operations, John provides oversight on commercial, technical and operational aspects of consulting projects. John also plays a global role in Runge with respect to business communication, business process and customer relations. John holds a Bachelor of Engineering – Mining (Hons) from the University of Queensland.

Scott Henderson

Cheif Technology Officer

Scott joined Runge in 2006 as General Manager - Software Development and was appointed to his current position in 2008. As Chief Technology Officer, Scott has group wide responsibility for strategy and operational management of technology development and IT systems infrastructure.

For over 13 years, he has had an extensive involvement in the development of software solutions for a range of commercial organisations. Prior to joining Runge he was National ITS Manager for SEMA with responsibility for directing internal standards, software tools and system architecture and hardware. He has also held senior technology positions with Tequinox and Greyhound Pioneer Australia.

Ken Lewis

Group General Counsel and Company Secretary

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

Prior to joining Runge, 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.

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.

David Meldrum

Executive General Manager – Business Expansion

David 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. In his current position, he is responsible for both global business expansion and Runge's Australian and Asian consulting businesses.

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.

Peter Olsen

Executive General Manager - Corporate Development

Peter joined Runge 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, 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.

Ian Perks

Executive General Manager - Africa

Ian has over 28 years involvement in mining consulting projects with large mining groups worldwide. He has extensive experience with mine planning operations in most commodities in open-pit and underground sites and has been involved in several mine planning audits, as well as project feasibility studies. Ian is regarded as the leading expert in the use of XPAC planning and scheduling, having completed work throughout Africa, as well as projects in Indonesia and Australia.

As General Manager of Runge's African operations, he is currently responsible for the supervision of the day-to-day running of Runge's offices in southern Africa, including offices located in Midrand Gauteng, as well as Witbank, Mpumalanga. Ian holds a BSc (Hons) Geology from the University of Witwatersrand.

Michael Scott

Executive General Manager Human Resources

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, 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.

Raja P. Upadhyay

Executive General Manager - Americas

Raja has over 35 years experience in all phases of mining including consulting, exploration, acquisition, engineering, project management, mine operation, labour relations and contract administration.

Prior to joining Pincock, Allen & Holt, Raja worked for a coal company in the western United States of America for 21 years. His responsibilities included bringing coal mining (surface and underground) and related transportation projects from inception to efficient operation. In the process he has managed construction and operations for underground mines, surface mines and related short-line railroads and provided financial forecasting and budgeting of various capital projects and instituted cost cutting measures.

As Executive General Manager - Americas, Raja heads Runge's business in the United States of America, Canada, Brasil and Chile. He has project managed consulting assignments located around the world, including mining projects in the United States of America, Canada, Ukraine, China, Australia and India. He holds a M.S. Mining Engineering from the University of Arizona and a BSc Mining Engineering from the Indian School of Mines.

2010 Financial Report

CONTENTS

24 Directors' Report

35 Auditor's Independence Declaration

36 Consolidated Statement of Comprehensive Income

37 Consolidated Statement of Financial Position

38 Consolidated Statement of Changes in Equity

39 Consolidated Statement of Cash Flows

40 Notes on the Financial Statements

73 Directors' Declaration

74 Independent Auditor's Report

76 Corporate Governance Statement

82 Shareholder Information

DIRECTORS' REPORT

Your Directors present their report of Runge Limited and the entities it controlled at the end of, or during the year ended 30 June 2010 (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

Anthony Kinnane - Managing Director

Christian Larsen

2. Principal Activities

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

a) Technical and business consulting for the resources industry;

b) Software licensing and maintenance; and

c) Training.

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
2009 Final dividend ordinary share fully franked	6 October 2009	2.5	3,102
2010 Interim dividend ordinary share fully franked	7 April 2010	1.0	1,241
Total			4,343

No dividends have been paid or declared since the end of the financial year.

4. Review and Results of Operations

The Global Financial Crisis reduced confidence of mining companies world-wide. This has been coupled by further uncertainty in Australia surrounding the Resource Super Profits Tax.

In the year ended 30 June 2010 Runge reports revenues of $79.0 million (2009: $83.0 million) and net profit after tax of $2.3 million (2009: $7.9 million).

Consulting

Runge consulting services include mining advisory services and software implementation consulting. Consulting revenue was lower than in prior comparative year, with the exception of Asia.

Shares received as a consideration for our consulting services contributed $1.4 million to 2010 services revenue and $1.2 million to profit before income tax.

Technology

Runge collects software license fees and software maintenance for its software. There were no large enterprise sales in 2010 ($2.3 million in 2009).

Sales of desktop products has steadily grown and maintenance increased by 10.2% to $8 million (2009: $7.3 million).

Other operating revenues

GeoGAS showed continuous growth increasing its revenues to $6.1 million (2009: $4.3 million). Training revenues for the year remained steady at $1.4 million (2009: $1.5 million).

Operating expenses

Expenses increased by 4.3% to $75.6 million in line with the increase of salaries.

The adverse effect of foreign exchange movement contributed to a $0.5 million loss (2009: $0.6 million gain). Costs of litigation in 2010 were $0.5 million (2009: $1.3 million). Note 23 provides further information on the status of litigation.

The company adjusted to the new market requirements by establishing a Global Leadership Group to enhance regions working together and better delivering all product offerings.

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. Full 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 2010 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.

DIRECTORS' REPORT

9. Information on Current Directors and Company Secretary

Directors	Experience	Special responsibilities
Vince Gauci	Chairman, Non-executive Director. Joined the Board in February 2008.	Chairman
	Previous roles include Managing Director of MIM Ltd and Pancontinental Ltd and Chairman of Centre for Low Emission Technology. Qualifications: B.Eng (Mining).	Member – Audit and Risk Committee
	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).	Member – HR and Remuneration Committee
	Other listed company directorships in last three years: Coates Hire Limited (2006 to 2008).	
Tony Kinnane	Managing Director, employed by Runge for 23 years. Joined the Board in June 1991.	Managing Director
	Qualifications: Grad. Dip. M.E. Grad. Dip. Geology, Grad. Dip. BA.	Member – HR and Remuneration Committee
	Other listed company directorships in last three years: None.	
Christian Larsen	Executive Director. Joined the Board in January 1996, employed by Runge for 23 years.	Executive Director
	Qualifications: B.E. (Mining Engineering), MBA, FAICD, PE.	
	Other listed company directorships in last three years: None.	
Dr Ian Runge	Non-executive Director, company founder. Director since December 1986.	Non-executive Director
	Qualifications: M.E.(Mining Engineering), Ph D. (Economics), FAusIMM, FAICD.	Member – Audit and Risk Committee
	Other listed company directorships in last three years: None.	
Ross Walker	Non–executive Director. Joined the Board in March 2007.	Non – executive Director
	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.	Member and Chairman – Audit and Risk Committee
	Qualifications: B Com, FCA	
	Other listed company directorships in last three years: None.	
Neil Hatherly	Non–executive Director. Joined the Board in March 2007.	Non – executive Director
	Currently Managing Director of RNH Consulting. Extensive experience in management consulting, performance improvement and computer based modelling. Life long career in and around the mining industry.	Member and Chairman – HR and Remuneration Committee
	Qualifications: B Science (Hons), AICD Company Directors' Advanced Diploma, FAICD, FAIM and FAusIMM.	
	Other listed company directorships in last three years: None.	

