

Appendix 4E
RUN CORP LIMITED
ABN: 15 111 764 437
ASX PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010
RESULTS FOR ANNOUNCEMENT TO THE MARKET
AND LODGED WITH THE AUSTRALIAN STOCK EXCHANGE
UNDER LISTING RULE 4.3A

	2010 A\$'000	2009 A\$'000	(% Change)
Revenue	25,500	24,744	3% improvement
Earnings Before Interest, Tax, Depreciation and Amortisation	4,231	2,605	62% improvement
Profit / (loss) attributable to members of RUN Corp Limited	(3,821)	(4,793)	(20%) improvement
Profit/(loss) from ordinary activities after tax attributable to members	(3,821)	(4,793)	(20%) improvement
– Basic Earnings per share	(0.04)	(0.07)	
– Diluted Earnings per share	(0.04)	(0.07)	

Dividends	Amount per security	Franked Amount per security
Final dividend proposed	\$nil	\$nil
Interim dividend proposed	\$nil	\$nil
No dividends were paid or declared during the current period		
No dividends were paid subsequent to the balance date		
Record date for determining entitlements to the final dividend		N/A
Brief explanation of any of the figures above which is necessary to enable the figures to be understood.		
Refer accompanying media release		

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	CONSOLIDATED	
		June 2010 \$'000	June 2009 \$'000
Revenue	2.1(a)	25,500	24,744
Total revenue and other income		25,500	24,744
Advertising and promotion		(789)	(1,073)
IT & Telecommunications		(960)	(929)
Professional fees and legal costs		(419)	(921)
Litigation funding		-	(100)
Employee benefits expense	2.2(a)	(14,509)	(14,883)
Agency related fees		(218)	(214)
Other expenses		(1,986)	(1,739)
Rent		(1,501)	(1,521)
Printing, stationery and postage		(806)	(658)
Depreciation expense		(587)	(574)
Amortisation expense	2.2(b)	(5,702)	(5,540)
Finance costs	2.2(c)	(3,569)	(3,136)
Total expenses		(31,046)	(31,288)
Profit / (loss) before income tax		(5,546)	(6,544)
Income tax benefit/(expense)		1,725	1,751
Profit / (loss) attributable to members of RUN Corp Limited		(3,821)	(4,793)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income / (loss)		(3,821)	(4,793)

BALANCE SHEET

AS AT 30 JUNE 2010

	NOTE	CONSOLIDATED	
		June 2010 \$'000	June 2009 \$'000
CURRENT ASSETS			
Cash and cash equivalents	4.2	1,723	3,114
Receivables and other assets	3.1(a)	1,175	790
TOTAL CURRENT ASSETS		2,898	3,904
NON CURRENT ASSETS			
Property, plant and equipment		822	932
Intangible assets	3.1(b)	44,816	49,832
TOTAL NON CURRENT ASSETS		45,638	50,764
TOTAL ASSETS		48,536	54,668
CURRENT LIABILITIES			
Payables		1,893	1,461
Interest payable on converting notes	3.1(c)	–	394
Interest bearing liabilities	3.1 (d)	–	1,006
Provisions		1,296	1,777
TOTAL CURRENT LIABILITIES		3,189	4,638
NON CURRENT LIABILITIES			
Interest bearing liabilities	3.1 (d)	35,700	35,883
Deferred tax liabilities		1,243	2,968
Provisions		416	258
TOTAL NON CURRENT LIABILITIES		37,359	39,109
TOTAL LIABILITIES		40,548	43,747
NET ASSETS		7,988	10,921
EQUITY			
Contributed equity		57,171	54,017
Converting notes	3.1(e)	–	2,208
Share based payment reserve		146	204
Accumulated losses		(49,329)	(45,508)
TOTAL EQUITY		7,988	10,921

NOTE:

The excess of current liabilities over current assets reflects the nature of RUN's ongoing business and is supported by RUN's operating cashflow generation and banking facilities.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	CONSOLIDATED	
		June 2010 \$'000	June 2009 \$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		25,129	24,846
Cash payments to suppliers and employees		(20,780)	(21,394)
Interest received		81	102
Interest paid		(3,448)	(3,271)
Net cash inflow from operating activities	4.1	982	283
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property referrals		(241)	(106)
Payments for property, plant and equipment		(423)	(114)
Payments for software development costs		(445)	(577)
Net cash outflow from investing activities		(1,109)	(797)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds/(Repayment) of Commercial Bills		(1,250)	1,000
Repayments of hire purchases		(6)	(9)
Transaction costs		(8)	-
Net cash inflow/(outflow) from financing activities		(1,264)	991
Net increase/(decrease) in cash and cash equivalents		(1,391)	477
Cash and cash equivalents at the beginning of the year		3,114	2,637
Cash and cash equivalents at the end of the year	4.2	1,723	3,114

