



2010 annual report



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Dear Shareholders,

Highlights of the 12 months to 30 June 2010 included the successful launch of NearMap and substantial progress in the Company's Assertion programs. The acquisition of NearMap has significantly changed the nature of ipernica reflecting an annuity style business delivering regular revenue to complement the Assertion business which is more characterised by large but less regular revenue streams.



In the recent challenging and demanding economic climate, the Company has been very focussed on ensuring that it is in a sound financial position so that it could both weather the storm and be well placed to prosper when recovery occurs. We have achieved this without the need for a further dilutive capital raising. The year end cash at bank of \$10.5 million and reduction in the cash burn rate further reflects this sound financial management.

With the increasing significance to ipernica of the NearMap business, Stuart Nixon, founder of NearMap and a substantial shareholder of ipernica, joined the ipernica Board post year end. Stuart brings many years of international experience to the Board as well as a deep understanding of innovation which complements ipernica's focus on intellectual property rights. As the inventor of the NearMap technology, Stuart remains the technology visionary for NearMap and will continue to drive NearMap's innovation and competitive advantage. Stuart is a world leading innovator and we look forward to his ongoing contribution to NearMap and also strategically at the ipernica Board level.

With the successful launch of NearMap in November 2009, and subsequent validation of the business model through government sales, the Board appointed Simon Crowther as Chief Executive Officer of NearMap (post year end) to support its next stage of growth. Simon brings the right mix of sales, media and international skills and experience that will enable NearMap to continue to deliver core revenue from government agencies, expand into the European market and monetise NearMap's value in the media market.

The ipernica Board welcomes both Stuart and Simon to their respective roles, and we are confident that they will both make substantial contributions to the Company as it moves towards sustainable revenue and growing profitability, the objective the Board set itself with the acquisition of NearMap in late 2008.

During the year, Dr Mary O'Kane retired from the ipernica Board due to an ever increasing level of commitments, including her roles as Chief Scientist of NSW and as Chairperson of the Australian Centre for Renewable Energy which has oversight of a \$652 million Renewable Energy Future Fund. I take this opportunity to thank Mary for her substantial contribution to ipernica over the last six years.

In conclusion, I would like to thank my fellow Directors, the management team and our strategic partners for contributing to the performance of the Company during the year and I look forward to a rewarding year ahead.



Ross Norgard
Chairman
Perth
24 September 2010

ipernica's vision is leadership in the growing Asia Pacific market for the commercialisation of intellectual property ("IP") rights.



Our Vision

IP Partner of choice in Asia Pacific



ipernica's strategy involves partnering with owners of valuable intellectual assets to assist them to develop and pursue the most effective strategies to generate revenue on a global basis. We also apply similar strategies to our own intellectual assets.

ipernica's goal is to build a sustainable and consistently profitable business and with the successful launch during the year of NearMap, it is well on its way to achieving this.

Highlights of the 12 months to 30 June 2010 included:

- Successful launch of NearMap including \$2.3 million in first 6 months sales;
- Revenue of \$1.5 million;
- Cash at bank of \$10.5 million;
- Substantial progress in IP Assertion programs;
- No dilutive capital raising during global financial crisis;
- Cash burn rate significantly reduced.

ipernica's specific goals for the year were threefold:

- leverage the balance sheet to build a platform for sustainable profitable growth;
- further broaden the IP portfolio while continuing to realise revenue from the existing portfolio; and
- control costs in light of the economic downturn.

It is pleasing to report that we achieved all three of these goals with the successful launch of the NearMap business, continued revenue generation from Assertion licensing, the development of additional IP assertion programs and cost control.

NearMap

In November 2008, ipernica acquired a 100% equity interest in NearMap, with the objective of delivering sustainable revenue and profit. NearMap is a PhotoMap media company, which now regularly covers 75% of the Australian population with high resolution PhotoMaps, with 60% of the coverage monthly. This is an extraordinary

achievement. While building its media market opportunities, the Company generates core revenue through licensing its PhotoMaps to government agencies, with initial orders of \$2.3 million from 28 customers confirming the value proposition to all three tiers of government. NearMap's competitive advantage is frequently updated PhotoMaps and Terrain maps of very high resolution, and we have seen considerable interest in this from multiple sectors.

Assertion Licensing

Performance highlights for the year included \$575,000 in revenue generated from the Stat Mux program and progress in all programs. ipernica's IP Assertion business includes a portfolio of IP programs that represent significant potential revenue to the Company, particularly the Oracle and Stat Mux programs. The IP Assertion business previously delivered \$65 million in revenue and \$19 million in after – tax profit cumulatively in 2007 and 2008. During the year, a number of new patent programs under development progressed with the aim now of securing external funding in the US and therefore broadening the existing portfolio.

Outlook

Following its outstanding performance in the 2007 and 2008 financial years, ipernica has consolidated its position during the economic downturn, exercising cost restraint and avoiding any dilutive capital raising during the global financial crisis. The Company has now positioned itself for sustainable revenue and profit growth.

ipernica remains focused on delivering shareholder value through:

- maximising the returns from NearMap;
- maximising returns from the current Assertion programs and bringing new programs online during the year; and
- continuing to exercise cost restraint.

ipernica had \$10.5 million cash at bank at financial year end and with the growth in annual subscription sales at NearMap, is moving towards being cash flow positive.

I am pleased with the 2010 Company performance and I look forward to strong results in the coming years.



Graham Griffiths
Managing Director
24 September 2010

NearMap

NearMap regularly covers 75% of Australia's population, including 60% every month.



NearMap creates very high resolution PhotoMaps, updating capital cities every month and large cities and towns every quarter.



*NearMap
TimeView:
Changes in
water level
and
feedstock
around a
regional
dam*

NearMap's TimeView feature enables users to see how the natural and built environment changes over time.

NearMap Business Model

NearMap has a two-part revenue strategy:

- Core revenue through licensing to government agencies
- Online media market revenue through map-located advertising and media partnerships

In addition, NearMap has been approached by commercial entities interested in PhotoMaps and Terrain maps for both cities and areas not already covered. The Company has added an "On Request" pricing structure to address this commercial interest.

Finally, NearMap is also working on a number of large projects, potentially covering entire States on a regular basis. While these projects are by nature speculative, if one or more proceed these projects would have a profound impact on the Company's future revenue and media market presence. NearMap is also seeing increasing interest by commercial groups looking to support these all-of-State PhotoMap initiatives, given the value such a smart infrastructure layer would provide for mining, petroleum and gas, environmental, farming, pastoral and other applications.

Government Market

NearMap derives annual subscription revenues from licensing its very high resolution PhotoMaps to government agencies (and larger non media commercial users). Since product launch in mid November 2009 and hiring and training of sales staff, the Company generated \$2.3 million of sales from 28 customers to 30 June 2010. While this represents a limited amount of time, initial results are encouraging. Sales accelerated in the last quarter as the value provided by NearMap became more widely understood by the target market and customers progressed through their budgeting and decision making process. The majority of licenses are expected to be renewed annually and therefore be recurring revenue.

The market for sales to government agencies is significant, ensuring cash flow while NearMap builds up a media market presence. The annual addressable market in Australian government alone is \$56 million, with the annual European government market of \$1 billion and the annual global government market of \$2.8 billion.

NearMap has constructed its licensing model so that it is able to be easily replicated in other countries. NearMap expects to eventually cover 20% of the world's population in 700 cities across the world, and is currently investigating international expansion opportunities.

Commercial Market

Commercial entities can use NearMap PhotoMaps for free, so long as the use is not material, not excessive, not competitive and not for their government agency clients.

As a result, NearMap has enjoyed a tremendous rate of take-up and is being used extensively by architectural, surveying, environmental, engineering, transport, mining, project management, agricultural and land development companies. While not a direct revenue source, substantial goodwill is building up with these companies. In addition, they often promote NearMap's capabilities and value to their government clients, increasing our penetration into that market.

Media Market

In the longer term, NearMap aims to build a significantly larger revenue stream by monetising the web traffic generated by millions of users of the Company's PhotoMaps.

NearMap's media market opportunity is substantially larger than the government market. To support NearMap's media market strategy, it recently appointed a senior media industry executive, Simon Crowther, to lead NearMap and drive the growth in media revenues and international expansion.

As consumers have increasingly turned to digital platforms for their entertainment and media needs, there has been a dramatic and ongoing global shift in advertising spend away from traditional media, such as newspapers, towards new media. Recent figures released by the Interactive Advertising Bureau ("IAB") show Australian companies spent \$2.04 billion on online ads during 2010 financial year, up 13% from the previous year. The online classified ads category increased by 8.9% to \$470 million. This growth reflects increased online consumption, explosive growth in the use of social media and online video content and advertising, and improved online audience measurement.

PricewaterhouseCoopers, which compiles the IAB revenue numbers, said that the Australian online ad market would record a compound growth rate of 15.4% over the next five years, hitting \$3.85 billion in 2014. NearMap is well positioned to exploit this substantial opportunity through multiple opportunities in the online media market.

Milestones

NearMap achieved a number of major milestones during the year:

- Completed core technology development
- Launched web portal delivering world first monthly cities PhotoMaps
- Demonstrated production level ability to capture and serve cities on a monthly basis (with high availability and fast response times)
- Set up sales team and related infrastructure
- Generated \$2.3 million of sales from 28 customers (up to 30 June 2010) with proven value to core government market
- Now regularly covering 75% of Australia's population with PhotoMaps

Furthermore, the following major activities are in progress:

- Building consistent cash flow positive sales from government licenses
- Adding media market and 3D functionality to web portal
- Developing value for all-of-State or all-of-country large projects

Future

- Expansion into Europe, covering up to a further 250 cities
- Build media market presence

Competitive Advantage

NearMap is the only company in the world that can:

- Offer monthly PhotoMap updates of capital cities
- Make PhotoMaps available for use within days of being flown
- Enable users to observe change over time
- Provide multiple types of PhotoMaps and Terrain maps as part of the licence
- Achieve high precision and accuracy in even the most remote areas
- Deliver all this at a fraction of the cost of other providers

Incredible detail – NearMap reduces the need for onsite inspection in a range of applications, delivering cost savings and immediate return on investment.

Know what's happening on the ground now – NearMap's PhotoMaps of capital cities are only weeks old and large cities and towns are updated every quarter, enabling informed and timely decision making.

Watch your world change – No other company in the world offers the TimeView feature, a timeline of PhotoMaps that show how the landscape is changing over time.

Use multiple map types – As well as overhead PhotoMaps, NearMap also provides MultiView (oblique) PhotoMaps and Terrain maps.



NearMap TimeView: Construction site, Fiona Stanley Hospital, Perth, Western Australia

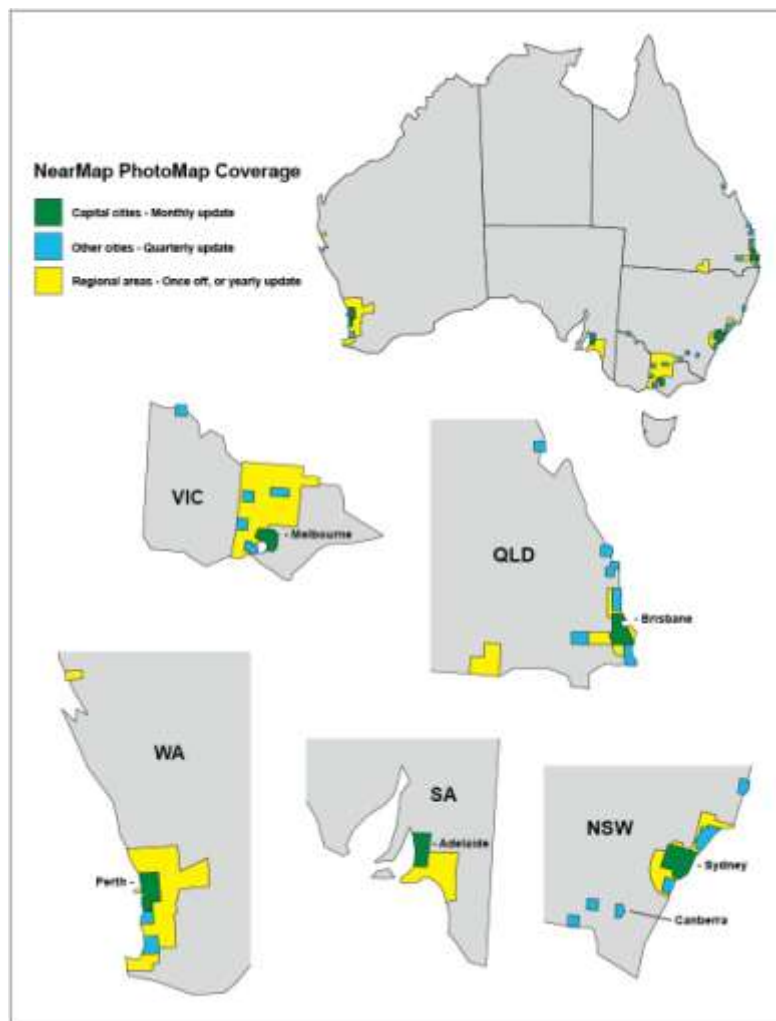


Comparison of PhotoMap from NearMap and Google Maps of the new Go Between bridge in Brisbane

Coverage

NearMap's goal is to cover over 20% of the world's population in 700 cities with PhotoMaps updated on a monthly basis.

With more than 75% of Australia's population covered regularly, including 60% updated every month, NearMap has current and changing PhotoMaps for most of Australia's large cities and towns. The following diagram highlights NearMap's Australian coverage at year end with up to date information on current coverage available at: www.nearmap.com/products/PhotoMap-coverage.



NearMap also now has street mapping for the entire world, based on free community driven (crowd sourced) data from the OpenStreetMap project.

Operationally, NearMap's business model involves:

- flying, capturing and processing aerial PhotoMaps for major cities and regional areas (today 75% of the Australian population);
- serving those PhotoMaps on the NearMap website with access for government and larger non-media commercial users available on reasonable commercial terms, and at no cost to the community and to smaller non media commercial users;

- incorporating other layers of useful information such as street maps;
- encouraging the growth of active user and developer communities by enabling them to create applications based on NearMap PhotoMaps that enhance their businesses and solve problems in their own communities; and
- generating site traffic which will enable NearMap in the longer term to build a significantly larger ongoing revenue stream through multiple media market opportunities.

Aircraft operational costs for capture of regularly updated PhotoMaps remain a small portion of NearMap's overall expenditure. Capture costs for monthly capture of over 60% of Australia's population is approximately 10% of NearMap's total expenditure, and approximately 13% for all regular (monthly and quarterly) updates covering 75% of Australia's population.