All Directors are members of the Nominations Committee.

Ken Lewis, LLB (Group General Counsel) is Company Secretary.

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 2010 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	20	20	2	3	8	8
Dr Ian Runge	18	20	1	3	-	-
Tony Kinnane	15	20	-	-	7	8
Christian Larsen	16	20	-	-	6	8
Ross Walker	18	20	3	3	-	-
Neil Hatherly	20	20	-	-	8	8

11. Insurance of Officers

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 Company's policies in regard to compensation of key management personnel of the Group. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Key management personnel comprise the Directors of the Company and executives for the Company and the Group 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 constant returns on shareholder wealth.

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.

DIRECTORS' REPORT

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 involves 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 structure was implemented in the 2008 year and amended in 2010 year.

The table below sets out the Group's key management personnel compensation together with earnings for the same period.

Year ended 30 June	Total remuneration $'000	Net profit $'000	Dividends $'000
2006	1,917	4,001	1,904
2007	1,918	5,597	4,823
2008	2,547	5,943	7,447
2009	2,984	7,918	4,343
2010	3,059	2,288	4,343

Short-term Incentive Bonus

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

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

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

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

Long-term Incentive

Options were issued in 2008 and 2010 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.

12. Remuneration Report - Audited (Continued)

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

c) Relative – better performance, (TSR), than half of the Group's industry peers listed below:

i) Ausenco Limited
ii) Cardno Limited
iii) Downer EDI Limited
iv) Industrea Limited
v) ISS Group Limited
vi) Leighton Holdings Limited
vii) Lycopodium Limited
viii) The Mac Services Group Limited
ix) Macmahon Holdings Limited
x) Monadelphous Group Limited
xi) Pearl Street Limited
xii) Prophecy International Holdings Limited
xiii) RCR Tominson Limited
xiv) Sedgman Limited
xv) Swick Mining Services Ltd
xvi) Technology One Limited
xvii) Thomas and Coffey Limited
xviii) VDM Group Limited
xix) Walter Diversified Services Limied
xx) Worley Parsons Limited

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 vesting conditions of the options issued in 2010 are subject to the following performance hurdles:

EPS Vesting Condition		EBITA Vesting Condition		TSR Vesting Condition	
EPS average annual growth from FY 2009 to FY 2011 above average annual Australian CPI increase in the corresponding period	% of Options which vest if vesting condition satisfied	2011 EBITA margin	% of Options which vest if vesting condition satisfied	TSR growth above peer comparison group	% of Options which vest if vesting condition satisfied
Less than 4%	0%	Less than 15%	0%	Less than 50th percentile	0%
4% or more, but less than 8%	20% plus an additional 5% for each 1% increment	15% or more but less than 20%	20% plus an additional 4% for each 1% increment	50th percentile or higher but lower than 75th percentile	10% plus, from 51st to 75th percentile, 0.4% for every 1 percentile
8% or more	40%	20% or more	40%	75th percentile or higher	20%

Peer comparison group consists of the following companies:

i) RCR Tomlinson Limited
ii) Pearlstreet Limited
iii) Monadelphous Group Limited
iv) Technology One Limited
v) Cardno Limited
vi) Industrea Limited
vii) Lycopodium Limited
viii) WDS Limited
ix) Qmastor Limited
x) Thomas & Coffey Limited
xi) Oakton Limited
xii) The Mac Services Group Limited
xiii) Iss Group Limited
xiv) DWS Advanced Business Solutions Limited
xv) Swick Mining Services Ltd
xvi) Coffey International Limited
xvii) Ausenco Limited
xviii) VDM Group Limited

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.

DIRECTORS' REPORT

12. Remuneration Report - Audited (Continued)

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

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 (2009: $400,000).

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.

12B. Details of Remuneration

Directors

Chairman (Non-executive)

Vince Gauci

Executive Directors

Anthony Kinnane, Managing Director

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 - Business Expansion
John Buffington	General Manager – Asia Pacific
Julia Sloman	Chief Financial Officer/Joint Company Secretary (resigned 6 July 2010)
Ken Lewis	Group General Counsel/Joint Company Secretary
Pat Williams	General Manager – Strategic Development (resigned 30 June 2010)
Scott Henderson	Chief Technology Officer

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

12. Remuneration Report - Audited (Continued)

12B. Details of Remuneration (Continued)

	Short-term benefits			Post - employment benefits		Share-based payment	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
	Cash salary and fees	STI cash bonus	Non – monetary benefits	Super-annuation	Termination benefits	Options			
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	2.9
Total	2,467,560	55,000	114,893	221,408	85,222	115,313	3,059,396	8.4	3.8

DIRECTORS' REPORT

12. Remuneration Report - Audited (Continued)

12B. Details of Remuneration (Continued)

	Short-term benefits			Post - employment benefits		Share-based payment	Total		
	Cash salary and fees	STI cash bonus	Non – monetary benefits	Super-annuation	Termination benefits	Options		Proportion of remuneration performance related	Value of options as proportion of remuneration
2009	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
Directors									
A Kinnane	362,749	-	6,423	100,000	-	9,969	479,141	2.1	2.1
C Larsen	328,518	-	-	13,745	-	9,971	352,234	2.8	2.8
V Gauci	119,267	-	5,910	9,840	-	26,560	161,577	16.4	16.4
Dr I Runge	80,000	-	-	-	-	-	80,000	-	-
R Walker	80,000	-	-	-	-	-	80,000	-	-
N Hatherly	80,000	-	-	-	-	-	80,000	-	-
	1,050,534	-	12,333	123,585	-	46,500	1,232,952	3.8	3.8
Other Key Management Personnel									
D Meldrum	247,495	-	38,743	27,179	-	9,895	323,312	3.1	3.1
J Buffington	261,658	-	7,891	49,348	-	9,971	328,868	3.0	3.0
J Sloman	242,004	-	-	15,559	-	4,409	261,972	1.7	1.7
K Lewis	252,250	-	23,671	23,508	-	4,409	303,838	1.5	1.5
P Williams	285,890	-	10,907	13,745	-	10,125	320,667	3.2	3.2
S Henderson	174,725	-	14,595	17,604	-	5,639	212,563	2.6	2.6
	1,464,022	-	95,807	146,943	-	44,448	1,751,220	2.5	2.5
Total	2,514,556	-	108,140	270,528	-	90,948	2,984,172	3.0	3.0

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.

12. Remuneration Report - Audited (Continued)

12C. Share-based Compensation (Continued)

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.