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Issued Capital \$'000	Accumulated losses \$'000	Reserves		Total Equity \$'000
			Converting Notes \$'000	Share Based Payment \$'000	
At at 1 July 2008	44,351	(40,733)	10,880	135	14,633
Loss for the period	–	(4,793)	–	–	(4,793)
Contribution of equity via shares issued	151	–	–	–	151
Transfer of vested share based payments	–	–	–	(95)	(95)
Executive share based payments	–	–	–	182	182
Cancellation of Elders' Converting notes	10,000	–	(10,000)	–	–
Transfer of ineligible Share options to Accumulated losses	–	18	–	(18)	–
Transfer of transaction costs	(485)	–	485	–	–
Interest on Converting notes payable in shares	–	–	(201)	–	(201)
Adjustment to converting note interest, including Elders adjustment on cancelled notes	–	–	1,044	–	1,044
At 30 June 2009	54,017	(45,508)	2,208	204	10,921
At at 1 July 2009	54,017	(45,508)	2,208	204	10,921
Loss for the period	–	(3,821)	–	–	(3,821)
Contribution of equity via shares issued	2,602	–	(2,602)	–	–
Transfer of vested share based payments	–	–	–	(204)	(204)
Executive share based payments	560	–	–	146	706
Transfer of transaction costs	(8)	–	–	–	(8)
Interest on Converting notes payable in shares	–	–	394	–	394
At 30 June 2010	57,171	(49,329)	–	146	7,988

1 Going Concern Basis Of Accounting

The financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity (the 'entity') incurred a loss of \$3.8 million for the year ended 30 June 2010.

The banking covenants are adjusted on an annual basis. The Company was not in breach of any banking covenants during the year or as at 30 June 2010 and is finalising covenants for the 2011 financial year.

The multi option facility of \$35.75 million expires in August 2012. Under this agreement, future capital raised is to be applied to the reduction of the facility, at the Bank's absolute discretion.

At the discretion of the Bank 75% of the free cash flow over and above the free cash flow forecast in the current budget is to be applied to reduce the total amount owing.

Each year the Bank will review the contents of each budget provided and the terms of the repayment from free cash flow may be adjusted.

The ability of the entity to continue as a going concern is dependent on its funding from operational cash flows and the ongoing support of its banker. Without such support there would be inherent uncertainty as to the going concern of the entity and therefore whether it will be able to realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report. The directors have satisfied themselves that the continued application of the going concern basis is appropriate due to the following factors:

- The company has significantly reduced its cost base and has stabilised property management annuity income. With the additional income expected from RUN'S Agentplus' platform and property sales initiatives, the company is targeting further improvement in operating cash flows.
- The company continues to explore a number of strategic options for reducing its debt levels. These options will be subject to the approval of the company's banker. The Directors are currently of the opinion that the company will be able to develop and implement strategic options that will meet bank approval.

2 Segment Information

The following table presents revenue and profit information for reportable segments for the years ended 30 June 2010 and 30 June 2009.

	Property Management - Victoria \$'000	Property Management - NSW \$'000	Property Management - Queensland \$'000	AgentPlus \$'000	Total \$'000
Year ended 30 June 2010					
Revenue					
Sales to external customers	11,086	9,533	3,673	1,126	25,419
Inter-segment sales	-	-	-	1,912	1,912
Total segment revenue	11,086	9,533	3,673	3,038	27,331
Other revenue					-
Inter-segment elimination					(1,912)
Total revenue per the statement of comprehensive income (excluding interest income)					25,419

	Property Management - Victoria \$'000	Property Management - NSW \$'000	Property Management - Queensland \$'000	AgentPlus \$'000	Total \$'000
Result					
Total income net of direct costs	2,984	2,743	632	212	6,571
Amortisation	(2,208)	(2,423)	(621)	(450)	(5,702)
Taxation benefit	662	727	186	-	1,575
Segment result	1,438	1,047	197	(238)	2,444

Reconciliation of segment net (loss) after tax to net (loss) before tax

Income tax adjustments					(1,575)
Corporate charges					(2,340)
Other revenue					-
Net Finance costs					(3,488)
Depreciation					(587)
Net loss before tax per the statement of comprehensive income					(5,546)