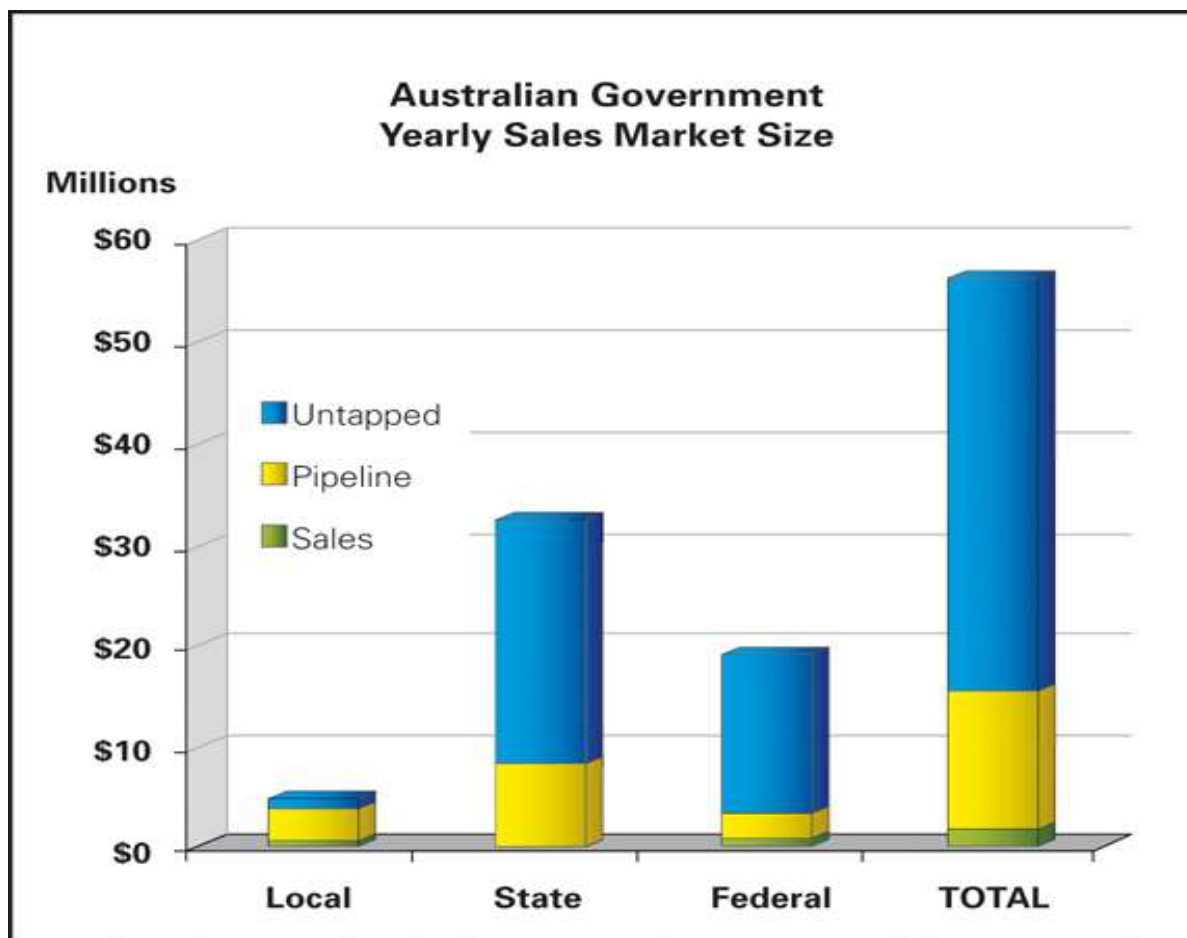
NearMap has demonstrated an operational capacity to regularly capture PhotoMaps in cities across a large continent. In addition to flying capital cities every month, NearMap has also demonstrated its ability to fly very large areas in rural Australia. Over a 40 day period, NearMap captured PhotoMaps and Terrain data for a 50,000 km² area, covering around 20% of Victoria. This knowledge and experience should not be underestimated, as the Company now regularly captures very high resolution PhotoMaps and Terrain maps at a scale of operation that is unique in the global spatial market.

This experience is useful when preparing for new markets such as Europe. Each of the Australian cities offers unique challenges. For example, Sydney has one of the worst air traffic control challenges in the world due to constantly shifting air traffic patterns to mitigate noise pollution over the city. Perth has a very large foot print due to the sprawling nature of the city, covering an area almost twice the size of London. Brisbane has constant tropical cloud, requiring quick turnaround. Melbourne has dynamic weather patterns and significant amounts of cloud that require accurate prediction of optimal flying days.

Australian Government Market

The Company's primary and unique value to government agencies is the high resolution and frequent update of its PhotoMaps and Terrain maps.

The following shows the size of the Australian government market and NearMap's initial penetration as at 30 June 2010. NearMap's actual government sales are shown in green, qualified sales prospects in the pipeline (yellow) and untapped opportunities that are yet to be approached (blue), by value.



Australian Government Market Size by Sales Value (annual)

Australian Market Size for Yearly Government Licenses

<u>Government</u>	<u>Entities</u>	<u>Market Size (p.a.)</u>
Local	194	\$ 4,850,000
State	162	\$32,400,000
Federal	19	\$19,000,000
	375	\$56,250,000

Local Government Authorities (LGAs)

LGAs represent a significant volume of sales by quantity, but a small size by dollar value. Notwithstanding, sales to LGA's provide a useful indicator for longer term sales trends.

NearMap is seeing a strong and rapid take up by LGAs across Australia. Interest and sales accelerate once sales exceed about 20% of the market size for a given State. This trend is being observed in Western Australia and Queensland, and is expected in Victoria and New South Wales within the next six months.

Of particular significance is that many sales are being driven by new applications that leverage the currency of NearMap's PhotoMaps. These regular PhotoMap updates enable groups such as compliance, environmental monitoring and asset maintenance to reduce workloads and increase efficiency.

State Government Agencies

Sales to State agencies represents the largest pipeline and untapped market opportunity for NearMap's government sales.

Early adoption of NearMap's PhotoMaps is primarily driven by agencies that have a need to track land use on a regular basis. This includes agencies with the following responsibilities:

- Main and secondary road management
- Environmental and conservation management
- Emergency and police services
- Land planning and approval

Federal Government Agencies

The sales value for Federal agencies is typically higher than for State government agencies. For example, a license for our regularly updated PhotoMaps covering over 75% of Australia's population costs a Federal agency \$1 million per year.

As a result and also because of the normal budget cycle for Federal agencies, NearMap expects that further sales to Federal agencies will start occurring in the next 6 to 12 months.

Global Market Size for Yearly Government Licences

With the scalability of NearMap's business model and technology, the global potential is extrapolated as follows:

<u>Region</u>	<u>Large cities</u>	<u>Population Per cent</u>	<u>Market Size (A\$M p.a.)</u>
Australia	5	75%	\$56
Europe	250	20%	\$1,000
Global	700	20%	\$2,800

The global government market of \$2.8 billion per year represents a substantial opportunity for NearMap. Significantly, this market is for yearly sales potential to government only, and excludes larger commercial and media related opportunities.

Pricing

NearMap's groundbreaking technology has changed the economics of creating and updating high resolution aerial PhotoMaps and Terrain maps. Sourcing these PhotoMaps from other providers would normally cost more than \$100 per square kilometre. For a fraction of this cost, NearMap offers Australia's most current overhead and oblique PhotoMaps and Terrain data and the unique ability to watch them change over time. Details of NearMap's Government pricing are available at: <http://www.nearmap.com/products/paid-government-licence>

If NearMap haven't yet captured the area a user is interested in, or its existing PhotoMaps of the area do not suit their requirements, the user can request a licence for On-Request PhotoMaps of that area. Users can select the frequency, resolution and size of the On-Request PhotoMaps, enabling them to tailor PhotoMaps to suit their particular purposes.

NearMap licenses its PhotoMaps and Terrain maps to government agencies on a per-city and per-area basis, and has used Australia to prove the revenue model and value proposition.

NearMap offers a simple licensing approach for Local, State and Federal government agencies to meet their differing needs, as shown in the following table. While Local governments have discrete areas of interest, State and Federal government agencies typically deliver services and programs to stakeholders in both city and regional areas, requiring PhotoMaps and Terrain maps for a variety of locations.

Australian Government Agency	Per year license fee options	Typical per-agency yearly licence fee
Local	\$25,000 for a Local Government Area	\$25,000
State	\$100,000 for monthly updates to a capital city area \$100,000 for all quarterly updates to regional centres in a State \$100,000 for all other existing areas in a State	\$200,000
Federal	\$100,000 for each of the five capital city areas \$100,000 for quarterly updates to regional centres in each of five States \$100,000 for all other existing areas in each of five States	\$1,000,000

Unlicensed use

As part of NearMap's revenue strategy in the online media market, NearMap's licensing model allows free use for individuals and most commercial organisations. This also removes the need to track unlicensed use from these large and often hard to identify groups. Unlicensed use by media competitors is both unlikely and highly visible, and is also not a significant issue.

Unlicensed use by government agencies *is* a serious issue, as these agencies form NearMap's core revenue stream. As there are a relatively small number of government agencies in Australia (in the thousands compared to millions of individuals or hundreds of thousands of businesses), NearMap's tracking of unlicensed use is significantly simplified.

Furthermore and importantly, government agencies have readily identifiable internet domains. For example, internet domains for Government agencies in Australia end with ".gov.au", with ".gov.uk" for UK government and with ".gov.fr" for French government agencies.

Thus NearMap is able to easily manage the process of identifying any unlicensed use by government agencies.

NearMap's parent company (ipernica) is a specialist in litigation and legal processes, and as a result there is a strong synergy between NearMap's need to reduce unlicensed use by government agencies and ipernica's ability to assist with this process.

The Company is actively working to address unlicensed use by a range of government agencies in Australia. In some cases this unlicensed use is significant, with unlicensed use by some agencies actually exceeding levels of use by our licensed government agencies. This level of use demonstrates significant value in NearMap's products for government agencies, and the Company expects to convert most unlicensed users to licensed clients.

NearMap's Technology Solution

The NearMap solution has been designed to fully automate the process of creating very high definition PhotoMaps of entire countries or continents quickly and in a cost effective fashion. The complete chain of technologies includes:

- NearMap's HyperPod aerial camera system is designed to capture PhotoMap data at a small fraction of the operating and capital costs for alternative camera systems and captures overhead and four oblique photos plus terrain data while doing so (U.S. patent pending). The HyperPod generates about 1Gigabyte of raw image data every second.
- NearMap's HyperVision PhotoMap processing solution processes individual photos into seamless PhotoMaps and runs on supercomputer clusters of hardware. It produces a complete city-wide PhotoMap within a few days, compared to six months or more with alternative solutions.
- The final technology innovation is HyperWeb, a distributed and clustered web serving solution, which simultaneously serves many terabytes of PhotoMaps to NearMap's online community.



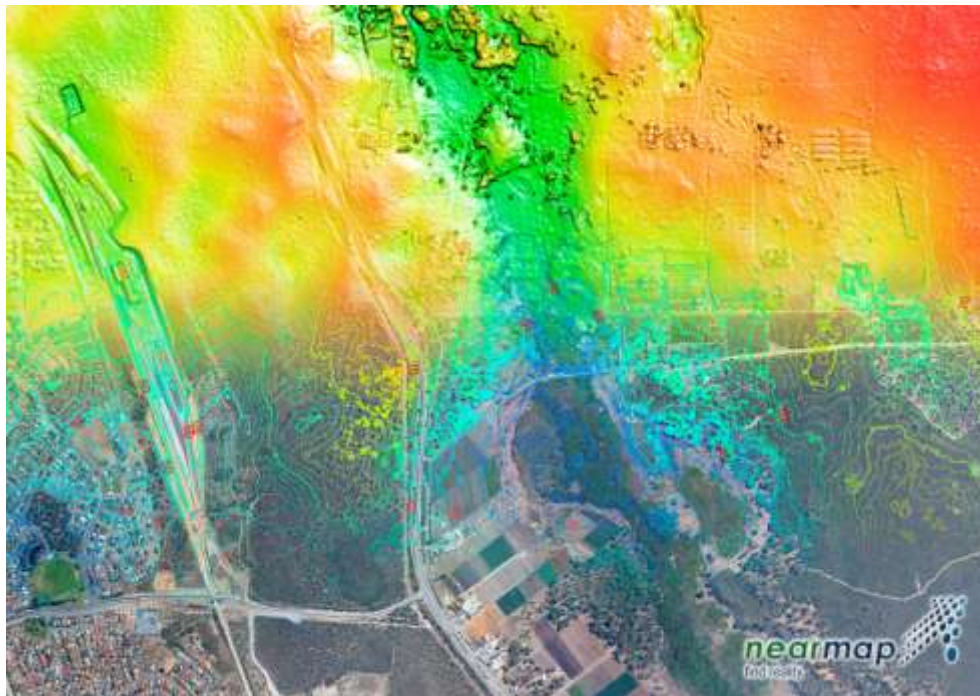
Four of NearMap's HyperPods, including one fitted to a Cessna 210 aircraft.

In combination, these and other technologies developed by NearMap have enabled the Company to frequently capture, process, store and serve PhotoMaps for 75% of the Australian population, at very high resolution. The Company continues to develop these and other technologies to ensure it maintains a technology edge over competitors.

PhotoMaps and Terrain maps are captured and processed using a single technology platform, enabling NearMap to offer three types of map information:

- Ortho-rectified PhotoMaps with a resolution between 2cm and 10cm and with a precision of 50cm RMS.
- Oblique (MultiView) PhotoMaps with four perspectives (North, South, East and West), with a resolution of 3cm to 15cm.
- Digital Terrain and Survey maps, with a 1.2m posting and 15cm vertical RMS.

NearMap's ability to capture all three of these types of data at the same time and at very high resolution and capture speed make the PhotoMaps of significant value. By comparison, alternative solutions require three different aerial capture methodologies (vertical camera system, oblique camera system and LIDAR laser based terrain capture system) to obtain similar results. NearMap is able to offer these three sets of information to clients at about 5% of the cost of existing market solutions.



A NearMap created Digital Elevation Model, superimposed on a PhotoMap to highlight terrain information

During the year, NearMap's innovative technology was recognised with a prize for Innovation in the 2009 Western Australian Information Technology and Telecommunications Awards.



NearMap Founder, Stuart Nixon, was also recognised as the winner of the Professional Eminence and Excellence in Spatial Sciences, awarded by the Western Australian Spatial Excellence Awards.

NearMap's Technology Advantage

NearMap's offering is substantially differentiated from competitors, providing many advantages over their technologies:

- NearMap's HyperPod camera system produces PhotoMaps and Terrain data with higher resolution.
- NearMap's lower unit cost of capture makes it feasible to update the PhotoMaps of capital cities every month, instead of annual updates which are currently the best the industry can offer.
- NearMap's HyperPod camera system can capture much larger areas with fewer flying hours than existing technologies, enabling PhotoMaps for whole states, countries or continents to be captured cost effectively.
- NearMap's HyperVision system uses supercomputers to fully automate the processing of PhotoMaps and Terrain data, again reducing costs and resulting in significant time savings relative to existing technologies.

In combination, these attributes make it feasible for NearMap to provide a single, uniform and consistent layer of spatial information (including overhead and oblique PhotoMaps and Terrain data) covering whole countries or continents.

NearMap's low cost of capture enables its PhotoMaps to be regularly updated, demonstrating change over time and representing a sustainable competitive advantage. NearMap's breakthrough technology enables PhotoMaps to be updated much more frequently than other providers, which can be months, if not years out of date (as shown below).



Comparison of photomaps from NearMap and Google Maps of the Perth to Bunbury Highway project

Benefits to Governments and Industry

NearMap is currently pursuing a number of proposals to state and federal government agencies that leverage NearMap's low cost of capture advantage to enable high resolution PhotoMaps to be cost effectively created for entire states or all of Australia.