	Number of options granted during the year	Value of options at grant date* $	Number of options vested during the year	Number of options lapsed during the year	Value at lapse date** $
A Kinnane	260,587	111,635	-	37,761	-
C Larsen	168,749	72,292	-	37,751	-
V Gauci	-	-	-	99,000	-
Dr I Runge	-	-	-	-	-
R Walker	-	-	-	-	-
N Hatherly	-	-	-	-	-
D Meldrum	168,749	72,292	-	37,453	-
J Buffington	119,116	51,029	-	37,771	-
J Sloman	119,116	51,029	-	16,500	-
K Lewis	119,116	51,029	-	16,500	-
P Williams	168,749	72,292	-	279,562	-
S Henderson	119,116	51,029	-	21,589	-

* 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 four weeks notice, except for A. Kinnane, C. Larsen and D. Meldrum, whose termination notice is three months. 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.

The details of the bonuses included in a service agreement for A Kinnane, Managing Director, are a combination of the following:

- Qualitative performance bonus is limited to $51,750 dependent on the Group's achievements of qualitative objectives, and
- Quantitative performance bonus is limited to $89,000 dependent on earnings, defined as EBITA compared against a stretch budget.

DIRECTORS' REPORT

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. Auditor

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

During the year PKF has not performed other services in addition to their statutory duty.

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:	**2010 $**	**2009 $**
PKF Australia (East Coast Practice) Service provided - agreed upon procedures	-	1,850
	-	1,850

15. 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 35.

16. 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	853,471	201,000
A Kinnane	10,121,171	332,347
C Larsen	4,634,375	240,519
Dr I Runge	16,091,945	-
R Walker	150,000	-
N Hatherly	-	-

17. 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.

V Gauci

Vince Gauci
Chairman

Brisbane
Dated: 27 August 2010

AUDITOR'S INDEPENDENCE DECLARATION

PKF

Chartered Accountants
& Business Advisers

To: The Directors of Runge Limited

As lead auditor for the audit of Runge Limited for the year ended 30 June 2010 I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Runge Limited and the entities it controlled during the year.

PKF

PKF

Albert Loots
Partner

Dated at Brisbane this 27th day of August 2010

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

PKF | ABN 83 236 985 726

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

GPO Box 1078 | Brisbane | Queensland 4001

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 $'000	2009 $'000
Revenue			
Services		61,486	63,063
License sales		8,637	10,546
Software maintenance		8,013	7,272
Other revenue		867	2,132
		79,003	83,013
Expenses			
Amortisation	12	(2,347)	(2,210)
Depreciation	11	(1,711)	(1,279)
Employee benefits expense		(48,460)	(46,625)
Office expenses		(2,945)	(2,870)
Professional services		(2,925)	(4,132)
Rechargeable expenses		(6,235)	(6,487)
Rent		(6,401)	(4,901)
Travel expenses		(1,873)	(1,749)
Other expenses		(2,693)	(2,254)
		(75,590)	(72,507)
Profit before finance costs and income tax		**3,413**	10,506
Finance income		137	376
Finance expense		(443)	(447)
Net finance costs		**(306)**	(71)
Profit before income tax	3	3,107	10,435
Income tax expense	4	(819)	(2,517)
Profit		**2,288**	7,918
Other comprehensive income			
Foreign currency translation differences		(114)	937
Other comprehensive income / (loss)		(114)	937
Total comprehensive income		**2,174**	8,855
Earnings per share			
Basic earnings per share (cents)	26	**1.8**	6.4
Diluted earnings per share (cents)	26	**1.8**	6.4

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 2010

	Notes	2010 $'000	2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	9,304	6,689
Trade and other receivables	7	20,740	17,661
Work in progress	8	2,681	1,622
Current tax receivable		2,177	750
Available-for-sale financial assets	10	1,601	-
Other assets	9	1,392	1,336
Total current assets		**37,895**	28,058
Non-current assets			
Trade and other receivables	7	164	327
Property, plant and equipment	11	8,328	6,701
Deferred tax assets	5	2,356	2,669
Intangible assets	12	32,184	32,182
Total non-current assets		**43,032**	41,879
Total assets		**80,927**	69,937
LIABILITIES			
Current liabilities			
Trade and other payables	13	8,475	6,222
Borrowings	14	1,807	581
Provisions	15	4,259	4,113
Current tax liabilities		618	1,231
Other liabilities	16	7,680	5,936
Total current liabilities		**22,839**	18,083
Non-current liabilities			
Borrowings	14	8,826	2,900
Provisions	15	31	34
Deferred tax liabilities	5	162	-
Other liabilities	16	4,400	2,380
Total non-current liabilities		13,419	5,314
Total liabilities		**36,258**	23,397
Net assets		**44,669**	46,540
EQUITY			
Contributed equity	17	39,407	39,385
Reserves	18	(1,671)	(1,833)
Retained profits	18	6,933	8,988
Total equity		**44,669**	46,540

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 2010

	Contributed equity	Reserves	Retained profits	Total equity
	$'000	$'000	$'000	$'000
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
Balance at 1 July 2008	39,262	(3,041)	5,413	41,634
Total comprehensive income	-	937	7,918	8,855
Transactions with owners in their capacity as owners				
Payments received on partly paid shares	123	-	-	123
Employee share options	-	271	-	271
Dividends paid	-	-	(4,343)	(4,343)
	123	-	(4,343)	(3,949)
Balance at 30 June 2009	39,385	(1,833)	8,988	46,540

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 2010

	Notes	2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers		80,495	88,320
Payments to suppliers and employees		(74,247)	(72,929)
		6,248	15,391
Interest received		137	376
Finance costs		(443)	(447)
Income taxes paid		(2,383)	(3,580)
Net cash inflow from operating activities	24	**3,559**	11,740
Cash flows from investing activities			
Payments for property, plant and equipment		(1,518)	(5,624)
Payments for intangible assets		(2,463)	(2,192)
Proceeds from sale of property, plant and equipment		43	-
Receipts/ (Payments) from short term deposits		243	(243)
Payments for prior year business combinations		-	(768)
Net cash outflow from investing activities		**(3,695)**	(8,827)
Cash flows from financing activities			
Proceeds from partly paid shares		22	123
Repayment of finance leases		(15)	(108)
Proceeds from borrowings		12,600	7,550
Repayment of borrowings		(5,466)	(12,582)
Dividends paid		(4,343)	(4,343)
Net cash inflow/(outflow) from financing activities		**2,798**	(9,360)
Net increase/(decrease) in cash and cash equivalents held		2,662	(6,447)
Cash and cash equivalents at the beginning of the financial year		6,689	12,652
Effects of exchange rate changes on cash and cash equivalents		(47)	484
Cash and cash equivalents at the end of the financial year	6	**9,304**	6,689

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

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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*. Limited financial information for the parent entity however, is disclosed in Note 28. It has been prepared on the same basis as the consolidated financial statements.

a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASBs), including Australian Interpretations, adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report also complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

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.