2 Segment Information (Continued)

	Property Management - Victoria \$'000	Property Management - NSW \$'000	Property Management - Queensland \$'000	AgentPlus \$'000	Total \$'000
Year ended 30 June 2009					
Revenue					
Sales to external customers	10,721	9,740	3,680	501	24,642
Inter-segment sales	-	-	-	1,974	1,974
Total segment revenue	10,721	9,740	3,680	2,475	26,616
Other revenue					-
Inter-segment elimination					(1,974)
Total revenue per the statement of comprehensive income (excluding interest income)					24,642

	Property Management - Victoria \$'000	Property Management - NSW \$'000	Property Management - Queensland \$'000	AgentPlus \$'000	Total \$'000
Result					
Total income net of direct costs	2,896	2,734	497	(187)	5,940
Amortisation	(2,032)	(2,463)	(622)	(423)	(5,540)
Taxation benefit	610	739	187	-	1,535
Segment result	1,474	1,010	62	(610)	1,935

Reconciliation of segment net (loss) after tax to net (loss) before tax

Income tax adjustments					(1,536)
Corporate charges					(3,336)
Other revenue					-
Net Finance costs					(3,034)
Depreciation					(574)
Net loss before tax per the statement of comprehensive income					(6,544)

CONSOLIDATED

	June 2010	June 2009
	\$'000	\$'000

2.1 Revenues**(a) Revenue**

Property management commission fees	18,386	18,494
Letting fees	3,043	2,952
Statement fees	567	570
Sales commissions	1,397	990
Agentplus revenue	1,126	501
Other revenue	900	1,135
Interest income	81	102
Total revenue	25,500	24,744

2.2 Expenses**(a) Employee benefits expense**

Wages and salaries	12,260	12,702
Share payment expense	154	182
Defined contributions superannuation expense	1,053	1,036
Annual & Long service leave provision	24	74
Other employment related costs	1,018	889
	14,509	14,883

(b) Amortisation of intangibles

Amortisation of property management rights	5,252	5,117
Amortisation of software development	450	423
	5,702	5,540

(c) Finance costs

Commercial bills	3,411	2,888
Other interest expense	77	171
Amortisation of establishment fees	81	77
	3,569	3,136

	CONSOLIDATED	
	June 2010	June 2009
	\$'000	\$'000
3.1(a) Receivables And Other Assets		
Trade Receivables	329	39
Provision for doubtful debts	(34)	(13)
Interest prepayment	519	497
Prepayments	298	245
Other receivables	63	22
Total receivables	1,175	790

3.1(b) Intangibles Note

Identifiable Intangible - Property management rights

Cost	28,891	28,650
Accumulated amortisation	(21,465)	(16,213)
	7,426	12,437

Computer Software

Cost	2,909	2,464
Accumulated amortisation	(1,914)	(1,464)
	995	1,000
	8,421	13,437

Goodwill associated with property management rights

Cost	53,294	53,294
Provision for impairment	(16,899)	(16,899)
	36,395	36,395
Total	44,816	49,832

In accordance with group policy and the requirements of Australian Equivalents to International financial reporting standards the carrying value of the property management rights, both the identifiable intangible and the goodwill associated with property management rights have been assessed for impairment.

In line with previous reporting periods, goodwill and intangible assets relating to property management rights acquired through business combinations are managed on a state by state basis.

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

The range of multiples per state, used in the assessment of fair values are as follows:

VIC	3.0 - 3.5
NSW	3.0 - 3.6
QLD	2.7 - 3.0

Based on the above multiples, the value of the RUN rent roll has been calculated at \$62 million compared to a carrying value of \$43.8 million.

Disposal costs are estimated to be 1% of the assessed fair value.

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

Based on this analysis, the directors believe that the fair value of the intangible assets exceeds the carrying value, with no adjustment needed.

CONSOLIDATED

	June 2010 \$'000	June 2009 \$'000
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3.1(c) Interest payable on converting notes

Interest payable on converting notes issued to Rentamobile Pty Ltd and NCN Investments Pty Ltd

	–	394
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3.1(d) Interest Bearing Liabilities**CURRENT**

Commercial Bills	–	1,000
Hire purchase liability	–	6
	–	1,006

NON CURRENT

Commercial Bills	35,750	36,000
Capitalised borrowing costs	(50)	(117)
	35,700	35,883

Security for the Group's facilities with National Australia Bank comprises registered mortgage debentures over all Group assets, an Interlocking Guarantee and Indemnity given by all Group entities.

The Company has complied with its covenants in relation to the commercial bill facility for the year ended 30 June 2010.

As at 30 June 2010, the financial covenants that were in effect were:

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

Under the terms of the commercial bill facility agreements, the thresholds required to be met for periods subsequent to 1 July 2010 under these covenants are subject to determination by the National Australia Bank.