As extensive users of geospatial imagery, the value for governments in NearMap's proposals lies in the opportunity to facilitate more informed decisions, improve agency productivity and to develop new applications, products and services. For example, government compliance teams in agencies find conventional PhotoMaps of limited value as they are typically a year or more out of date. NearMap's PhotoMaps, updated regularly, provide a new and rich source of information that these agencies are adopting.

In recent years, the use of mapping technologies to represent and analyse data has grown exponentially and is now considered an essential decision support tool in a wide range of industry and government contexts.

Added to this, the emergence of the internet has enabled individuals to access such technologies instantly, through web based mapping platforms, GPS driven tools and location based services. The aggregation of these factors has created an expectation among consumers that they should be able to access high quality, up to date PhotoMaps.

Post the launch of the NearMap service, take up by government agencies and commercial users has confirmed that existing imagery users find NearMap's low cost, high resolution and frequently updated PhotoMaps very compelling. Furthermore, NearMap believes that these attributes will also attract new consumers into the imagery market.

Applications of NearMap PhotoMaps exist right across a wide spectrum of users, including state and federal government agencies, local governments, private firms, research and education institutions, community groups and individuals. Some of these user groups are profiled below along with potential and actual sector applications and the benefits available from the use of NearMap PhotoMaps.

Local Government

Local governments live and work in dynamic communities. They rely on information that reflects the changing reality of what is happening on the ground. Their decisions not only need to be timely, but also based on the highest quality, most up to date information available. Until now, Councils have had to pay for expensive, one-off aerial surveys or source existing imagery that is months, if not years out of date the day it is published.

Better serving their local community comes from being able to clearly see what is happening in their cities, towns or shires now – not last year.

NearMap solves this problem with high resolution PhotoMaps, accessible online within days of being captured, giving decision makers the ability to see change in their communities from their desktop.

NearMap's high resolution PhotoMaps aid in asset monitoring and assessing compliance with local government bylaws. Assets such as roads, footpaths, buildings and roadside trees can be monitored remotely and enable Councils to save on the costs of having to physically visit sites to undertake monitoring. Instances where trees are encroaching power lines or roofs may be more cost effectively identified from the NearMap PhotoMaps rather than a physical inspection.

The use of NearMap PhotoMaps and Terrain data by local government authorities results in more cost effective and higher quality service delivery and/or reductions in local government rate payments.

A multitude of applications across local government...



Monitor regulatory compliance



Recreation infrastructure services



Parks and sports ground maintenance



Asset management



Development consultation



Deliver community infrastructure

Some example NearMap clients in local government and the benefits they are achieving in their use of NearMap PhotoMaps:

- The City of Swan, Western Australia - NearMap's first government client. City of Swan GIS Coordinator Andrew Mugge said "We could immediately see the phenomenal product NearMap was and its future uses for the Council. As each day goes past we find new ways of using it. It is a fantastic tool, easy to use and is far better than any product I have seen elsewhere. The City is able to zoom in on paths to check how construction is going, check on compliance issues for developments, and we have also been able to identify potential environmental hazards such as the illegal dumping of 44 gallon drums containing toxic materials. The more we use it the more we see uses for the product. We no longer have to send staff members out to sites we can check it on the internet. It will save us time and money and allow us to provide an even better service for our rate payers."
- 
- Redland City Council, Queensland, subscribed to NearMap in early 2010, after 6 weeks of rigorous review and testing. "To date the Council has been very happy with the quality, frequency and update timeframes of the imagery. Aerial imagery is used extensively throughout the Council. The ability to provide up to date imagery to staff has saved significant time and resources and allows many questions to be answered immediately. This has increased business efficiency and has allowed us to provide more effective customer service. The NearMap imagery has assisted areas such as strategic planning, compliance with illegal activities and structures, sustainable assessment with new development assessments and our environmental teams with monitoring of key vegetation areas. The use of the NearMap imagery will allow new levels of customer service to be achieved while improving business process, corporate operational efficiency and cost savings to the community", Mark Grenfell, Senior Advisor, Spatial Analysis and Planning, Land Use Planning, Redland City Council.
- 

Emergency Services and Response

Ensuring the Australian community can respond to emergencies is one of government's most serious responsibilities. When lives are at stake, access to the most current and accurate information is critical. So knowing what is happening on the ground now and how it is changing is central to the role that emergency services agencies must play.

With regular PhotoMap coverage of more than 75% of Australia's population, including 60% updated every month, NearMap's very high resolution PhotoMaps are giving emergency service authorities the unique ability to see change over time and access to the location intelligence they need to respond to this challenge. This world leading solution opens up new applications for agencies that have never before been possible with the out of date, low resolution 'snapshot' imagery that is provided by other vendors.

As NearMap's PhotoMaps are on average only a few weeks old, emergency service agencies can now access a powerful capability with multiple emergency applications, from prevention activities to preparedness planning and rapid response to sustainable recovery programs.

Some of these benefits by agency include:

- **State Police**
 - Rapid response co-ordination
 - Increased level of community engagement
 - Improved land search and rescue
 - Enhanced investigative capability
 - Advanced intelligence, gathering and security
- **Federal Police**
 - More accurate planning of major events (e.g CHOGM)
 - Higher intelligence i.e Terrorism
 - Critical incident response
 - Advanced intelligence, gathering and security
- **Fire and Emergency**
 - Planning fire breaks
 - Prevent Hazards reduction
 - Mitigate the effects of natural disasters
- **Water**
 - Preventing and monitoring the effects of dam breaks



*NearMap
TimeView:
Kings Park,
Perth,
Western
Australia
before and
after the
January
2009 fire.*

NearMap's world leading solution enables agencies to:

- Use the most current PhotoMaps available to support hazard identification and mitigation;
- Manage the short and long term community impacts of emergencies and disasters;
- Collaborate and share knowledge across agencies to ensure coordinated planning, implementation and evaluation; and
- Utilise NearMap's PhotoMaps to engage with media outlets and affected communities.

An example of NearMap's ability to respond quickly to emergency situations was the floods in Queensland in early 2010. NearMap captured and published PhotoMaps covering some of the flooded areas in Queensland, an area of some 10,000km² surrounding St George and Dirranbandi. After flying the area between March 8 and March 10, NearMap published the PhotoMaps to its web portal on March 22.

This demonstrated NearMap's unique ability to very quickly supply high resolution PhotoMaps and terrain data to communities, businesses and governments. With NearMap's online portal providing free access to consumers, property owners in the area were able to get a better understanding of the nature and extent of damage in their communities. The PhotoMaps were also available to government agencies to target and coordinate the disaster relief and recovery programs to assist people in those areas.

NearMap is the only company in the world that can capture, process and serve high resolution aerial data for such large areas this quickly.



*St George, Queensland,
Floods March 2010*

Natural Resource Management

In Australia, local governments alone spend about \$2 billion per year on natural resource management, with state and federal governments also devoting significant funds to this critical work. In this context, aerial imagery is used extensively to monitor vegetation growth, water levels and quality, salinity and the condition of wildlife habitats.



NearMap TimeView: North Beach, Perth, Western Australia highlighting beach erosion.

As an example, the Australian Government Department of Environment, Water, Heritage and the Arts uses PhotoMaps to monitor vegetation conditions in Australian national parks, sourcing much of the imagery it requires from satellites. Relative to satellite imagery, NearMap delivers much higher resolution PhotoMaps, oblique views and Terrain data. Furthermore, NearMap's ability to capture the entire country offers a consistency in resolution that facilitates functionality and useability, compared to the patchwork of PhotoMaps with varying resolutions that resource management agencies typically use. These features make NearMap PhotoMaps ideal for use in natural resource monitoring and management.

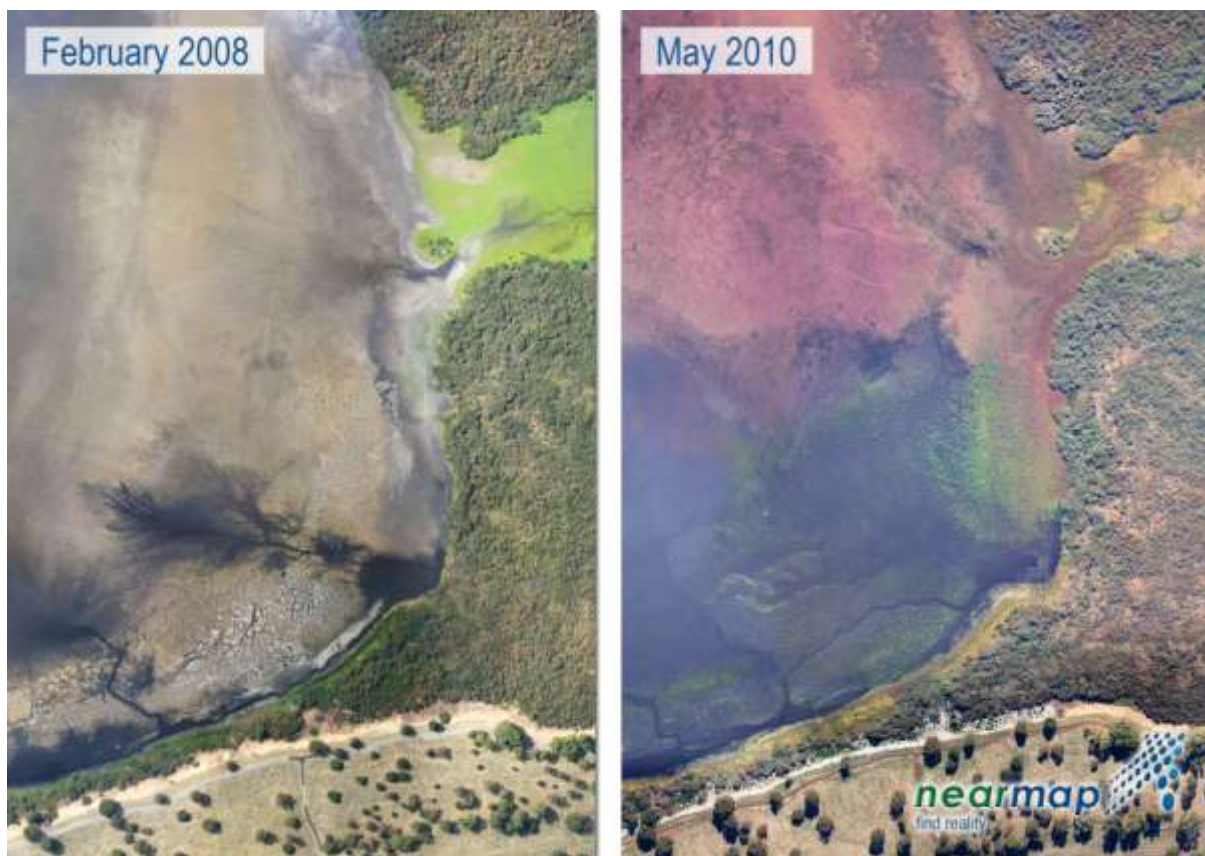
Terrain (digital elevation) data is also useful in determining flood risk assessments and monitoring water flows. The high resolution of NearMap PhotoMaps and the availability of Terrain data will enable environmental managers to access better information, from which:

- more informed decisions can be made;
- better outcomes in environmental management are likely to flow; and
- the improved targeting of public funds will enable efficiencies to be created.

A prime example of where NearMap can deliver extraordinary value is to enable better management of the Murray Darling Basin by the relevant agency ("MDBA"). The health of the Murray Darling Basin is of vital importance to Australia's economy, as are related challenges such as the \$3 billion Federal fund allocation for buyback of water rights and water sharing between States.

The MDBA has to date been allocated \$500 million of funding to monitor and manage the 1 million km² Basin area. The MDBA requires high resolution Terrain and Photo maps to competently perform its duties. These maps are essential to accurately manage, model and understand the Basin.

NearMap's all-of-Basin solution would save the MDBA \$26 million compared to the incumbent overseas supplier based on the initial tender pricing. NearMap's offer of 1 metre Terrain maps provide 2,400% more information at half the cost than the incumbent and NearMap's 10 cm Photomaps provide 3,500% more information at half the cost than the incumbent.



NearMap TimeView : Changes in water levels and algae bloom at Bibra Lake, Western Australia

Resources Industry

In Australia, mining companies spend about \$500 million per year on onshore exploration, the cost of which has risen over time from around 9 cents per metre drilled in 1987 to almost 30 cents per metre drilled in 2008.

Given the level of existing use of aerial imagery in the sector and NearMap's ability to cost effectively capture high resolution PhotoMaps for very large areas, NearMap could reduce exploration costs for mining companies by:

- making good quality PhotoMaps available to companies that might otherwise be unable to afford it and enabling these companies to better target their ground based exploration activities;
- negating the need for companies to commission their own specific purpose capture;
- providing companies with PhotoMaps of higher resolution than they are using at present thus creating a more valuable set of information; and
- providing companies with oblique PhotoMaps and digital elevation data and thus enhancing the ability to interpret the terrain of relevant areas.

The mining sector already uses aerial photography to assist in the management of existing mine assets, including surveys of greenfield sites, monitoring the volumes of stockpiles, pits and tailings dams and the monitoring of mine site design, closure applications and rehabilitation. Therefore, it is likely that applications using the NearMap PhotoMaps could be introduced by these experienced users shortly after the NearMap PhotoMaps become available, enabling the early onset of economic benefits in this sector.



Boddington Gold Mine, a gold and copper mine located south of Perth, Western Australia

Construction Industry

NearMap's frequently updated overhead and oblique PhotoMaps as well as terrain data would benefit the construction sector, where it would assist in planning and remotely monitoring progress on construction projects.



NearMap TimeView: Melbourne's new soccer stadium



NearMap TimeView: Seawater desalination plant, Lonsdale, South Australia

Tourism

NearMap PhotoMaps could be used to more effectively promote Australia as a tourist destination. Overhead and oblique PhotoMaps of tourist locations, combined with information on attractions and facilities, could be packaged together to produce a virtual 'online tour' of potential tourist destinations. Improved marketing of tourist destinations using NearMap PhotoMaps should attract more international tourists to Australia than otherwise would be the case.



International tourist destination : Sydney Opera House



Adventure kayaking: Seal island, Western Australia

Computer Gaming

Although the Australian computer gaming industry is not a heavy user of aerial photography, the availability of NearMap's high resolution overhead and oblique PhotoMaps could drive increased use by the computer gaming industry to facilitate three dimensional modelling of real world environments. For example, car racing games could be developed on virtual street circuits that are modelled on the layout of real streets.

Within the international computer gaming sector, there are existing gaming applications that have incorporated overhead PhotoMaps into their products. Building on NearMap's existing overhead and oblique PhotoMaps, further research and development would be required to deploy them in three dimensional gaming environments, which is an example of a 'blue sky' application of the NearMap technology. Nevertheless, such examples illustrate NearMap's potential to grow the market for PhotoMaps beyond those industry sectors that have traditionally been strong users of imagery products.

Summary of potential economic and employment benefits

It is clear that NearMap opens up a diverse range of new commercial opportunities and efficiency improvements across a wide range of government and industry sectors.