Financial statement presentation

The Group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Runge Limited as at 30 June 2010 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.

1. Summary of Significant Accounting Policies (Continued)

c) Income Tax (Continued)

Tax consolidation legislation

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

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

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

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

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

d) Segment reporting

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. Comparatives for 2009 have been restated.

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.

iii) Controlled foreign 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 average exchange rates from 1 July 2009 to 31 December 2009 and from 1 January 2010 to 30 June 2010 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 licenses

Revenue from the sale of licenses 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.

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1. Summary of Significant Accounting Policies (Continued)

f) Revenue Recognition (Continued)

iii) Software maintenance

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

iv) Interest revenue

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

g) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision 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 provision is recognised in 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) Available-for-sale financial assets

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

Details on how the fair value of financial instruments is determined are disclosed in note 10.

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.

Change in accounting policy

A revised AASB 3 Business Combinations became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the Group recognises previously acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

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.

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1. Summary of Significant Accounting Policies (Continued)

n) Property, Plant and Equipment

Property, plant and equipment is measured on a cost basis. 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. 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.

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 licenses 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.

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 1.25 - 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.

1. Summary of Significant Accounting Policies (Continued)

q) Borrowings (Continued)

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.

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.

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

u) Contributed Equity

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

v) 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.

w) Comparative Figures

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

x) 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 available-for-sale 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.

y) 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 2010, are as follows:

Standard/Interpretation	**Application date***	**Application date for the Group***
AASB 9 *Financial Instruments* – revised and consequential amendments to other accounting standards resulting from its issue	1 Jan 2013	1 Jul 2013
AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1 Jan 2010	1 Jul 2010
AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions*	1 Jan 2010	1 Jul 2010
AASB 2010-3 *Amendments to Australian Accounting Standards Arising from the Annual Improvements Project*	1 Jul 2010	1 Jul 2010
AASB 2010-4 *Amendments to Australian Accounting Standards Arising from the Annual Improvements Project*	1 Jan 2011	1 Jul 2011

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

1. Summary of Significant Accounting Policies (Continued)

y) New Accounting Standards and Interpretations not yet adopted (Continued)

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

AASB 9 – This revised standard provides guidance on the classification and measurement of financial assets, which is the first phase of a multi-phase project to replace AASB 139 Financial Instruments: Recognition and Measurement. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value. Changes in the fair value of investments in equity securities that are not part of a trading activity may be reported directly in equity, but upon realisation those accumulated changes in value are not recycled to the statement of comprehensive income. Changes in the fair value of all other financial assets carried at fair value are reported in the statement of comprehensive income. The Group is yet to assess the impact of the new standard.

AASB 2009-5 – These amendments affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments are not expected to have a significant impact on the financial statements.

AASB 2009-8 - Introduces amendments to incorporate the requirements previously included in Interpretation 8 and Interpretation 11. The amendments require an entity that receives goods and services in share-based payment arrangement to account for those goods or services no matter which entity in the Group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments are not expected to have a significant impact on the financial statements.

AASB 2010-3 and AASB 2010-4 – 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 and Hong Kong), North America (Canada, United States of America), South America (Chile, Brasil) and Africa (South Africa).

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 (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 sells all the products and services provided by the Group.

Reconciliation of segment profit to reported net profit:

	2010 $'000	2009 $'000
Segment profit	19,334	23,926
Adjustments:		
Amortisation	(2,347)	(2,210)
Foreign exchange gains/(losses)	(457)	620
Unallocated corporate cost, including employee benefits	(13,117)	(11,830)
Net finance costs	(306)	(71)
Profit before income tax	3,107	10,435
Income tax expense	(819)	(2,517)
Net profit	**2,288**	7,918

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

2. Operating Segments (Continued)

	Australia	GeoGAS	Asia	South America	North America	South Africa	Elimin-ations	Group
2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue								
External sales	38,207	6,057	13,105	2,396	13,800	4,571	-	78,136
Inter-segment sales	8,970	12	361	308	1,573	74	(11,298)	-
Total sales	47,177	6,069	13,466	2,705	15,372	4,645	(11,298)	**78,136**
Unallocated revenue								867
Total revenue								79,003
Expenses								
Salaries	25,381	2,008	3,204	1,179	7,092	1,781	-	40,645
Other expenses	12,061	1,144	6,947	1,227	5,889	2,187	(11,298)	18,157
	37,442	3,152	10,151	2,406	12,981	3,968	(11,298)	**58,802**
Segment profit	9,735	2,917	3,315	298	2,392	677	-	**19,334**
2009								
Revenue								
External sales	40,278	4,264	9,228	3,355	18,496	5,260	-	80,881
Inter-segment sales	7,271	-	59	418	1,541	985	(10,274)	-
Total sales	47,549	4,264	9,287	3,773	20,037	6,245	(10,274)	**80,881**
Unallocated revenue								2,132
Total revenue								83,013
Expenses								
Salaries	24,530	1,713	2,146	1,066	8,306	1,725	-	39,486
Other expenses	11,579	707	2,958	2,292	6,963	3,244	(10,274)	17,469
Total Expenses	36,109	2,420	5,104	3,358	15,269	4,969	(10,274)	**56,955**
Segment profit	11,440	1,844	4,183	415	4,768	1,276	-	**23,926**

3. Profit Before Income Tax

	2010 $'000	2009 $'000
Profit before income tax includes the following specific expenses / (income)		
Defined contributions superannuation expense	2,707	2,321
Impairment of receivables	94	120
Reduction in provision for impairment of receivables	(67)	(130)
Legal costs - USA litigation	540	1,323
Rental expense relating to operating leases		
Minimum lease payments	5,172	4,337
Net loss on disposal of plant and equipment	74	141
Foreign exchange (gains) / losses	457	(620)
Finance costs		
Interest expense on borrowings measured at amortised cost	443	447

4. Income Tax Expense

	2010 $'000	2009 $'000
Income tax expense		
Current tax	790	3,877
Deferred tax	271	(883)
Adjustments to prior periods	(242)	(477)
Income tax expense	**819**	2,517
Numerical reconciliation of income tax expense to prima facie tax		
Profit before income tax	3,107	10,435
Tax at the Australian tax rate of 30% (2009 - 30%)	932	3,130
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Attributed income	76	46
Non-deductible expense / (non-assessable income)	(16)	86
Tax losses not recognized	71	-
Research and development deduction	(61)	(243)
	1,002	3,019
Difference in overseas tax rates	59	(25)
Adjustments to prior periods	(242)	(477)
Income tax expense	**819**	2,517

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.