Under the terms of the commercial bill facility, the facility expires in August 2012 with amortisation of the facility via:

- A capital clause whereby any proceeds of any further capital raising are to be applied to the reduction of the multi option facility; and
- A Prepayment clause whereby 75% of the free cash flow over and above the free cash flow forecast in the current budget is to be applied to reduction of the total amount owing.
- Each year the Bank will review the contents of each budget provided and the terms of the repayment from free cash flow may be adjusted.

The Company previously fixed the rate on \$10 million of debt at the rate of 6.92% until October 2011 and \$10 million at 6.92% until July 2012 (total \$20 million fixed).

	CONSOLIDATED	
	June 2010	June 2009
	\$'000	\$'000
3.1(e) Converting Notes		
Rentamobile and NCN Investments Pty Ltd	–	2,602
Interest payable on converting notes	–	(394)
	–	2,208

A total of 28,868,709 shares were issued to Rentamobile Pty Ltd and NCN Investments Pty Ltd on 31 August 2009 in settlement of the converting notes issued in August 2007.

Key terms of the converting notes issued to Rentamobile Pty Ltd and NCN Investments Pty Ltd were:

- The notes converted in RUN at anytime up to 31 August 2009;
- Interest accumulated on the face value of the unconverted notes at a rate of 7.0% per annum (compounding daily); and
- Accumulated interest was satisfied by the issue of RUN ordinary shares at \$0.15 each.

	CONSOLIDATED	
	June 2010	June 2009
	\$'000	\$'000

4.1 Reconciliation of loss from continuing activities after income tax to net cash inflow/(outflow) from operating activities

Operating loss after income tax	(3,821)	(4,793)
Add/(Less) non cash items		
Depreciation	587	574
Amortisation	5,702	5,540
Share based payments	154	182
Non cash interest charges	67	246
Bonuses paid via share issue	348	-
Non cash addition for make good asset	(54)	-
Changes in assets/liabilities during the financial year		
(Increase)/Decrease in debtors	(269)	203
(Increase)/Decrease in prepayments	(75)	(374)
(Increase)/Decrease in sundry debtors	(41)	8
Increase/(Decrease) in provisions	(323)	954
Increase/(Decrease) in payables	432	(506)
Increase/(Decrease) in deferred tax liabilities	(1,725)	(1,751)
Net cash inflow/(outflow) from operating activities	982	283

CONSOLIDATED

	June 2010 \$'000	June 2009 \$'000
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4.2 Reconciliation of cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June 2010:

Cash at bank	1,723	3,114
	1,723	3,114

4.3 Facilities available

Total facilities at reporting date

– bank loans	35,750	38,500
– other facilities	570	570
	36,320	39,070

Facilities used at reporting date

– bank loans	35,750	37,000
– other facilities	262	263
	36,012	37,263

Facilities unused at reporting date

– bank loans	–	1,500
– other facilities	308	307
	308	1,807

The multi option facility of \$35.75 million expires in August 2012

5. Dividends

No dividends were declared or paid during the current period

6. Dividend Reinvestment Plan

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

7. Consolidated retained profits / (accumulated losses)

Accumulated losses at the beginning of the period	(45,508)	(40,733)
Net loss attributable to members of the entity	(3,821)	(4,793)
Cancellation of share options transferred from share based payment reserve	–	18
Accumulated losses at the end of the period	(49,329)	(45,508)

	Current Period	Previous Period
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8. Net Tangible Asset backing

Net tangible asset backing per ordinary security (cents)	(32.2) cents	(54.6) cents
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9. Control gained over entities

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

10. Details of associates and joint ventures

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

11. Significant information

Refer accompanying press release

12. Foreign entities

N/A to the Entity

13. Commentary on results of the period

	Current Period (cents)	Previous Period (cents)
13.1 The earnings per security and the nature of any dilution aspects.		
Earnings per share - basic	(0.04)	(0.07)
Earnings per share - diluted	(0.04)	(0.07)

13.2 Returns to shareholders including distributions and buy backs.

N/A to the Entity

13.3 Significant features of operating performance

Refer accompanying media release

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

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

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

- property management and associated activities
- Agentplus

The property management business is assessed on a state basis and includes an allocation of sales revenue.

13.5 A discussion of trends in performance

Refer media release

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

Refer media release

14. This report is based on accounts to which one of the following applies: (Tick one)

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

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

N/A

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

N/A

Sign here:



Date: 26 August 2010

Print Name:

Company Secretary
Jeff Stein