NearMap engaged Allen Consulting Group ("Allens") to provide an independent assessment of the scale of the economic and employment benefits inherent in NearMap's proposal to capture, process and serve high resolution PhotoMaps, on an annual basis for the whole of Australia and on a monthly basis for capital cities. Their analysis provides an independent and quantitative endorsement of NearMap's value proposition to governments, which will underpin short to medium term revenue growth for the Company.

After consulting with spatial industry experts and imagery users in a range of industry sectors, Allens concluded that the technology could be productively applied in a range of diverse fields in both the public and private sectors, creating significant economic, social and environmental benefits.

Allens developed a set of assumptions regarding the scale of productivity shifts that could occur if NearMap's proposals to government were implemented and PhotoMaps of the whole of Australia was provided to community and commercial users. For the purposes of the modelling it was also assumed that the NearMap PhotoMaps were produced in 2010 and made available for use at the start of 2011.

By applying these assumptions to the Monash University's Multi-Regional Forecasting Model of the Australian economy, Allens estimated that by 2015, the availability of the NearMap datasets would:

- result in Australia's GDP being \$6.8 billion higher than it otherwise would have been;
- create an additional 4,200 jobs and increase private consumption by \$1.2 billion.

By 2020, the same assumptions result in GDP being \$9.8 billion higher than it otherwise would have been and the creation of an additional 6,600 jobs.

These independent modelling results are a stunning endorsement of the value proposition of NearMap's innovative technology solution to government, industry and the community. The scale of public and private benefits that could be realised through the proposals NearMap has put forward to governments is a highly compelling demonstration of the value for money inherent in the NearMap offering.

NearMap Team



Simon Crowther is NearMap's **Chief Executive Officer** and has an extensive media market background critical to NearMap's media strategy to generate revenue through multiple opportunities in the online media market. In addition to being very sales focused, Simon has demonstrated a range of diverse experiences in media related companies, including Managing Director of Canada's largest Communications Agency and Director of Copyright Promotions Group (CPG), who are Europe's largest entertainment and sports IP / rights management agency. Simon was part of the management team who floated CPG on the FTSE UK stock market in the mid 90's. He oversaw the commercial activities of major US studios Marvel, Turner, Newline, Fox and Lucasfilm, as well as major sports franchises such as English cricket and England Rugby Union

Previously he was Head of Global Sales & Licensing for Granada Media (now ITV), who are the largest commercial broadcaster in the UK and one of Europe's largest content producers. He oversaw domestic and international commercial activities including advertiser funded content, publishing, home entertainment and licensing activities, as well as oversight for commercial activities for Liverpool FC and Arsenal FC.

Prior to that, Simon established and subsequently sold a TV production company in the UK producing content for distribution across web, TV and mobile platforms

Simon is a dual Canadian and British Citizen and Australian Permanent resident, Member of the Australian Institute of Company Directors, Fellow of the Australian Institute of Management and Professional Member of the eMarketing Association.

NearMap **Founder Stuart Nixon** has been at the forefront of the geospatial industry for many years. Stuart has applied passion and determination with innovative thinking to solve the unique challenges posed by geospatial imagery.

Stuart founded NearMap in 2006, previously having founded ER Mapper in 1989. Stuart is the inventor of the industry standard ECW image format that is used by millions worldwide, and was architect of the ER Mapper application and the Image Web Server technology that pioneered serving PhotoMaps over the web.



Stuart was recently awarded the Professional Eminence and Excellence in Spatial Sciences award by the Western Australian Spatial Excellence Awards (WASEA) and is a previous recipient of the Grahame Sands award for innovation in applied geophysics and is an Honorary Fellow of the Spatial Sciences Institute of Australia. He was a founding member of Australia's Spatial Information Steering Group and is a member of various spatial information organisations. Stuart is a sought after keynote speaker at geospatial conferences worldwide.



Simon Cope is NearMap's **Chief Technology Officer** and brings extensive technology management and development experience to NearMap, having held senior management positions with a number of leading geospatial organisations.

Previously the Chief Software Architect for ER Mapper from 1993 to 2007, Simon oversaw all architectural decisions, leading research, new product development and technical reviews of major client projects.

Between 2004 and 2007, Simon was also the Founder and General Manager of fotoMuse, a joint venture with ER Mapper to commercialise that company's digital photography IP. In this role, Simon had significant exposure to many commercial issues such as funding, corporate structures, taxation, business models and plans and market sizing. fotoMuse was acquired by Leica Geosystems Geospatial Imaging in November 2007.

After the sale of ER Mapper to ERDAS in 2007, Simon was appointed Chief Technologist at ERDAS and was responsible for the direction of performance optimisation, image compression and high performance image serving technologies. Simon is listed as an inventor on a number of patents in the field.

Mark Maitland is NearMap's **Chief Financial Officer** and has more than 20 years experience in accounting, financial and business management matters; including the successful establishment and management of his own accounting practice for ten years.

Prior to joining NearMap, Mark worked with both an ASX listed group and a private investment syndicate in the hospitality industry as Group Financial Controller and as Company Secretary. Mark was also Financial Controller and Company Secretary for the private equity arm of a Singaporean shipping group acquiring strategic investments in the resource industry.



Mark has broad experience across a number of industries and exposure to businesses at various stages of the business cycle which is of benefit to NearMap in its development and growth.



Adrian Young is NearMap's **Director of Sales** and is responsible for licensing and business development in both the government and commercial sectors.

Before joining NearMap, Adrian was Business Development Manager at ipernica, with responsibility for identifying and structuring the IP acquisition, licensing, M&A and venture transactions conducted by ipernica. He was heavily involved in ipernica's acquisition of NearMap in November 2008 and has been working closely with NearMap's management team since then to launch the business and drive sales.

Previously, over the course of twelve years working in government, Adrian developed a deep knowledge of Australia's public sector. He worked with the West Australian Department of Premier and Cabinet ("DPC"), coordinating policy development, legislative reform and knowledge management initiatives across a number of government agencies involved in road safety. Prior to joining DPC, he held roles in several Australian Government health and social policy agencies, working in a variety of roles encompassing responsibility for knowledge and information management, strategic and business planning, organisational redesign and change management.

Adrian holds a Masters of Business Administration and a Bachelor of Psychology from the University of Western Australia, a Graduate Certificate in Management from the University of Western Sydney and a Graduate Certificate in Health Economics from Monash University.

Jon Lawe Davies is NearMap's **General Counsel** and with his team of lawyers provides support for NearMap's intellectual property strategy and licensing, and other commercial and contractual matters.

Jonathan's 14 year career has focused on the exploitation of intellectual property rights. Since 2006 he has been the General Counsel of ipernica and is responsible for ipernica's IP assertion division, which specialises in enabling patent owners to defend their rights against infringers, in Australia as well as the US and Europe.



Previously, Jon served as Corporate Legal Counsel at Amazon.com in the UK for 4 years, where he advised in respect of all general commercial matters of the UK business, with primary responsibility for intellectual property matters, licensing, platform programs, media segment demand and third party fulfilment, and divisions of Amazon's EU business.

Prior to joining Amazon.com, he was an Associate solicitor in the Commercial IP group of London firm Mishcon de Reya, and an Associate solicitor in the specialist intellectual property practice of national Australian law firm Freehills.

Jonathan has a Bachelor of Science and Bachelor of Laws from the University of Western Australia and a Master of Laws in Intellectual Property from Murdoch University. He is admitted as a legal practitioner to the Supreme Court of Western Australia and the High Court of Australia.

The **NearMap Board** consists of very experienced directors with extensive networks throughout Europe and the United States, to assist NearMap achieve its global potential.

Dr Rob Newman, Non Executive Chairman, has established a unique track record as a successful Australian high technology entrepreneur in both Australia and Silicon Valley. He has twice founded and built businesses based on Australian technology and both times successfully entered overseas markets.

Rob is now a venture capitalist with \$60M in funds under management and has established over a dozen new technology ventures based on Australian technologies. He takes a very active role in identifying and helping grow companies with significant commercial potential, especially those addressing overseas markets.



Dr Newman's formal qualifications include a Ph.D. and Bachelor of Electrical Engineering (1st Class Honours) from the University of Western Australia.



Karl-Christian Agerup has successfully established and grown a number of international multi-media and online businesses prior to joining the NearMap Board as a **Non Executive Director**. Based in Norway, he brings valuable strategic analysis and planning skills, as well as relevant networks and experience to NearMap.

He has a strong and successful history in the new media sector, including his current directorship at Schibsted ASA (a publicly listed Norwegian media group), where he has provided significant input into that company's media strategy since 2003.

Karl-Christian is also Vice Chairman of Norfund, a Norwegian development financial institution which invests risk capital in profitable private enterprises in developing countries to facilitate economic growth and poverty reduction.

His formal qualifications are extensive, including a Master of Science in Management from the Alfred P. Sloan School of Management at Massachusetts Institute of Technology and a Master of Business Economics/HA Handelshøjskolen in Copenhagen.

Ross Norgard is a **Non Executive Director** of NearMap and Chairman of ipernica Ltd. Ross is a Fellow of the Institute of Chartered Accountants. He is the past Chairman of the Western Australian Professional Standards Committee and the Western Australian Professional Development Committee of the Institute of Chartered Accountants.



Graham Griffiths is a **Non Executive Director** of NearMap and Managing Director of ipernica Ltd. He previously has held various senior executive sales, marketing and product development positions with AT&T Corporation and NCR Corporation in the USA and Asia Pacific region.

Graham has over 30 years experience in developing and

commercialising innovative technologies. He is a Fellow of the Australian Institute of Company Directors, and member of the Licensing Executives Society of Australia and the Australian Venture Capital Association Limited.

NearMap executive directors include NearMap Chief Executive Officer **Simon Crowther**, Founder **Stuart Nixon**, Chief Technology Officer **Simon Cope** and Director of Sales **Adrian Young** (further details on pages 30 – 31 under NearMap team).

ipernica's IP Assertion Business

Performance highlights for the year included \$575,000 in revenue generated from the Stat Mux program and progress in all programs. ipernica's IP Assertion licensing business includes a portfolio of programs that represent significant potential revenue to the Company, but this revenue is not currently realised on a regular annual basis. Whilst IP Assertion delivered an outstanding financial result in 2007 and 2008 (\$65 million in revenue and \$19 million in NPAT cumulatively), the emphasis going forward is on expanding the portfolio to deliver more consistent results.

Assertion licensing involves the assertion of intellectual property rights against infringing third parties with the objective of obtaining a negotiated patent licence, royalties and/or damages. In most cases, this process involves litigation against the infringing party.

In all of its Assertion licensing activities, ipernica aims to achieve outcomes that properly reflect the full value of the asserted IP, both retrospective and ongoing. In addition to asserting its own IP rights where it considers they are being infringed, ipernica also assists its clients to assert their IP rights.

The Assertion business involves ipernica assisting aggrieved patent owners to seek compensation from infringers of the patent owner's patent portfolio. ipernica draws on its experience in defending its own IP to assist its clients to create and implement a strategy for defending their IP from unauthorised use, and to identify, engage and fund appropriate counsel.

ipernica's strategy is to build a diversified portfolio of IP Assertion programs in a variety of territories with the potential to generate significant returns to ipernica. These programs generally involve allegations of patent infringement or other breaches of IP rights.

The Company's IP Assertion programs are supported by a variety of innovative co-funding arrangements which are structured to ensure that ipernica retains a substantial share of the outcome, while minimising its day-to-day expenses and overall financial exposure. These co-funding arrangements include project specific loan facilities, litigation insurance policies and contingent legal counsel (lawyers who take a share of any settlement or damages award in lieu of their ongoing legal fees and out of pocket expenses). The choice of co-funding mechanisms depends upon the particular circumstances of each program.

IP Assertion often involves litigation. As all litigation involves substantial expense and risk, there is no guarantee that cases will be won, or programs resolved, on terms favourable to ipernica and its clients.

ipernica has an important role to play in assisting Australian and regional patent owners with the complex process of defending their valuable IP. The unauthorised use of Australian technology by large multinational organisations significantly reduces its commercial benefit, which in turn impacts on the success and progress of Australian business.

ipernica's Assertion licensing team includes experienced IP, corporate and commercial lawyers and licensing professionals with extensive experience in undertaking negotiated or litigated resolutions of IP disputes. ipernica has experience in handling IP Assertion programs in the US, Europe and Australia and has excellent knowledge of IP regimes in a range of other countries.

The status of each of ipernica's current IP Assertion programs is as follows:

Oracle

This programs involves allegations by ipernica's business associate, Financial Systems Technologies group of Companies ("FST"), that Oracle has infringed two of FST's database patents. The case is being handled by a US national law firm, on a contingency fee (at risk) basis, including advancing certain out of pocket expenses. Pre-trial preparations are in progress, including discovery, the issuing of interrogatories and preparations for the Markman hearing scheduled for 7 October 2010. Markman hearings are pre-trial hearings at which the judge will decide disputed interpretations of claims of the asserted patents. The trial for these proceedings is scheduled for 3 January 2012.

Between 2005 and 2009, Oracle sought to invalidate the two FST patents by initiating various re-examination proceedings with the US Patent and Trademark Office ("USPTO"). The re-examinations included assessment of prior art presented to the USPTO by Oracle. The USPTO has confirmed that both FST patents are valid in their original form. All re-examination proceedings at the USPTO have been favourably terminated or denied.

Oracle has also filed a number of Motions requesting that the case be transferred from the District Court for the Eastern District of Texas to the District Court of the Northern District of California. FST has opposed all of the Motions, and is confident that it will continue to be successful in resisting the change of venue request.

Stat Mux

ipernica initiated the Stat Mux II program in April 2007 against several telecommunication companies, the second stage of the Stat Mux program which originally commenced in 2005 against Cisco, Alcatel, Lucent, Juniper and Nortel. Since then, ipernica has reached settlement agreements with all Stat Mux II defendants except Ericsson, and has negotiated the grant of a licence to one party which is not a defendant in the litigation. The gross revenues from the Stat Mux programs to date are US\$31 million. The case is being handled by a US national law firm, on a contingency fee (at risk) basis, including advancing certain out of pocket expenses.

The parties have been awaiting the outcome of re-examination proceedings which are presently on appeal before the USPTO Board of Patent Appeals and Interferences. ipernica remains confident of its arguments in the re-examination proceedings.

In the meantime, as previously announced, Court proceedings have been stayed pending the result of the re-examination of the Stat Mux patent.

SAR

This global licensing program commenced in 2000, and relates to the alleged use by leading European telecommunications companies of the Company's patented Segmentation and Re-assembly ("SAR") technology. To date the program has generated A\$30 million in revenue. ipernica (then QPSX) developed and commercialised the SAR technology in the late 1980s and early 1990s.

Following the 15 January 2010 decision by the Munich District Court to dismiss QPSX Europe GmbH's ("QPSX Europe") infringement action against Deutsche Telekom and Siemens, QPSX Europe reviewed the reasons for the decision and in consideration of the potential costs and risks of commencing and pursuing an appeal or new proceedings, the ipernica group has decided to terminate the German SAR program and to focus its IP Assertion resources on other cases and the growth of the portfolio.

New programs

ipernica has several US based assertion opportunities which it is progressing with counsel, including the following:

- ipernica has been engaged by FST to assist in the defence of two families of US patents against certain identified unauthorised users, for a share of net revenue. The companies which FST has identified as allegedly infringing these patents include a number of major multinationals in a range of US industries, such as the Insurance, Finance and Database industries.
- ipernica has been engaged to manage and implement the assertion of a patent family relating to a method for the application of GPS and other location technologies to increase the efficiency of excavation machinery, for a share of net revenue.