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

5. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	2010 $'000	2009 $'000
Provision for impairment of receivables	73	111
Employee benefits provision	1,617	1,314
Lease incentive liabilities	1,369	729
Tax loss	240	224
Unearned income	283	47
Accrued expenses	862	993
Share capital raising costs	586	892
Other deferred tax assets	235	300
Development costs – software	(1,279)	(748)
Work in progress	(618)	(361)
Intangibles	(418)	(822)
Property, plant and equipment	(480)	22
Prepayments	(235)	(7)
Other deferred tax liabilities	(41)	(25)
Deferred tax assets	2,356	2,669
Deferred tax liabilities	(162)	-
Net tax assets/(liabilities)	**2,194**	2,669
Movements		
Balance at 1 July	2,669	(182)
Recognised in profit and loss	(271)	883
Adjustments to prior periods	(204)	(1,968)
Balance at 30 June	**2,194**	2,669

6. Cash and Cash Equivalents

	2010 $'000	2009 $'000
Cash at bank	9,157	5,641
Deposits	147	1,048
	9,304	6,689

7. Trade and Other Receivables

	2010 $'000	2009 $'000
Current		
Trade receivables	20,814	17,174
Provision for impairment of receivables	(233)	(306)
	20,581	16,868
Short term deposits	-	243
Other receivables	159	550
	20,740	17,661
Non-current		
Other receivables - refundable deposits	**164**	327
	164	327

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

Past due less than 30 days	3,099	1,809
Past due between 31-90 days	2,526	1,073
Past due more than 90 days	2,136	2,244
	7,761	5,126

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

Balance at 1 July	306	564
Provision no longer required	(67)	(130)
Debtors written off	(95)	(270)
Impairment loss recognised	94	120
Effect of foreign exchange	(5)	22
Balance at 30 June	**233**	306

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

8. Work in Progress

	2010 $'000	2009 $'000
Work in progress	**2,681**	1,622

9. Other Assets

	2010 $'000	2009 $'000
Prepayments	**1,392**	1,336

10. Available-for-sale Financial Assets

	2010 $'000	2009 $'000
Current		
Equity securities at fair value	**1,601**	-

On 24 June 2010 the Group received 4,000,000 ordinary shares in Element92 Resources, Corp. ("Element") as consideration for consulting services in respect of a customer in China. Element is a company incorporated in Wyoming USA and quoted on the OTC Bulletin Board. In 2010 Element acquired all the issued capital of Joyous Fame International Limited which holds the mining assets in China relating to consultancy work carried out by the Group.

The shares in Element are recorded at fair value. The Directors believe that there is not a sufficiently active market of Element's shares to use the OTC quoted prices to assess the fair value of the Element's shares. For this purpose management determined the fair value of the Element shares based on an internal assessment of the mining assets held by Element post acquisition and applying a discount for the Group's minority shareholding and lack of marketability. The Element shares are being held in escrow for six months.

There are a number of different methods used to value gold mining assets, such as discounted cashflows and comparable market evidence.

Given the limited data available regarding these mine sites, management adopted a multiple to the estimated size of the resource. The main gold project in China is currently in early stage exploration to define the gold mineralization within the lease area.

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

- Estimate of the tonnes of gold within the resource at the two mine sites in China, based on local geological reports;
- Valuation multiple of USD $1.5 million per contained gold tonne within the resource;
- Discount applied for minority shareholding (30%) and for non-negotiability (20%); and
- USD exchange rate of USD $1.00 to AUD $0.85.

If the estimate of the tonnes of gold within the resource had changed by +/- 15% from the estimates used in the fair value measurement, with all other variables held constant, the fair value of the available-for-sale financial asset would have increased/decreased by $330,000 with a corresponding increase/(decrease) in profit before income tax.

Subsequent movements in the fair value assessment of available-for-sale financial assets will be taken to a reserve.

11. Property, Plant and Equipment

	2010 $'000	2009 $'000
Plant and Equipment - at cost	12,906	9,648
Less: accumulated depreciation	(4,658)	(3,032)
	8,248	6,616
Plant and equipment under finance lease	129	129
Less: accumulated depreciation	(49)	(44)
	80	85
	8,328	6,701

	Plant and equipment		
	Owned	Under finance lease	Total
2010	**$'000**	**$'000**	**$'000**
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**
2009			
Balance at 1 July 2008	2,157	164	2,321
Exchange differences	167	9	176
Additions	5,596	31	5,624
Disposals	(53)	(88)	(141)
Depreciation	(1,248)	(31)	(1,279)
Balance at 30 June 2009	**6,616**	**85**	**6,701**

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

12. Intangible Assets

	2010 $'000	2009 $'000
Software developed for sale and licensing – at cost	3,940	3,096
Less: accumulated amortisation	(1,275)	(764)
	2,665	2,332
Software acquired for sale and licensing – at cost	3,133	3,133
Less: accumulated amortisation	(1,821)	(1,195)
	1,312	1,938
Software – internal management systems – at cost	4,960	3,401
Less: accumulated amortisation	(2,343)	(1,773)
	2,617	1,628
Client relationships and contracts – at cost	3,372	3,372
Less: accumulated amortisation	(2,375)	(1,787)
	997	1,585
Goodwill – at cost	24,593	24,699
Total	**32,184**	32,182

	Software					
	Developed	Acquired	Internal systems	Client relationships and contracts	Goodwill	Total
2010	$'000	$'000	$'000	$'000	$'000	$'000
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**
2009						
Balance at 1 July 2008	1,999	2,635	753	2,067	24,324	31,778
Additions	757	-	1,435	-	-	2,192
Exchange differences	-	-	47	-	375	422
Amortisation	(424)	(697)	(607)	(482)	-	(2,210)
Balance at 30 June 2009	**2,332**	**1,938**	**1,628**	**1,585**	**24,699**	**32,182**

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 actual operating results and the 2011 year forecast for four years using 4% annual growth rate (2009: 10%);
- Cash flows thereafter were extrapolated using a constant growth rate of 4% (2009: 4%); and
- The cashflows have been discounted using a pre-tax discount rate of 15% (2009: 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 20% or if annual growth rate changed to zero, 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.

	2010 $'000	2009 $'000
Asia and NSW	15,418	15,418
Australia – GeoGAS	4,921	4,921
Australia – WA	2,129	2,129
USA	1,735	1,830
South Africa	390	401
	24,593	24,699

13. Trade and Other Payables

	2010 $'000	2009 $'000
Current		
Trade payables	2,428	1,739
Other payables and accruals	6,047	4,483
	8,475	6,222

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

14. Borrowings

	2010 $'000	2009 $'000
Current		
Lease liabilities (note 22)	7	15
Bank loans - secured	1,800	566
	1,807	581
Non-current		
Lease liabilities (note 22)	26	-
Bank loans - secured	8,800	2,900
	8,826	2,900

Terms and Conditions

				2010		2009	
Borrowing facilities	**Currency**	**Nominal interest rate**	**Maturity**	**Facility $'000**	**Utilised $'000**	**Facility $'000**	**Utilised $'000**
Secured loan	AUD	5.78%	Mar 2012	3,100	3,100	4,900	2,900
Secured loan	AUD	5.73%	Nov 2011	15,000	7,500	10,000	-
Secured loan	USD	LIBOR +2%	Mar 2010	-	-	566	566
Finance leases	AUD/CAD	4.90%	2014	33	33	15	15
Loans and Borrowings				**18,133**	**10,633**	5,481	3,481
Other facilities							
Bank guarantee	AUD	2%		3,112	2,609	1,912	1,870

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.

The US dollar denominated subsidiary loan was secured by a fixed and floating charge across the assets of Runge, Inc and Runge Limited.

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

15. Provisions

	2010 $'000	2009 $'000
Current		
Employee benefits	**4,259**	4,113
Non-current		
Employee benefits	**31**	34

16. Other Liabilities

	2010 $'000	2009 $'000
Current		
Unearned income - software maintenance	5,021	4,310
Unearned income - consulting and other	2,231	1,522
Lease incentive and make good obligations	428	104
	7,680	5,936
Non-current		
Lease incentive and make good obligations	**4,400**	2,380

17. Contributed Equity

		2010 Number	2009 Number	2010 $'000	2009 $'000
Share capital					
Ordinary shares	- fully paid	123,971,410	123,935,922	39,381	39,353
	- partially paid	108,590	144,078	26	32
		124,080,000	124,080,000	**39,407**	39,385

Movements in Share Capital:

			Ordinary shares	
Date		**Notes**	**Number**	**$'000**
01/07/08	**Balance**		**124,080,000**	**39,262**
	Partly paid shares paid up		-	123
30/06/09	**Balance**		**124,080,000**	**39,385**
	Partly paid shares paid up		-	22
30/06/10	**Balance**		**124,080,000**	**39,407**

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.

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

17. Contributed Equity (Continued)

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 2010 and 30 June 2009 were as follows:

	Notes	2010 $'000	2009 $'000
Total borrowings, trade and other payables		19,108	9,703
Less: cash and cash equivalents	6	(9,304)	(6,689)
Net debt		9,804	3,014
Total equity		44,669	46,540
Total capital		**54,473**	49,554
Gearing ratio		18%	6%

18. Reserves and Retained Profits

	2010 $'000	2009 $'000
Reserves		
Employee option reserve (i)	572	296
Foreign currency translation reserve (ii)	(708)	(594)
Revaluation reserve	18	18
Reserve arising from an equity transaction (iii)	(1,553)	(1,553)
	(1,671)	(1,833)

Nature and Purpose of Reserves

i) Employee option reserve

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 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(e).

iii) 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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Balance at 1 July	296	25	(594)	(1,531)
Options expensed	276	271	-	-
Foreign currency translation differences	-	-	(114)	937
Balance at 30 June	**572**	296	**(708)**	(594)

There were no other movements in reserves in 2010 and 2009.

	2010 $'000	2009 $'000
Retained Profits		
Balance at 1 July	8,988	5,413
Net profit for the year	2,288	7,918
Dividends provided for or paid	(4,343)	(4,343)
Balance at 30 June	**6,933**	8,988

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

19. Dividends

	2010 $'000	2009 $'000
Dividends paid in cash during the year were:		
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	-
Final dividend of 1.5 cents per share fully franked paid on 6 October 2008	-	1,861
Interim dividend of 2.0 cents per share fully franked paid on 7 April 2009	-	2,482
	4,343	4,343

No dividends have been paid or declared since the end of the financial year.

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 ended 30 June 2010.

Franking credits available for subsequent financial years based on a tax rate of 30% (2009 – 30%)	(1,277)	1,157

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

	2010 $	2009 $
Short term employee benefits	2,637,453	2,622,696
Post-employment benefits	221,408	270,528
Termination benefits	85,222	-
Share-based payments	115,313	90,948
	3,059,396	2,984,172

(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 2008	Sold during the year	Acquired during the year *	Balance 30 June 2009	Sold during the year	Acquired during the year *	Balance 30 June 2010
Directors							
V Gauci	500,000	-	165,000	665,000	-	188,471	853,471
A Kinnane	9,785,173	-	295,998	10,081,171	-	40,000	10,121,171
C Larsen	4,419,275	-	215,000	4,634,375	-	-	4,634,375
Dr I Runge	15,810,389	-	281,556	16,091,945	-	-	16,091,945
R Walker	50,000	-	-	50,000	-	100,000	150,000
N Hatherly	-	-	-	-	-	-	-
Other key management personnel of the Group							
D Meldrum	5,692,910	-	-	5,692,910	-	-	5,692,910
J Buffington	2,230,790	-	-	2,230,790	-	-	2,230,790
J Sloman	15,000	-	-	15,000	-	-	15,000
K Lewis	-	-	-	-	-	-	-
P Williams	822,616	-	-	822,616	-	-	822,616
S Henderson	16,820	-	-	16,820	-	-	16,820

* Acquired on market

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

20. Key Management Personnel Disclosures (Continued)

ii) Options

Name	Balance 1 July 2008	Options granted as compensation	Options exercised	Balance 30 June 2009	Options granted as compensation	Options expired	Balance 30 June 2010
Directors							
V Gauci	300,000	-	-	300,000	-	(99,000)	201,000
A Kinnane	109,521	-	-	109,521	260,587	(37,761)	332,347
C Larsen	109,521	-	-	109,521	168,749	(37,751)	240,519
Dr I Runge	-	-	-	-	-	-	-
R Walker	-	-	-	-	-	-	-
N Hatherly	-	-	-	-	-	-	-
Other key management personnel of the Group							
D Meldrum	108,905	-	-	108,905	168,749	(37,453)	240,201
J Buffington	109,541	-	-	109,541	119,116	(37,771)	190,886
J Sloman	50,000	-	-	50,000	119,116	(16,500)	152,616
K Lewis	50,000	-	-	50,000	119,116	(16,500)	152,616
P Williams	110,813	-	-	110,813	168,749	(279,562)	-
S Henderson	60,177	-	-	60,177	119,116	(21,589)	157,704

(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 $56,790 (2009: $93,310) for taxation and advisory services.

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

	2010 $	2009 $
Amounts recognised as expense		
Professional fees	56,790	93,310
	56,790	93,310

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.

	2010 $	2009 $
Audit services - Audit and review of the financial reports: Auditor of the parent entity: PKF Australia (East Coast Practice)	167,100	164,607
Auditors of subsidiaries: PKF Malaysia	2,538	2,339
PKF South Africa	21,657	12,894
CWCC Hong Kong	4,440	-
	195,735	179,840
Non- audit services: PKF Australia (East Coast Practice) – other assurance services	-	1,850
	-	1,850

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.