Further announcements will be made in respect of the opportunities once third party contingent funding is secured and the related litigation commences.

ipernica Venture portfolio

In 2008, ipernica launched an exciting new growth strategy - intellectual property based mergers and acquisition ("IPM&A") – an initiative based on the identification and potential acquisition of valuable IP, leveraging the Company's strong cash position and balance sheet, as well as its IP management skills and experience. Whilst NearMap represents the major asset in this portfolio, the following outlines the other equity investments held by the Company.

The key driver of ipernica's investment strategy is the presence of valuable IP assets within target companies. With its deep IP skills and experience, ipernica is well placed to identify valuable IP and to execute an effective IPM&A strategy.

The Ventures business has a mid to long term investment profile with the objective of building a diversified portfolio of equity investments in technology companies with the potential for exceptional growth over a 3 – 5 year period. Investment returns are generated through the profitable operation of the investee company, the sale of the business (via a trade sale or M&A transaction) or through a stock exchange listing.

Matteo Mining: the company was formed to commercialise intellectual property relating to a new system and equipment for mining coal underground. The coal mining industry is currently enjoying a period of step-change innovation in both extraction and processing technologies. Matteo has developed a new system for extracting underground coal using an adaptation of an existing surface mining system known as 'high wall mining'. The system extracts a larger volume of coal from unsupported drives and minimizes the number and extent of roadways required to be constructed to support the mining equipment, access and extraction of mined coal. During the year Matteo completed an independent feasibility study with the University of New South Wales, completed modelling of the system in situ and progressed business development discussions with a number of domestic and foreign potential partners.

ipernica's shareholding in Matteo Mining is 14.4%.

Inference Communications:

In the last twelve months, Inference Communications has further developed its suite of next generation pre-packaged speech recognition solutions as demand grows for more sophisticated solutions. Major sales have been made into the USA market. The Company is now concentrating on technology development and expanding through licensing arrangements in international markets. More information on this venture is available at inferencecommunications.com.

ipernica's shareholding in Inference Communications is 6.1%.

Inference Solutions:

Inference Solutions was formed in February 2010 to deliver speech recognition technologies under exclusive license from Inference Communications into the Australia/New Zealand market. The market has been strong and the Company is expanding its resources and strengthening its processes to ensure that it is able to capitalize on current opportunities. The next twelve months will see Inference Solutions extending its list of major corporate clients.

ipernica's shareholding in Inference Solutions is 6.1%

iCeutica: iCeutica is developing new pharmaceutical products using its proprietary SoluMatrix reformulation platform. This platform enables iCeutica to make nano-sized particles of various approved drugs. In clinical trials to date, iCeutica's nano-reformulated drugs have been shown to dissolve much more quickly and provide the potential for significant patient benefits, compared to the currently marketed versions. iCeutica has two products entering Phase-3 trials (partnered), one entering Phase-2 (internal) and two entering Phase-1 (one partnered, one internal), as well as a deep pipeline of new opportunities.

More information on this venture is available at iceutica.com.

ipernica's shareholding in iCeutica is 0.86%.

Dimerix: The last 12 months have been pivotal in the further development of Dimerix Bioscience. Key highlights include securing a research contract with Takeda (Japan's largest pharmaceutical company), commencing its first animal study for a novel combination drug therapy with results due early next year and the Company being invited to present at several prestigious international GPCR conferences. The Board and management team led by new CEO Tim Grogan have a wealth of pharmaceutical and operational experience to continue to grow Dimerix's business. More information on this venture is available at dimerix.com.

ipernica's shareholding in Dimerix is 0.2%.

Your directors submit their report on the consolidated entity consisting of ipernica ltd and the entities it controlled at the end of, or during, the year ended 30 June 2010.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire year unless otherwise stated.

Names, qualifications, experience, directorships and special responsibilities

Mr Ross S Norgard (63) FCA

Non-Executive Chairman

Ross is a Fellow of the Institute of Chartered Accountants and former managing partner of KMG Hungerfords and its successor firms in Perth, Western Australia. For the past 30 years he has worked extensively in the fields of raising venture capital and the financial reorganisation of businesses. He has held numerous positions on industry committees including past chairman of the Western Australian Professional Standards Committee of the Institute of Chartered Accountants, a current member of the National Disciplinary Committee, Chairman of the Duke of Edinburgh's Award Scheme and a former member of the University of WA's Graduate School of Management (MBA Programme).

Current directorships:

Brockman Resources Limited (since 2004) – Founding Chairman, now Deputy Chairman
Ammtec Ltd (since 1994)
ipernica ltd (since 1999)

Former directorships in the last 3 years:

None

Special duties:

Member of Remuneration Committee
Member of Nomination Committee
Member of the Audit and Risk Committee

Mr Graham J Griffiths (55) B Bus FAICD

Managing Director

Graham joined ipernica in 2000 and has overall responsibility for the Company's operations including strategy, corporate governance, human resources, investor relations and partnership development. Graham has over 30 years experience in developing and commercialising innovative technologies. He has held various senior executive sales, marketing and product development positions with AT&T Corporation and NCR Corporation in the USA and Asia Pacific region.

Graham is a Fellow of the Australian Institute of Company Directors, and member of the Licensing Executives Society of Australia and the Australian Venture Capital Association Limited.

Current directorships:

ipernica ltd (since 2000)

Former directorships in the last 3 years:

None

Special duties:

None

Names, qualifications, experience, directorships and special responsibilities (cont.)

Dr Mary O'Kane (55) BSc (Qld), PhD (ANU), FTSE

Non-Executive Director

Mary resigned as a Director of ipernica Ltd on 30 March 2010. On 11 May 2010 the Australian Government announced Mary's appointment as the inaugural Chair of the Australian Centre for Renewable Energy (ACRE). Mary was originally appointed to the ipernica Board in April 2004.

Current directorships:
None

Former directorships in the last 3 years:
ipernica Ltd (2004 - 2010)

Special duties:
Member of Audit and Risk Committee until her resignation on 30 March 2010
Member of Remuneration Committee until her resignation on 30 March 2010
Chairman of the Nomination Committee until her resignation on 30 March 2010

Mr Conrad W Crisafulli (60) BE (Hons), FAIM, MAICD

Non-Executive Director

Conrad was appointed as a director of ipernica in October 2000.

Conrad has extensive experience in all aspects of technology commercialisation, including his previous role as Director for IP Commercialisation at Curtin University of Technology, and prior to that as Managing Director of TechStart Australia Pty Ltd, a boutique venture capital firm and its investee companies.

He is a director of numerous start-up technology ventures, including Virtual Observer Pty Ltd and Medevco Pty Ltd.

Current directorships:
ipernica Ltd (since 2000)
Entellect Solutions Ltd (since 2008)

Former directorships in the last 3 years:
None

Special duties:
Chairman of Audit and Risk Committee
Member of Remuneration Committee
Member of Nomination Committee

Names, qualifications, experience, directorships and special responsibilities (cont.)**Mr Karl-Christian Agerup (47)**

Non-Executive Director

Karl-Christian was appointed as a director of ipernica in March 2009.

Karl-Christian has successfully established and grown a number of international multi-media and internet based businesses. He has spent considerable time working within the emerging "new media" sector, including his current directorship at Schibsted ASA (a public listed Norwegian media group), where he provides significant input into that company's media strategy. Karl-Christian is also Vice Chairman of Norfund, a Norwegian development financial institution which invests risk capital in profitable private enterprises in developing countries. Previously, Karl-Christian co-founded Northzone Ventures, a European Venture Capital Partnership. Prior to that, he co-founded HUGIN AS, a company that distributes financial information from listed European companies via the internet. He was Managing Director and subsequently Chairman, until the Company was sold in 2006 to Euronext SA.

Karl-Christian's formal qualifications are extensive, including a Master of Science in Management (1990), Massachusetts Institute of Technology (MIT) – Alfred P Sloan School of Management, and Master of business economics/HA (1988) Handelshøjskolen in Copenhagen.

Current directorships:

ipernica Ltd (since March 2009)
Schibsted ASA (since 2003)

Former directorships in the last 3 years:

None

Special duties:

Member of Audit and Risk Committee
Chairman of Remuneration Committee
Member of Nomination Committee

Mr Stuart William Nixon (46)

Non-Executive Director

Stuart was appointed as a director of ipernica in August 2010.

Since founding NearMap in 2006 and ER Mapper in 1989, Stuart Nixon has been at the forefront of geospatial imagery media solutions.

Stuart has applied passion and determination with innovative thinking to solve the unique challenges posed by geospatial imagery.

Stuart is the inventor of the industry standard ECW image format that is used by millions worldwide, architect of the ER Mapper application and the Image Web Server technology that pioneered serving image maps over the web. With creative solutions for today's imagery problems and with a frank and bold vision for tomorrow's opportunities, Stuart continues to drive the geospatial media industries.

Stuart was the recipient of the Grahame Sands award for innovation in applied geophysics and is an Honorary Fellow of the Spatial Sciences Institute of Australia. He was a founding member of Australia's Spatial Information Steering Group and is a member of various spatial information organisations. Stuart has been a keynote speaker at geospatial conferences worldwide.

Current directorships:

ipernica Ltd (appointed August 2010)

Former directorships in the last 3 years:

None

Special duties:

None

Company Secretary**Mark Maitland** B Bus CA

Mark was appointed Chief Financial Officer and Company Secretary of the Company on 27 May 2010. Prior to joining the Group, Mark worked with both an ASX listed group and a private investment syndicate in the hospitality industry as Group Financial Controller and as Company Secretary. Mark was also Financial Controller and Company Secretary for the private-equity arm of a Singaporean shipping group acquiring strategic investments in the resource industry. Mark has broad experience across a number of industries and exposure to businesses at various stages of the business cycle which is of benefit to NearMap in its development and growth. Mark has been a Chartered Accountant for almost 20 years.

Interests in the shares and options of the Company

As at the date of this report, the interests of the directors in the shares and options of ipernica Ltd were:

	Ordinary Shares	Options over Ordinary Shares
R Norgard	49,645,773	-
G Griffiths	6,433,059	9,100,000
C Crisafulli	-	-
KC Agerup	-	2,000,000
S Nixon	40,526,609	8,130,544

Corporate Structure

ipernica Ltd is a company limited by shares incorporated and domiciled in Australia.

Nature of Operations and principal activities

The principal activity of the consolidated entity during the course of the financial year was the commercialisation of a range of information and communications, physical and life science technologies.

Employees

The consolidated entity employed 26 employees as at 30 June 2010 (2009: 19).

Consolidated Result

The consolidated entity's result after provision for income tax was a loss of \$7,389,080 (2009: \$4,677,502).

Review and Results of Operations

A detailed review of the operations of the consolidated entity is contained in the Managing Director's report.

Dividends

No dividends have been paid or proposed in respect of the current year.

Environmental Regulation and Performance

The current activities of ipernica Ltd and its subsidiary companies are not subject to any significant environmental regulation. However, the Board believes that the Company has adequate systems in place to manage its environmental obligations and is not aware of any breach of those environmental requirements as they apply to the Company.

Significant changes in the State of Affairs

- On 3 August 2009 the Company reached settlement with one of the lesser defendants in the Stat Mux II litigation.
- On 26 October 2009, the Company announced that its wholly owned subsidiary NearMap had finalised the production and certification of five HyperPod aerial camera systems and had commenced the regular capture of PhotoMaps for Sydney, Melbourne, Brisbane, Perth and Adelaide.
- On 18 November 2009 the Company announced the launch by NearMap of its PhotoMap Media Portal.
- On 15 December 2009 the Company announced that the trial date for the Oracle trial had been set for 3 January 2012 and that a Markman hearing is scheduled to take place on 7 October 2010.

- e) On 18 January 2010 the Company announced that the Munich District Court had dismissed the infringement action undertaken by QPSX Europe GmbH against Deutsche Telekom and Siemens.
- f) On 1 April 2010 the Company announced that it had decided not to fund the appeal against the decision of the Munich District Court to dismiss the infringement action against Deutsche Telekom and Siemens. As a consequence the decision was also taken to wind-up QPSX Europe GmbH and a petition for insolvency was filed with the German Insolvency Court.
- g) On 30 June 2010 the Company announced that NearMap had booked sales of \$2.3 million for the period up to 30 June 2010.

Significant Events Subsequent to Balance Date

On 1 April 2010, following ipernica Ltd's decision not to fund any further appeals in relation to the SAR Germany program and to wind-up QPSX Europe GmbH, a company involved in the program, the Directors of QPSX Europe GmbH filed a petition for insolvency with the German Insolvency Court. On 3 August 2010 the Insolvency Court formally instituted insolvency proceedings in relation to QPSX Europe GmbH. Creditors of QPSX Europe GmbH have until 29 September 2010 to notify claims to the Administrator. ipernica is currently anticipating filing a claim for costs previously incurred by the group on behalf of QPSX Europe GmbH in relation to the SAR Germany program.

On 15 September 2010 Mr Simon Crowther was appointed as the Chief Executive Officer of NearMap. The appointment supports NearMap's next stage of growth and enables Mr Nixon, NearMap's founder, to focus on and drive the company's continued innovation and competitive advantage.

There are no other significant post balance date events that need to be disclosed.

Likely Developments

Information as to the likely developments in the operations of the consolidated entity is set out in the Managing Director's report. Further information as to the likely developments in the operations of the consolidated entity and the expected results of those operations in the future has not been included as the inclusion of such information would be likely to commercially prejudice the consolidated entity.

Indemnification and insurance of Directors

During the financial year, ipernica ltd paid a premium of \$64,838 to insure the directors and officers of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Share Options

As at 30 June 2010 there were 41,274,999 unissued ordinary shares under options including 12,500,000 Investor options with an expiry of 21 November 2011 and an exercise price of \$0.40 and 750,000 Consultant options (47,635,000 at reporting date). Refer to Note 19 of the financial statements for further details of the employee options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Directors' Meetings

The numbers of meetings of directors (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director was as follows:

	Full Board Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
	A	B	A	B	A	B	A	B
R Norgard	9	6	2	2	1	1	0	0
C Crisafulli	9	9	2	2	1	1	0	0
G Griffiths	9	9	-	-	-	-	-	-
M O'Kane	7	7	1	1	1	1	0	0
KC Agerup	9	9	2	2	1	1	0	0

Dr M O'Kane resigned as a director on 30 March 2010.

- A** - Number of meetings held during the time the director held office.
B - Number of meetings attended.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for directors and key management personnel of ipernica Ltd and the consolidated entity.

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 Employment Contracts
- D Share Based Compensation
- E Additional Information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

A Principles used to determine the nature and amount of remuneration

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives
- Link executive rewards to shareholder value
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director (MD) and the senior management team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and key management personnel on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and key management personnel remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 21 November 2008 when shareholders approved an aggregate remuneration of \$300,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Remuneration Report (cont.)

A Principles used to determine the nature and amount of remuneration (cont.)

Each director receives a fee for being a director of the Company. A further fee is paid where additional time commitment is required like that being required by the Chairman of the Company.

Key management personnel and executive director remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward executives and individual performance against key performance indicators;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Structure

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration
 - Short Term Incentive (STI); and
 - Long Term Incentive (LTI).