	2010 $'000	2009 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable:		
Within one year	5,053	4,821
Later than one year but not later than 5 years	19,069	16,921
Later than 5 years	3,638	7,672
Commitments not recognised in the financial statements	**27,760**	29,414
Sub-lease payments		
Future minimum lease payments to be received in relation to non-cancellable sub-leases of operating leases:		
Within one year	**452**	643

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

22. Commitments (Continued)

(b) Finance Leases

	2010 $'000	2009 $'000
Commitments in relation to finance leases are payable:		
Within one year	7	15
Later than one year but not later than 5 years	30	-
Minimum lease payments	37	15
Less: future finance charges	4	-
Recognised as a liability	33	15
Representing lease liabilities:		
Current	7	15
Non-current	26	-
	33	15

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. It is presently estimated that the appeal will be heard and determined by June 2011.

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 addition, 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

	2010 $'000	2009 $'000
Net profit	2,288	7,918
Depreciation and amortisation	4,058	3,489
Provision for impairment of receivables	(73)	(258)
Net loss on sale of non-current assets	74	141
Non cash financing and investment activities*	(3,564)	-
Unrealised loss/(gain) on foreign exchange	(64)	62
Employee share options	276	271
Change in operating assets and liabilities		
Decrease / (increase) in trade and other receivables	(2,916)	(2,407)
Decrease / (increase) in current tax asset	(1,427)	-
Decrease / (increase) in deferred tax asset	313	(1,881)
Decrease / (increase) in work in progress	(1,059)	1,436
Decrease / (increase) in other assets	(56)	(557)
Increase / (decrease) in trade and other payables	2,253	(466)
Increase / (decrease) in other liabilities	3,764	2,770
Increase / (decrease) in current tax liabilities	(613)	1,769
Increase / (decrease) in deferred tax liability	162	(952)
Increase / (decrease) in provisions	143	405
Net cash inflow from operating activities	**3,559**	11,740

* Non cash financing and investment activities include:

Acquisition of plant and equipment by way of finance lease;	41	31
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**	31

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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:

	2010 $'000	2009 $'000
Financial assets		
Cash and cash equivalents *	9,304	6,689
Trade and other receivables *	20,904	17,888
Available-for-sale financial assets	1,601	-
	31,809	24,677
Financial liabilities		
Trade and other payables **	8,475	6,222
Borrowings **	10,633	3,481
	19,108	9,703

* 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.

75 % of trade receivables are held with 'A', 'BBB' or 'BB' – rated customers (2009: 75%). The ratings used are set by Standard and Poor'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:

	2010 $'000	2009 $'000
A - rated counterparts	18,033	15,320
B - rated counterparts	2,309	3,135
Unrated counterparts	11,467	6,222
	31,809	24,677

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	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
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	8,475	8,475	8,475	-	-	-	-
	19,108	**20,025**	**9,802**	**1,175**	**9,025**	**23**	**-**
2009							
Secured bank loans	3,466	3,691	445	250	2,996	-	-
Finance lease liabilities	15	15	15	-	-	-	-
Trade and other payables	6,222	6,222	6,222	-	-	-	-
	9,703	**9,928**	**6,682**	**250**	**2,996**	**-**	**-**

(c) Market Risk

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

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

Interest Rate Risk

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

Currency Risk

The current policy is not to take any forward positions. At 30 June 2010 and 2009 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. In addition, the Group has a $582,000 (2009: $582,000) interest bearing liability denominated in US dollars that is hedged by revenues generated in US dollars.

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

25. Financial Risk Management (Continued)

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

2010	USD $'000	CAD $'000	ZAR $'000	Other $'000	Total $'000
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	(1,090)	(120)	(289)	(402)	(1,901)
Interest bearing liabilities	-	(33)	-	-	(33)
Net balance sheet exposure	**10,889**	**1,741**	**2,005**	**1,388**	**16,023**
2009					
Cash and deposits	1,058	555	1,934	1,217	4,764
Trade and other receivables	5,219	610	939	651	7,419
Trade and other payables	(524)	(67)	(238)	(12)	(841)
Interest bearing liabilities	(566)	(15)	-	-	(581)
Net balance sheet exposure	5,187	1,083	2,635	1,856	10,761

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June 2010 based on assets and liabilities at 30 June 2010 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 2009.

	Equity		Profit/ (loss)	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
USD	(532)	(177)	(459)	(341)
CAD	(33)	(64)	(126)	(44)
ZAR	(160)	(151)	(58)	(112)
Other	129	(167)	(318)	(19)
	(596)	(559)	**(961)**	(516)

A 10 percent weakening of the Australian dollar against the above currencies at 30 June 2010 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. These borrowings were offset by interest bearing deposits which effectively make interest rate risk immaterial at the end of 2009 year. In 2010 year should the interest rates increase by 200 basis points the net effect on profit before income tax will decrease by $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	
	2010 %	2009 %	2010 $'000	2009 $'000
Interest bearing deposits	4.76	2.86	1,727	1,283
Bank loans	5.74	3.92	(10,600)	(3,466)

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.

As of 1 July 2009, the Group has adopted the amendment to AASB 7 Financial Instruments: Disclosures which 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:

2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available-for-sale financial assets	-	-	1,601	1,601
Total assets	**-**	**-**	**1,601**	**1,601**

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

	2010 $'000	2009 $'000
Available-for-sale financial assets		
Opening balance	-	-
Shares received as consideration for consulting services (note 10)	1,601	-
Gains recognised in other comprehensive income	-	-
Gains recognised in profit and loss	-	-
Closing balance	**1,601**	-

26. Earnings Per Share

	2010 Cents	2009 Cents
Basic earnings per share	1.8	6.4
Diluted earnings per share	1.8	6.4

Earnings used in Calculating Earnings Per Share

	2010 $'000	2009 $'000
Profit attributable to the ordinary equity holders used in calculating earnings per share	**2,288**	7,918

	2010 Number '000	2009 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 2010 and 2009, as the average share price in 2010 and 2009 was below the exercise price of the options.

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

27. Share Based Payments

Tax Exempt Share Plan

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

There were no shares issued under $1,000 Share Purchase Plan in 2010 or 2009.

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.

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
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

27. Share Based Payments (Continued)

Grant date	Vesting date	Exercise Price $	Number beginning of year	Granted	Forfeited	Expired	Exercised	Number at end of year
2009								
Options granted to eligible employees								
21/05/2008	30/08/2009	1.00	648,199	-	(50,101)	-	-	598,098
21/05/2008	30/08/2010	1.00	648,009	-	(50,085)	-	-	597,924
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	-	-	-	-	545,500
21/05/2008	30/08/2011	1.32	559,000	-	-	-	-	559,000
Total			**2,946,208**	**-**	**(100,186)**	**-**	**-**	**2,846,022**
Weighted average exercise price			1.09		1.00			1.09

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).

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

	Options with TSR hurdles		Options without TSR hurdles	
	2010	**2008**	**2010**	**2008**
Fair value of share options and assumptions				
Fair value of options granted 21/05/2008	-	$0.17	-	$0.20
Fair value at grant date Options vesting 1/09/2011	$0.35	-	$0.4276	-
Fair value at grant date Options vesting 1/09/2012	$0.35	-	$0.4521	-
Fair value at grant date Options vesting 1/09/2013	$0.35	-	$0.4643	-
Share price	$0.965	1.00	$0.965	1.00
Exercise price	$0.88	1.00	$0.88	1.00
Expected volatility (weighted average volatility)	77%	40%	77%	40%
Option life (expected weighted average life)	2 years	2.25 years	2 years	2.25 years
Expected dividends	5%	5%	5%	5%
Risk-free interest rate (based on government bonds)	5.18%	6.94%	5.18%	6.94%

The expected price volatility is based on the historic volatility since listing to January 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	**2010 $'000**	**2009 $'000**
Options issued under employee option plan	276	271
Shares issued under employee share scheme	-	-
	276	271

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

28. Parent Entity Disclosures

As at and throughout the financial year ending 30 June 2010 the parent entity of the Group was Runge Limited.

Summary financial information

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

	2010 $'000	2009 $'000
Profit/(loss)	1,912	6,131
Total comprehensive income	1,912	6,131
Financial position		
Current assets	32,314	17,544
Total assets	79,543	62,567
Current liabilities	24,648	14,891
Total liabilities	39,725	20,011
Net assets	39,818	42,556
Issued capital	39,403	39,385
Reserves	10	(314)
Retained profits	405	3,485
Total Shareholders' equity	39,818	42,556
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 at 30 June 2010 or 30 June 2009. 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 opinion of the Directors of Runge Limited:

a) the accompanying financial statements and notes are in accordance with the *Corporations Act 2001*, including:

   i) complying with Accounting Standards (including the Australian Accounting Interpretations)and the *Corporations Regulations 2001*; and

   ii) giving a true and fair view of the Company's and the Consolidated entity's financial position at as 30 June 2010 and of their performance for the year ended on that date;

b) at the date of this declaration 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

c) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

VGauci

Vince Gauci,
Chairman

Brisbane

Dated this 27th day of August 2010

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 2010, and the statement of comprehensive income, statement of changes in equity and consolidated cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statement*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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*.

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

PKF | ABN 83 236 985 726

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

GPO Box 1078 | Brisbane | Queensland 4001

PKF

Chartered Accountants
& Business Advisers

Auditor's 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 group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter Regarding Litigation

Without qualification to the opinion expressed above, we draw attention to Note 23 to the financial statements. A controlled entity of Runge Limited, Runge Inc trading as PAH, was named as the defendant in a lawsuit of a United States District Court which has granted in favour of PAH and against the plaintiff Standard Bank. The claim alleged that PAH was negligent in preparing certain reports and sought an unspecified amount in damages. Standard bank has lodged a notice of appeal against the decision. Five million ordinary shares in the company were issued to a trust prior to the IPO of Runge Limited. The company may require, for any purpose, all or part of the shares to be sold in certain circumstances that relate to the outcome of the claim. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result and no accrual for any possible reimbursement that may be received has been made in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 33 of the Directors' report for the period ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Runge Limited for the period ended 30 June 2010, complies with section 300A of the *Corporations Acts 2001*.

PKF

PKF

Albert Loots
Partner

Dated this 27th day of August 2010

Brisbane

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 Managing Director and senior executives has been assessed this year in accordance with the process adopted by the Board. 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
A Kinnane	Managing Director	June 1991
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.

CORPORATE GOVERNANCE STATEMENT

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 2.1. 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 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 26.

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, and at least four times per year. Attendance at Audit and Risk Committee meetings is set out in the Directors' Report. The Audit and Risk Committee met five 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.

CORPORATE GOVERNANCE STATEMENT

Principle 7: Recognise and Manage Risk

As disclosed in previous financial reports, the Board instructed the Group General Counsel to conduct a review of the previously adopted Risk Management Policy and the group's risk management systems. The Group General Counsel, working with an external enterprise risk management expert, completed this review and delivered to the Board a draft new 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. After reviewing the draft policy manual, the Board established a Board Sub-committee to work with management to finalise the enterprise risk management policy manual. The Sub-committee completed its work and submitted a revised policy manual to the full Board for their consideration, and the Board adopted this revised policy in August 2010 (the adopted policy manual, the ERM Policy).

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

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

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

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

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

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

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

The Board has received declarations from the Managing Director and Acting CFO pursuant to s295A of the *Corporations Act* which state that the financial statements are founded on sound risk management and internal controls and that the system is operating effectively in all material respects in relation to financial reporting risks.

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

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

Principle 8: Remunerate Fairly and Responsibly

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

Mr Neil Hatherly	Committee Chairman (independent)
Mr Vince Gauci	Board Chairman (independent)
Mr Tony Kinnane	Managing Director

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 31 July 2010.

A. Distribution of Equity Securities

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

	Ordinary Shares	Options
1 – 1,000	84	25
1,001 – 5,000	495	139
5,001 – 10,000	371	1
10,001 – 100,000	599	22
100,001 – and over	102	15
	1,651	202

The number of shareholdings held in less than marketable parcels of 1,205 shares is 104.

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
National Nominees Limited	11,573,451	9.33
J P Morgan Nominees Australia Limited	9,487,129	7.65
Mr A Kinnane and Mrs P Kinnane atf A & P Kinnane S/F A/c	8,298,442	6.69
RS Company Pty Ltd	5,000,000	4.03
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	2,940,000	2.37
Anajam Pty Ltd	1,723,544	1.39
ACN 065903335 Pty Ltd	1,495,246	1.21
Mr John Francis Buffington	1,317,127	1.06
Mr Anthony Kinnane + Mrs Paula Kinnane	1,287,282	1.04
Mrs Tracy Anne Rowlands	1,250,705	1.01
Mr Andre Joan Phillips	1,246,508	1.00
Chrysalis Investments Pty Ltd	1,173,504	0.95
Citicorp Nominees Pty Limited <Cwlth Bank Off Super A/c>	1,171,947	0.94
Mrs Donna Margaret Luxton	1,112,825	0.90
Mr Russell Stevens Rogers	1,036,412	0.84
Mr Olaf Wyberneit	958,336	0.77
	76,810,658	**61.90**

Unquoted equity securities

3,693,073 options over unissued shares: for further details see note 28.

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
Acorn Capital Limited	14,467,952	11.66
Mr and Mrs A Kinnane	10,121,171	8.16
Aviva Investors Australia Limited	8,767,940	7.07

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

CORPORATE DIRECTORY

DIRECTORS

Vince Gauci
Chairman

Anthony Kinnane
Managing Director

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

Telephone: +61 7 3100 7200

Facsimile: +61 7 3100 7297

Website: www.runge.com

Email: companysecretary@runge.com.au

AUDITOR

PKF

Level 6, 10 Eagle Street

Brisbane QLD 4000

SHARE REGISTRY

Computershare Investment Services Pty Ltd

Level 19, 307 Queen Street

Brisbane QLD 4000

Telephone: 1300 552 270 (within Australia)

Telephone: +613 9415 4000 (outside Australia)

STOCK EXCHANGE LISTING

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

runge