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each key management personnel by the Remuneration Committee.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

Structure

Senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Variable Remuneration — Short Term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Company's operational targets with the remuneration received by the employees charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to employees to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

Structure

Actual STI payments granted to each employee depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance. Typically included are measures such as contribution to net profit after tax, customer management and leadership/team contribution. The Company has predetermined benchmarks which must be met in order to trigger payments under the short term incentive scheme.

On an annual basis, after consideration of performance against KPIs, an overall performance rating for the Company and each individual's performance is made and is taken into account when determining the amount, if any, of the short term incentive pool to be allocated to each employee.

Remuneration Report (cont.)

A Principles used to determine the nature and amount of remuneration (cont.)

The aggregate of annual STI payments available for employees across the Company is subject to the approval of the Remuneration Committee. Payments made are usually delivered as a cash bonus. During the past three years no STI incentives have been offered and hence no STI payments have been made.

Variable Pay – Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward employees in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Structure

LTI grants to employees are delivered in the form of options and the amount is determined by the Remuneration Committee.

Company Performance

The overall level of executive reward takes into account the nature of ipernica's technology commercialisation business and realistic timeframes for generating profits. In particular, executive rewards recognise the substantial IP portfolios that have been created across the Assertion business and the commercialisation of NearMap and the future shareholder wealth contained therein and progress in unlocking the value created to date. Executive performance of the consolidated entity has been reviewed over the past 5 years taking into account this future shareholder wealth and profit performance.

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee has given regard to the following indices in respect of the current financial year over the last 5 financial years.

	2010	2009	2008	2007	2006
Net profit/(loss) after tax attributable to members	(\$7,389,080)	(\$4,677,502)	\$15,200,611	\$4,423,123	(\$4,604,287)
Dividends paid	-	1 cent	-	-	-
Change in share price	\$0.013	(\$0.007)	(\$0.091)	\$0.055	\$0.061
Return on capital employed	(37%)	(18%)	54%	36%	(109%)

B Details of remuneration

Directors

The following persons were directors of ipernica Ltd during the financial year:

R Norgard	Non-Executive Chairman
C Crisafulli	Non-Executive Director
G Griffiths	Managing Director
M O'Kane	Non-Executive Director
KC Agerup	Non-Executive Director

Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

S Cope	Chief Technical Officer – NearMap Pty Ltd (Appointed as Director of NearMap Pty Ltd on 19 April 2010)
J Lawe Davies	General Counsel
M Maitland	Chief Financial Officer and Company Secretary (Commenced as part of the Group on 7 September 2009 and appointed as CFO & Company Secretary on 27 May 2010)
S Nixon	Chief Executive Officer – NearMap Pty Ltd
T O'Connor	Chief Financial Officer and Company Secretary (Ceased employment 27 May 2010)
G Perkins	Chief Operating Officer – NearMap Pty Ltd (Ceased employment 15 April 2010)
A Young	Director of Sales – NearMap Pty Ltd (appointed as Director of NearMap Pty Ltd on 19 April 2010)

Remuneration Report (cont.)**B Details of remuneration (cont.)**

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures), including the 5 highest paid Company executives for the year of ipernica Ltd and the consolidated entity are set out in the table below:

2010	Short-Term			Post employment Super-annuation	Share-Based Payment Options *	Total	Options Issued as a Proportion of Remuneration (%)
	Salary & Fees	Non monetary	Cash Bonus				
Non-executive directors							
KC Agerup***	38,532	-	-	3,468	52,131	94,131	55.4
C Crisafulli	38,532	-	-	3,468	-	42,000	0
R Norgard	91,744	-	-	8,256	-	100,000	0
M O'Kane	31,500	-	-	-	-	31,500	0
Sub-total	200,308	-	-	15,192	52,131	267,630	
Executive director							
G Griffiths**	400,004	-	-	50,000	198,956	648,960	30.7
Other key management personnel (group)							
S Cope	250,000	-	-	22,500	46,920	319,420	14.7
J Lawe Davies	274,181	-	-	24,676	64,858	363,715	17.8
M Maitland	103,493	-	-	9,314	8,180	120,987	6.8
S Nixon	366,972	-	-	33,028	-	400,000	0
T O'Connor****	269,810	-	-	18,013	(24,135)	263,688	****
G Perkins****	255,691	-	-	21,870	(6,041)	271,520	****
A Young	110,097			9,909	12,270	132,276	9.3
Total	2,230,555	-	-	204,502	353,139	2,788,196	

* Share-based payments are recorded as an expense in the parent company's accounts.

** Mr Griffiths salary, fees and superannuation are recorded as an expense in the consolidated group accounts.

*** As part of Mr Agerup's incentive package, the Board and shareholders approved the issue of 2 million options, exercisable at \$0.20 cents within four years from the date of approval. The options will vest in three equal tranches on the following dates: 24 November 2010, 24 November 2011 and 24 November 2012. Shareholder approval was given at the Company's AGM held on 24 November 2009.

**** During the 2010 year T O'Connor and G Perkins left the Company and did not complete the service conditions of certain options which has resulted in forfeiture and a negative share based expense. A proportion of Remuneration Performance Related percentage figure is not disclosed in the above table as the figure calculated would be meaningless.

Remuneration Report (cont.)**B Details of remuneration (cont.)**

2009	Short-Term			Post employment Super-annuation	Share-Based Payment Options *	Total	Options Issued as a Proportion of Remuneration (%)
	Salary & Fees	Non monetary	Cash Bonus				
Non-executive directors							
KC Agerup***	9,633	-	-	867	-	10,500	***
C Crisafulli	37,157	-	-	3,343	-	40,500	0
R Norgard	30,581	-	-	69,419	-	100,000	0
M O'Kane	40,500	-	-	-	-	40,500	0
Sub-total	117,871	-	-	73,629	-	191,500	
Executive director							
G Griffiths**	350,000	-	-	100,000	213,363	663,363	32.2
Other key management personnel (group)							
S Cope	152,456	-	-	13,721	17,410	183,587	9.5
T Jones****	255,298	-	-	13,051	(13,030)	255,319	****
J Lawe Davies	275,230	-	-	24,770	121,048	421,048	28.7
S Nixon	183,486	-	-	16,514	-	200,000	0
T O'Connor	203,148	17,035	-	19,817	48,471	288,471	16.8
G Perkins	184,590	-	-	16,613	69,640	270,843	25.7
Total	1,722,079	17,035	-	278,115	456,902	2,474,131	

* Share-based payments are recorded as an expense in the parent company's accounts.

** Mr Griffiths salary, fees and superannuation are recorded as an expense in the consolidated group accounts.

*** As part of Mr Agerup's incentive package, the Board and shareholders approved the issue of 2 million options, exercisable at \$0.20 cents within four years from the date of approval. The options will vest in three equal tranches on the following dates: 24 November 2010, 24 November 2011 and 24 November 2012. Shareholder approval was given at the Company's AGM held on 24 November 2009.

**** During the 2009 year T Jones left the Company and did not complete the service conditions of certain options, which has resulted in forfeiture and a negative share based expense. A proportion of Remuneration Performance Related percentage figure is not disclosed in the above table as the figure calculated would be meaningless.

The proportions of remuneration that are linked to performance and those that are fixed are shown below:

Name	Fixed Remuneration		At risk – STI		At risk- LTI	
	2010	2009	2010	2009	2010	2009
Executive director						
G Griffiths	69.3%	67.8%	-	-	30.7%	32.2%
Other key management personnel						
S Cope	85.3%	90.5%	-	-	14.7%	9.5%
J Lawe Davies	82.2%	71.3%	-	-	17.8%	28.7%
M Maitland	93.2%	-	-	-	6.8%	-
S Nixon	100%	100%	-	-	0%	0%
T O'Connor	***	83.2%	-	-	***	16.8%
G Perkins	***	74.3%	-	-	***	25.7%
A Young	90.7%	-	-	-	9.3%	-

*** During the 2010 year T O'Connor and G Perkins left the Company and did not complete the service conditions of certain options, which has resulted in forfeiture and a negative share based expense. A Fixed Remuneration percentage figure is not disclosed in the above table for 2010 as the figure calculated would be meaningless.

Remuneration Report (cont.)

C Employment contracts

All executive employees are employed under contract. Some executives have a fixed term contract and as such have a commencement date and expiry date and other executives have an ongoing contract and as such only have a commencement date. In relation to fixed term executives, at the time of expiry of these contracts the Company and the executive would negotiate any new employment contract. Under the terms of all executive contracts:

- Executives may resign from their position and thus terminate their contract by giving 3 months written notice. On resignation any unvested options will be forfeited.
- The Company may terminate employment agreements by providing 3 months written notice or provide payment in lieu of the notice period (based on the fixed component of remuneration). On such termination by the Company, any LTI options that have vested, or will vest during the notice period will be required to be exercised within 180 days from termination date (unless agreed otherwise by the Company) or their options expiry date if earlier. LTI options that have not yet vested will be forfeited.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the employees are only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.
- The commencement date and expiry date of executives contracts are as follows:

Name	Commencement Date	Expiry Date
G Griffiths	7 Sep 2009	n/a
J Lawe Davies	7 Sep 2009	n/a
M Maitland	7 Sep 2009	n/a
S Nixon	1 Jan 2009	1 Jan 2012
S Cope	1 Sep 2008	1 Sep 2011
A Young	7 Sep 2009	n/a

- There are no formal contracts between the Company and non-executive directors in relation to Remuneration.

D Share based compensation

Options

A share option incentive scheme has been established whereby directors and certain employees of the consolidated entity may be issued with options over the ordinary shares of ipernica ltd. The options, which are usually issued for nil consideration at an exercise price calculated with reference to prevailing market prices, are issued in accordance with performance guidelines established by the directors of ipernica ltd. The options are issued for terms ranging from 2 to 4 (usually 4) years and are exercisable on various dates (usually in 3 equal annual tranches when vested) within 4 years from the issue date. The options only vest under certain conditions, principally centred on the employee still being employed at the time of vesting. The options cannot be transferred without the approval of the ipernica Board and are not quoted on the ASX. As a result plan participants may not enter into any transaction designed to remove the "at risk" aspect of an option before it is exercised.

The following factors and assumptions were used in determining the fair value of options issued as remuneration compensation during the year ended 30 June 2010:

Grant Date	Option life	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate
	years	\$	\$	\$	%	%
6 August 2009	4	0.0497	0.20	0.095	88.63	5.25
24 November 2009	4	0.0714	0.20	0.120	93.66	5.13

During the reporting period, 500,000 shares were issued as a result of options being exercised that were previously granted as compensation. The shares were issued at \$0.15 per share.

Remuneration Report (cont.)**D Share based compensation (cont.)****Compensation options:**

In the past and during the financial year options were granted as equity compensation benefits to certain directors and other key management personnel as outlined below. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price determined in reference to the market price of the shares on the date of grant.

30 June 2010	Number	Granted during the period	Vested during the period	Vested in past periods	Unvested at balance date	Cancelled/Expired/Exercised during the period	Grant Date	Value per Option at Grant Date \$	Exercise Price per option \$	Vesting Date	Expiry Date	Maximum total value of grant yet to vest \$
Directors												
G Griffiths												
- Expired	833,333			100%		100%	Nov 05	0.031	0.15	Nov 06	Nov 09	
	833,333			100%		100%	Nov 05	0.031	0.15	Nov 07	Nov 09	
	833,334			100%		100%	Nov 05	0.031	0.15	Nov 08	Nov 09	
	300,000			100%		100%	Apr 07	0.105	0.20	Apr 07	Apr 10	
	300,000			100%		100%	Apr 07	0.105	0.20	Apr 08	Apr 10	
	300,000			100%		100%	Apr 07	0.105	0.20	Apr 09	Apr 10	
- Current	666,666			100%			Aug 06	0.082	0.15	Aug 07	Aug 10	
	666,666			100%			Aug 06	0.082	0.15	Aug 08	Aug 10	
	666,668		100%				Aug 06	0.082	0.15	Aug 09	Aug 10	
	733,333			100%			Nov 07	0.102	0.20	Nov 08	Nov 11	
	733,333		100%				Nov 07	0.102	0.20	Nov 09	Nov 11	
	733,334				100%		Nov 07	0.102	0.20	Nov 10	Nov 11	10,401
	1,466,666		100%				Nov 08	0.050	0.16	Nov 09	Nov 12	
	1,466,667				100%		Nov 08	0.050	0.16	Nov 10	Nov 12	14,524
	1,466,667				100%		Nov 08	0.050	0.16	Nov 11	Nov 12	34,225
	833,333	100%			100%		Nov 09	0.071	0.20	Nov 10	Nov 13	23,972
	833,333	100%			100%		Nov 09	0.071	0.20	Nov 11	Nov 13	41,747
	833,334	100%			100%		Nov 09	0.071	0.20	Nov 12	Nov 13	47,682
KC Agerup												
- Current	666,666	100%			100%		Nov 09	0.071	0.20	Nov 10	Nov 13	19,177
	666,667	100%			100%		Nov 09	0.071	0.20	Nov 11	Nov 13	33,397
	666,667	100%			100%		Nov 09	0.071	0.20	Nov 12	Nov 13	38,146
Other key management personnel												
J Lawe Davies												
- Exercised	166,666			100%		100%	Mar 06	0.123	0.15	Mar 07	Mar 10	
	166,667			100%		100%	Mar 06	0.123	0.15	Mar 08	Mar 10	
	166,667			100%		100%	Mar 06	0.123	0.15	Mar 09	Mar 10	
- Expired	166,666			100%		100%	Feb 07	0.119	0.20	Feb 07	Feb 10	
	166,667			100%		100%	Feb 07	0.119	0.20	Feb 08	Feb 10	
	166,667			100%		100%	Feb 07	0.119	0.20	Feb 09	Feb 10	
- Current	66,666			100%			Jul 06	0.092	0.15	Jul 07	Jul 10	
	66,666			100%			Jul 06	0.092	0.15	Jul 08	Jul 10	
	66,668		100%				Jul 06	0.092	0.15	Jul 09	Jul 10	
	300,000			100%			Jul 07	0.133	0.20	Jul 08	Jul 11	
	300,000		100%				Jul 07	0.133	0.20	Jul 09	Jul 11	
	300,000				100%		Jul 07	0.133	0.20	Jul 10	Jul 11	1,127
	966,666		100%				Jul 08	0.042	0.16	Jul 09	Jul 12	
	966,667				100%		Jul 08	0.042	0.16	Jul 10	Jul 12	607
	966,667				100%		Jul 08	0.042	0.16	Jul 11	Jul 12	13,842
	183,333	100%			100%		Aug 09	0.050	0.20	Aug 10	Aug 13	923
	183,333	100%			100%		Aug 09	0.050	0.20	Aug 11	Aug 13	5,014
	183,334	100%			100%		Aug 09	0.050	0.20	Aug 12	Aug 13	6,380

D Share based compensation (cont.)

30 June 2010	Number	Granted during the period	Vested during the period	Vested in past periods	Unvested at balance date	Cancelled/ Expired/ Exercised during the period	Grant Date	Value per Option at Grant Date \$	Exercise Price per option \$	Vesting Date	Expiry Date	Maximum total value of grant yet to vest \$
G Perkins												
- Expired/ Cancelled	1,333,333 1,333,334					100% 100%	Nov 08 Nov 08	0.044 0.044	0.20 0.20	Nov 10 Nov 11	Nov 12 Nov 12	
	50,000	100%				100%	Aug 09	0.050	0.20	Aug 10	Aug 13	
	50,000	100%				100%	Aug 09	0.050	0.20	Aug 11	Aug 13	
	50,000	100%				100%	Aug 09	0.050	0.20	Aug 12	Aug 13	
- Current	1,333,333		100%				Nov 08	0.044	0.20	Nov 09	Nov 12	
S Cope												
- Current	333,333 333,333 333,334 333,333 333,333 333,334		100%		100% 100% 100% 100% 100%		Nov 08 Nov 08 Nov 08 Aug 09 Aug 09 Aug 09	0.044 0.044 0.044 0.050 0.050 0.050	0.20 0.20 0.20 0.20 0.20 0.20	Nov 09 Nov 10 Nov 11 Aug 10 Aug 11 Aug 12	Nov 12 Nov 12 Nov 12 Aug 13 Aug 13 Aug 13	 3,202 7,435 1,678 9,116 11,599
T O'Connor												
- Expired/ Cancelled	100,000 100,000 100,000 33,333 33,333 33,334 33,333 33,333 33,334 33,334 200,000 260,000 260,000 183,333 183,333 183,334			100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100%		100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100%	Jul 05 Jul 05 Jul 05 Nov 05 Nov 05 Nov 05 Feb 07 Feb 07 Feb 07 Jul 07 Jul 08 Jul 08 Jul 08 Aug 09 Aug 09 Aug 09	0.029 0.029 0.029 0.031 0.031 0.031 0.119 0.119 0.119 0.133 0.042 0.042 0.042 0.050 0.050 0.050	0.15 0.15 0.15 0.15 0.15 0.15 0.20 0.20 0.20 0.20 0.16 0.16 0.16 0.20 0.20 0.20	Jul 06 Jul 07 Jul 08 Nov 06 Nov 07 Nov 08 Feb 07 Feb 08 Feb 09 Jul 10 Jul 10 Jul 11 Jul 11 Aug 10 Aug 11 Aug 12	Jul 09 Jul 09 Jul 09 Nov 09 Nov 09 Nov 09 Feb 10 Feb 10 Feb 10 Jul 11 Jul 12 Jul 12 Aug 13 Aug 13 Aug 13	
- Current	106,666 106,666 106,668 200,000 200,000 260,000			100% 100% 100% 100% 100%			Jul 06 Jul 06 Jul 06 Jul 07 Jul 07 Jul 08	0.092 0.092 0.092 0.133 0.133 0.042	0.15 0.15 0.15 0.20 0.20 0.16	Jul 07 Jul 08 Jul 09 Jul 08 Jul 09 Jul 09	Jul 10 Jul 10 Jul 10 Jul 11 Jul 11 Jul 12	
M Maitland												
- Current	100,000 100,000 100,000	100% 100% 100%			100% 100% 100%		Aug 09 Aug 09 Aug 09	0.050 0.050 0.050	0.20 0.20 0.20	Aug 10 Aug 11 Aug 12	Aug 13 Aug 13 Aug 13	503 2,735 3,480
A Young												
- Current	150,000 150,000 150,000	100% 100% 100%			100% 100% 100%		Aug 09 Aug 09 Aug 09	0.050 0.050 0.050	0.20 0.20 0.20	Aug 10 Aug 11 Aug 12	Aug 13 Aug 13 Aug 13	755 4,102 5,220

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to directors and other key management personnel of the group are set out below.

30 June 2010	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	Value at exercise date*
J Lawe Davies	3 February 2010	500,000	Nil

The amounts paid per ordinary share by each director and other key management personnel on the exercise of options at the date of exercise were as follows:

No amounts are unpaid on any shares issued on the exercise of options.

Remuneration Report (cont.)**E Additional Information**

Options granted as part of remuneration for the year ended 30 June 2010 (in accordance with the LTI plan)

The Company has adopted the fair value measurement provisions of AASB 2 "Share-based Payment" for all options granted to directors and executives. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. From 1 July 2003, options granted as part of director and executive emoluments have been valued using the Black-Scholes Option Pricing Model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.

Further details relating to options are set out below.

Name	A Remuneration consisting of options	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$	E Total of columns B-D \$
KC Agerup	55.4%	142,852	-	-	142,852
G Griffiths	30.7%	178,500	-	-	178,500
J Lawe Davies	17.8%	27,313	-	-	27,313
G Perkins	*	7,449	-	-	7,449
T O'Connor	*	27,313	-	-	27,313
S Cope	14.7%	49,660	-	-	49,660
M Maitland	6.8%	14,898	-	-	14,898
A Young	9.3%	22,347	-	-	22,347

A The percentage of the value of remuneration for the financial year consisting of options.

B The value at grant date of options calculated in accordance with AASB 2 Share Based Payment of options granted during the year as part of remuneration.

C The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

* During the year T O'Connor and G Perkins left the Company and did not complete the service conditions of certain options and as a result a figure is not disclosed in the above table as the figure calculated would be meaningless.

This is the end of the Audited Remuneration Report

**DECLARATION OF INDEPENDENCE BY CHRIS BURTON
TO THE DIRECTORS OF IPERNICA LIMITED**

As lead auditor of ipernica limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of ipernica limited and the entities it controlled during the period.



Chris Burton
Director



BDO Audit (WA) Pty Ltd

Perth, Western Australia
Dated this 24th day of September 2010

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of ipernica ltd support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the following ASX information section of this annual report.

Signed in accordance with a resolution of the Directors:



Graham Griffiths
Managing Director

Perth
24 September 2010

**ipernica Statement of Comprehensive Income for the Year Ended
30 June 2010**

	Notes	Consolidated 2010 \$	2009 \$
Revenue from continuing operations	3(a)	1,464,270	3,089,508
Gain on deconsolidation	20	1,253,627	-
Other Income	3(b)	288,914	153,471
Expenses:			
Audit fees		(61,858)	(67,069)
Amortisation and depreciation	3(c)	(1,367,578)	(258,175)
Employee benefits expenses	3(d)	(4,914,541)	(4,276,636)
Finance costs	3(e)	(30,952)	(12,436)
Hosting and IT		(50,039)	(59,136)
Impairment of fixed assets	3(f)	872	(48,676)
Insurance		(139,283)	(88,015)
Lease payments	3(g)	(627,233)	(490,072)
Legal Fees		(328,482)	(133,452)
Litigation costs		(1,424,883)	(1,103,246)
Memberships and subscriptions		(38,885)	(67,381)
Other consultancy fees		(66,327)	(204,747)
Other operational expenses		(976,930)	-
Project related consultancy fees		(100,233)	(240,296)
Research and development costs	3(h)	(221,874)	(374,513)
Telephones		(52,604)	(44,383)
Trademark and patent renewals		(91)	(1,812)
Travel		(115,834)	(124,804)
Other	3(i)	(267,121)	(439,591)
(LOSS) / PROFIT BEFORE INCOME TAX EXPENSE		(7,777,065)	(4,658,009)
(INCOME TAX EXPENSE) / INCOME TAX BENEFIT	4	387,985	(19,493)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX		(7,389,080)	(4,677,502)
LOSS BEFORE INCOME TAX EXPENSE AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF IPERNICA LTD		(7,389,080)	(4,677,502)
Earnings / (loss) per share (cents per share)			
- basic for profit / (loss) for the year attributable to ordinary equity holders of the parent	23	(2.29)	(1.56)
- diluted for profit / (loss) for the year attributable to ordinary equity holders of the parent	23	(2.29)	(1.56)

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

	Notes	Consolidated 2010 \$	2009 \$
CURRENT ASSETS			
Cash and cash equivalents	18(b)	10,462,743	18,169,821
Trade and other receivables	6	1,502,310	1,993,643
TOTAL CURRENT ASSETS		11,965,053	20,163,464
NON-CURRENT ASSETS			
Receivables	6	40,000	-
Available for sale financial assets	7	383,620	232,500
Plant and equipment	8	2,678,510	2,329,518
Intangible assets and goodwill	9	9,089,019	9,161,785
Licensing program costs	10	2,156,003	1,324,024
TOTAL NON-CURRENT ASSETS		14,347,153	13,047,827
TOTAL ASSETS		26,312,206	33,211,291
CURRENT LIABILITIES			
Trade and other payables	11	5,085,272	3,335,471
Provisions	12	153,541	1,832,107
Borrowings	13	163,145	146,857
Current tax liability		-	21,260
TOTAL CURRENT LIABILITIES		5,401,958	5,335,695
NON-CURRENT LIABILITIES			
Provisions	12	1,047,786	1,030,810
Borrowings	13	100,959	263,291
TOTAL NON-CURRENT LIABILITIES		1,148,745	1,294,101
TOTAL LIABILITIES		6,550,703	6,629,796
NET ASSETS		19,761,503	26,581,495
EQUITY			
Contributed equity	14	26,610,948	26,535,948
Reserves	15	3,136,962	2,642,874
Accumulated profit/(losses)	16	(9,986,407)	(2,597,327)
TOTAL EQUITY		19,761,503	26,581,495

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

FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED	<i>Contributed Equity</i> \$	<i>Accumulated Losses</i> \$	<i>Share Based Payment Reserve</i> \$	<i>Total Equity</i> \$
At 1 July 2009	26,535,948	(2,597,327)	2,642,874	26,581,495
Loss for the period / total comprehensive income for the period	-	(7,389,080)	-	(7,389,080)
Transactions with owners in their capacity as owners:				
Issue of share capital	75,000	-	-	75,000
Cost of share-based payments to employees	-	-	494,088	494,088
At 30 June 2010	<u>26,610,948</u>	<u>(9,986,407)</u>	<u>3,136,962</u>	<u>19,761,503</u>

FOR THE YEAR ENDED 30 JUNE 2009

CONSOLIDATED	<i>Contributed Equity</i> \$	<i>Accumulated Losses</i> \$	<i>Share Based Payment Reserve</i> \$	<i>Total Equity</i> \$
At 1 July 2008	21,555,948	4,705,736	1,876,970	28,138,654
Profit for the period / total comprehensive income for the period	-	(4,677,502)	-	(4,677,502)
Transactions with owners in their capacity as owners:				
Cost of share-based payments to employees	-	-	430,904	430,904
Cost of share-based payments for acquisition of NearMap	-	-	335,000	335,000
Issue of share capital – acquisition of NearMap	4,980,000	-	-	4,980,000
Dividends paid	-	(2,625,561)	-	(2,625,561)
At 30 June 2009	<u>26,535,948</u>	<u>(2,597,327)</u>	<u>2,642,874</u>	<u>26,581,495</u>

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

	Notes	Consolidated 2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,030,078	1,641,549
Payments to suppliers and employees		(8,588,952)	(10,492,845)
Interest received		578,130	1,667,211
Interest paid		(30,952)	(12,436)
Tax refund/(Withholding taxes paid)		366,725	(2,090,998)
NET CASH (OUTFLOWS) / INFLOWS FROM OPERATING ACTIVITIES	18(a)	(5,644,971)	(9,287,519)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(1,368,639)	(1,573,258)
Purchase of intangibles		(474,424)	(89,307)
Purchase of equity investments		(151,120)	(100,000)
Purchase of subsidiary, net of cash acquired		-	(4,213,172)
Proceeds from sale of plant and equipment		575	15,244
Cash outflow on deconsolidation of subsidiary	20(d)	(35,654)	-
NET CASH (OUTFLOWS) / INFLOWS FROM INVESTING ACTIVITIES		(2,029,262)	(5,960,493)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		-	9,625
Dividends paid		-	(2,625,561)
NET CASH (OUTFLOWS) / INFLOWS FROM FINANCING ACTIVITIES		-	(2,615,936)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(7,674,233)	(17,863,948)
Cash and cash equivalents at beginning of year		18,169,821	35,980,911
Net foreign exchange differences		(32,845)	52,858
CASH AND CASH EQUIVALENTS AT END OF YEAR	18(b)	10,462,743	18,169,821

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

1. CORPORATE INFORMATION

The financial statement of ipernica ltd (the Company) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 24 September 2010.

ipernica ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of the operations and principal activities of the Group are described in the directors' report.

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.

Removal of Parent Entity figures

Separate financial statements for ipernica ltd as an individual entity are no longer presented as a consequence of a change to the Corporations Act 2001. Financial information for ipernica ltd as an individual entity is included in note 28.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. Other mandatory professional reporting requirements (Australian Accounting Interpretations) have also been complied with.

These financial statements have been prepared in accordance with the historical cost convention.

The financial statements are in Australian dollars.

(b) Statement of Compliance with IFRS

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

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 30 June 2010. They have not been adopted in preparing the financial statements for the year ended 30 June 2010 and are expected to impact the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the table below.

Reference	Title	Nature of Change	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 5	Non-current Assets Held for Sale and Discontinued Operations	Clarifies that disclosures required for non-current assets (or disposal groups) classified as held for sale or discontinued operations are limited to those required by AASB 5 unless: Disclosures are specifically required for these assets by other AASBs; or Assets and liabilities of a disposal group are not within the measurement requirements of AASB 5 and disclosures are required by other AASBs.	Periods commencing on or after 1 January 2010	There will be no impact as these requirements are only required to be applied prospectively to disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations.	1 July 2010
AASB 101	Presentation of Financial Statements	Clarifies that terms of a liability that could, at the option of the counterparty, result in the liability being settled by the issue of equity instruments, do not affect its classification. This means that unless the terms of such liabilities require a transfer of cash or other assets within 12 months, they do not necessarily have to be classified as current liabilities.	Periods commencing on or after 1 January 2010	Initial adoption of this amendment will have no impact as the entity does not have any current liabilities where the counterparty has the option to have the liabilities settled by the issue of equity instruments.	1 July 2010
AASB 107	Statement of Cash Flows	Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.	Periods commencing on or after 1 January 2010	Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.	1 July 2010
AASB 117	Leases	Land can be classified as a finance lease for very long leases where the significant risks and rewards are effectively transferred, despite there being no transfer of title.	Periods commencing on or after 1 January 2010	Initial adoption of this amendment will have no impact as the entity has no leases for land.	1 July 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(b) Statement of Compliance with IFRS (cont.)**

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 136	Impairment of Assets	Clarifies that CGUs to which goodwill is allocated cannot be larger than an operating segment as defined in AASB 8 Operating Segments before aggregation.	Periods commencing on or after 1 January 2010	There will be no impact as these requirements are only required to be applied prospectively to goodwill impairment calculations for periods commencing on or after 1 July 2010.	1 July 2010
AASB 2009-8 (issued July 2009)	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions	Clarifies the scope and accounting for group cash-settled share-based payment transactions in the individual financial statements of an entity receiving the goods/services when that entity has no obligation to settle the share-based payment transaction. Supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions.	Periods beginning on or after 1 January 2010	There will be no impact as there are no share-based payment transactions where the entity receives goods or services with no corresponding obligation to settle the share-based payment transaction.	1 July 2010
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.	1 July 2013
IFRS 71	Financial Instruments: Disclosures	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held.	Periods commencing on or after 1 January 2011	There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.	1 July 2011

* designates the beginning of the applicable annual reporting period

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of ipernica ltd and its subsidiaries as at 30 June each year ("the Group").

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination for the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. (see note 2(d))

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 Consolidated and Separate Financial Statements became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures.

The Group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(d) 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 the 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.

(e) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Revenue recognition

The directors have assessed the value of intangibles (Patents) received as part of the settlement of actions or claims in 2010. Where there is no history of successful claims or current enforceable royalty agreements or no likely indication of deriving future revenue relating to the Patents received, the intangibles are valued at nil in the financial statements and no revenue is recorded within the profit or loss.

Expenditure recognition

The Company has entered into a number of profit share agreements relating to its programs. Sums payable by ipernica under such agreements are generally calculated as a percentage of income after deduction of certain company expenses. The identification of applicable expenses, and the method used to calculate the amount payable under each profit share agreement, depends on an interpretation of the relevant terms of the agreements. The calculation of amounts payable by ipernica under these agreements (which the Company ultimately recognises as an expense in the income statement) is subject to review by the receiving parties. This review process may result in adjustments to the expense recognised in future reporting periods relating to the agreements. The directors believe this will not have a material effect on the position disclosed in the 30 June 2010 financial statements.

Licensing program costs

The Group's accounting policy for capitalised licensing program costs is set out in Note 2 (t). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether future licensing programs will be successful and quantities involved. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the Group's policy, management concludes that the Group is unlikely to recover the expenditure through future licensing programs or sale, then the relevant capitalised amount will be written off to the profit or loss. Refer to Note 10 for further details.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(e) Significant accounting judgements, estimates and assumptions (cont.)****Impairment**

The Group assesses impairment at each reporting date by evaluation of conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates, including forecasting of profits, cash flows, and discount rates.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model and includes judgements in the following areas; risk free rate, volatility and estimated service periods.

Estimated impairment of goodwill and development costs

The Group tests annually whether goodwill and development costs have suffered any impairment, in accordance with accounting policies stated in Note 2(s) and 2(u). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions in the following areas contract revenues (which are set using available data and risk adjusted), discount rates, growth rate and cost of sales.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Litigation/settlement revenue

Revenue is recognised when entitlement to future economic benefits is enforceable and if an appeal process is applicable, the appeal process has been completed.

Services

Services revenue is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to labour hours incurred to date as a percentage of estimated total labour hours for each contract.

Licence Revenue

Revenue from licenses granted is recognised over the life of the licenses granted.

Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Royalties received

The relevant amount has actually been received or the amount has been advised by the licensee, usually by way of royalty statement.

(g) Deferred Revenue

Prepaid amounts received from customers in advance are deferred to the relevant future trading periods.

(h) Borrowing costs

Borrowing costs are recognised as an expense when incurred except when it relates to a qualifying asset in which case it would be capitalised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(i) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(j) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Trade and other 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 - 45 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used 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 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance 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 impairment loss is recognised in the profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(l) Derecognition of financial assets and financial liabilities**(i) Financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(l) Derecognition of financial assets and financial liabilities (cont.)**

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(m) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the profit or loss. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(n) Foreign currencies

Both the functional and presentation currency of ipernica ltd and its Australian subsidiaries is Australian dollars (A\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial statements are taken to profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(o) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

ipernica Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, ipernica Ltd, 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 standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, ipernica Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(p) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(q) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows: Plant and equipment – over 2 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

The cash generating units identified as a consequence of management's assessment of Intangibles are NearMap and the Company's Assertion activities.

For plant and equipment, impairment losses are recognised in the profit or loss.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(r) Investments and other financial assets**

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Loans and receivables are included in Trade and other receivables (note 6).

(ii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where fair value cannot be reliably measured, available-for-sale investments are carried at cost.

(iii) Investments in subsidiaries

Investments in subsidiaries are held at cost.

(s) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 8 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(t) Intangibles – Licensing program costs**

Licensing program costs are incurred when ipernica enters into a contractual relationship with a third party to assist the third party in the enforcement of intellectual property rights that are alleged to have been infringed. The fees earned from licensing programs represent future economic benefits controlled by the group. As the right to receive fees from its licensing programs may be exchanged or sold, the group is able to control the expected future economic benefits flowing from the licensing program costs. Accordingly the licensing program costs meet the definition of an intangible asset.

Licensing program costs are measured at cost on initial recognition. Licensing program costs are not amortised as the asset is not available for use until the determination of a successful enforcement, at which point it is realised.

Licensing programs are considered to have a finite life as a program is not intended to continue beyond its successful completion. Each licensing program is assessed for impairment indicators on an annual basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

The following specific asset recognition rules have been applied to the licensing program fees intangible asset:

Action still outstanding:

While a licensing program is in progress and pending a decision or execution of an agreement, the intangible asset is carried at cost. Subsequent expenditure is capitalised when it meets all of the following criteria:

- i. Demonstration of the feasibility of completing the licensing program so that the fees therefrom will be available for use and the benefits embodied in the asset will be realised;
- ii. Demonstration that the asset will generate future economic benefits;
- iii. ipernica intends to complete the licensing program;
- iv. Demonstration of the availability of adequate technical, financial and other resources to complete the licensing program;
- v. Ability to measure reliably the expenditure attributable to the intangible asset during the licensing program.

Successful Licensing Program:

Where the licensing program has resulted in a licence agreement or judgement in favour of ipernica (and there is no subsequent appeal), which results in the payment of fees to ipernica, this constitutes a derecognition of the intangible asset and accordingly a gain or loss is recognised in the profit or loss.

Successful Program - Appeal by Defendant:

Where an unsuccessful defendant appeals against a judgement in favour of ipernica, the intangible asset is not derecognised, however the carrying value is assessed for impairment based upon the judgement given. In addition, future costs relating to the defence of the appeal will be capitalised if the judgement supports the carrying value of this additional expenditure.

Unsuccessful Licensing Program:

Where a licensing program is unsuccessful, this is a trigger for impairment of the intangible asset and the asset will be written down to its recoverable amount. If a licensing program includes litigation which is unsuccessful at trial, and ipernica appeals against the judgement, then future costs incurred by ipernica on the appeal process are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(u) Intangibles – Research and development costs**

ipernica ltd changed its accounting policy in relation to the treatment of capitalised development costs after further investigation of the technology acquired from NearMap in November 2008. The change relates to the reclassification of some of the acquired technology as now having an indefinite useful life and some of the acquired technology as having a finite useful life. In the Group's previously stated policy it was assumed that all acquired development costs would have a finite useful life. The impact of the change is minimal as prior to this period all of the technology was deemed to be an intangible asset under development and was not required to be amortised at that stage. As such this change in policy has no impact on previously reported results. In the future, including the current period, the only change is that intangibles with an indefinite useful life are not required to be amortised but instead are required to be tested annually for impairment.

The Group's full accounting policy in relation to intangibles is described below.

Intangible assets acquired separately are capitalised at cost and those arising from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where the intangible asset is in the final stages of development and has not yet been given a useful life the intangible is classified as "under development". The useful life of an intangible asset is determined in light of an expected future economic benefit embodied in the asset.

Where amortisation is charged on assets with finite lives, this expense is taken to the Statement of Comprehensive Income.

The amortisation period and method for intangible assets with finite useful lives are reviewed at least annually to determine if the useful lives should be changed. Where there is an expectation that the period or method does not match the consumption of the economic benefits embedded within the asset, the useful life of the asset will be amended to reflect this change.

Intangible assets with finite lives are also tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles and intangibles under development impairment is tested annually or at each reporting period where an indicator exists, at the cash-generating unit level

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Research costs and costs that do not meet the definition of development costs for the purpose of the standard are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(u) Intangibles – Research and development costs (cont.)**

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment rises during the reporting period.

A summary of the policies applied to the Group's intangible assets is as follows:

Development costs – indefinite useful life	
Useful lives	Indefinite
Amortisation method used	No amortisation
Internally generated or acquired	Acquired
Impairment testing	Annually as at 30 June and more frequently when an indication of impairment exists

Development costs, patents and licences – finite useful life	
Useful lives	Finite (generally for a period of 5 – 20 years)
Amortisation method used	Amortised over the period of expected future benefit from the related project on a straight-line basis
Internally generated or acquired	Acquired and internally generated
Impairment testing	Annually as at 30 June for assets not yet available for use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end

The patents and licences have been granted or are expected to be granted for a minimum of 20 years by the relevant government agency with the option of renewal without significant cost at the end of this period provided that the Group meets certain predetermined targets. Accordingly, the patents and licences have been determined to have finite useful lives.

(v) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset (other than goodwill or intangibles with an indefinite useful life) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(w) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(x) Interest bearing borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(y) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(z) Employee benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including the non-monetary benefit of annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave 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 reporting date 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 reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(aa) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of ipernica ltd ('market conditions') if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting period').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(aa) Share-based payment transactions (cont.)**

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(ab) 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.

(ac) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(ad) Segment reporting

The Company was required to change its accounting policy in relation to Segment Reporting as a result of a revised accounting standard which became operative for the annual reporting period commencing on 1 July 2009.

AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This change has not resulted in an increase in the number of operating segments.

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors who ultimately make strategic decisions.

(ae) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

	Consolidated	
	2010	2009
	\$	\$
3. REVENUE AND EXPENSES		
(a) Revenue from continuing operations		
Rendering of services/settlement of litigation programs	907,912	1,573,591
Royalties	-	13,500
Other revenue	8,600	2,479
Finance revenue – Interest	547,758	1,499,938
	1,464,270	3,089,508
(b) Other income		
Net gain from foreign currency translation	288,914	153,471
(c) Amortisation and depreciation		
Amortisation of development costs	(545,193)	(1,794)
Depreciation	(822,385)	(256,381)
	(1,367,578)	(258,175)
(d) Employee benefits expenses		
Share-based payments expense	(494,088)	(430,903)
Defined Contribution plan expense	(309,240)	(325,330)
(e) Finance costs		
Finance charges payable under hire purchase contracts	(30,952)	(12,436)
(f) Impairments		
Impairment of fixed assets	872	(48,676)
(g) Lease payments		
Minimum lease payments – operating lease	(543,283)	(385,366)
Contingent rentals	(83,950)	(104,706)
	(627,233)	(490,072)
(h) Research and development costs		
Research and development costs	(221,874)	(374,513)
(i) Other costs		
Provision for diminution of employee loan	(35,000)	-
Provision for diminution of investment in QPSX Europe GmbH	(1)	-
	(35,001)	-

	Consolidated	
	2010	2009
	\$	\$
4. INCOME TAX		
(a) Income tax expense		
Current tax expense / (benefit)	28,777	19,493
Deferred tax expense / (benefit)	-	-
Under/Over Provision	(416,762)	-
	(387,985)	19,493
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit / (loss) from continuing operations before income tax	(7,777,065)	(4,658,009)
Tax at the Australian tax rate of 30% (2009: 30%)	(2,333,120)	(1,397,402)
Tax effect of amounts which are not deductible(taxable) in calculating taxable income:		
Amortisation of intangibles	4,869	538
Capitalised litigation costs	(5,288)	(10,730)
Entertainment	4,058	4,747
Excess foreign income tax withheld not claimable	28,777	70,362
Investment allowance	(123,564)	(143,049)
Legal	-	8,398
Other	(209,207)	-
Over provision for tax in previous years	-	(50,869)
Patent costs	15,845	-
Provision for non recovery of loan	10,500	-
Relocation costs	-	4,406
Research and Development	(92,638)	-
Shared based expenses	148,226	129,271
	(2,551,542)	(1,384,328)
Current year tax losses not brought to account	2,580,318	1,403,821
Under/(Over) provision	(416,762)	-
Income tax expense / (benefit)	(387,985)	19,493
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	10,587,779	4,679,403
Potential tax benefit @ 30%	3,176,334	1,403,821
(d) Unrecognised temporary differences		
Temporary differences for which deferred tax balances have not been recognised:		
Deferred tax assets for which future utilisation is not probable	-	-
Net recognised deferred tax asset relating to the above temporary difference	-	-

4. INCOME TAX (cont.)**(e) Tax consolidation**

With effect from 1 July 2002, ipernica Ltd and its 100% owned subsidiaries have formed a tax consolidated group. Members of the Group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the arrangement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the probability of default is remote. The head entity is ipernica Ltd.

	Consolidated	
	2010	2009
	\$	\$
(f) Noncurrent assets – deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit and loss		
Provisions	132,843	377,123
Fixed Assets	-	14,575
Accrued expenses	426,299	42,737
Borrowing costs	375,348	-
Tax loss carry forwards	620,400	232,016
	<u>1,554,890</u>	<u>666,451</u>
Amounts recognised directly in equity		
Capital raising costs	-	-
	<u>1,554,890</u>	<u>666,451</u>
Set-off deferred tax liabilities pursuant to set-off provisions	(1,554,890)	(666,451)
Net deferred tax assets	<u>-</u>	<u>-</u>

(g) Noncurrent liabilities – deferred tax liabilities

The balance comprises temporary differences attributable to:

Amounts recognised in profit and loss		
Accrued revenue	18,966	28,372
Fixed Assets	3,212	-
Intangible Assts	1,172,725	-
Depreciable intangible assets	24,000	260,126
Unrealised foreign exchange gain	114,069	67,490
Creditors	221,919	310,463
	<u>1,554,890</u>	<u>666,451</u>
Set-off deferred tax assets pursuant to set-off provisions	(1,554,890)	(666,451)
Net deferred tax liabilities	<u>-</u>	<u>-</u>

5. DIVIDENDS PAID ON ORDINARY SHARES**(a) Declared and paid during the year**

Final franked dividend paid for 2010: nil (2009: nil)	-	2,625,561
There is no proposed dividend for the year ended 30 June 2010.		

(b) Franking credit balance

The amount of franking credits available for the subsequent financial year are:

Franking account balance as at the end of the financial year at 30% (2009: 30%)	907,213	-
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	2,032,453
Franking debits that will arise from the payment of dividends as at the end of the financial year	-	(1,125,240)
	<u>907,213</u>	<u>907,213</u>

(c) Tax rates

The tax rate at which paid dividends have been franked is 30% (2009:30%)

	Consolidated	
	2010	2009
	\$	\$
6. TRADE AND OTHER RECEIVABLES (Current)		
Trade receivables	637,791	51,891
Other	154,987	399,221
Amounts other than trade debts receivable from other related parties (Lloyds of London and a profit share partner)	709,532	1,542,531
	1,502,310	1,993,643

RECEIVABLES (Non Current)

Loan to key management personnel (see Note 25(d))	75,000	-
Provision for diminution	(35,000)	-
	40,000	-

Australian dollar equivalents of amounts receivable in foreign currencies not effectively hedged:

United States Dollars	599,373	860,174
Euros	32,691	608,428

Terms and conditions relating to the above financial instruments:

Trade and other receivables are non-interest bearing and are generally on 14 - 90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

Further information relating to loans to key management personnel is set out in Note 25(d).

Amounts receivable from profit share partners are non-interest bearing and are normally settled on 20 day terms.

Past due but not impaired

At reporting date there was \$27,500 of receivables which were past due but not impaired (2009: \$15,400). No ageing analysis is included as the amounts involved are very small and default is highly unlikely.

Risk Exposure

Information about the Group and the parent entity's exposure to credit risk and exchange risk is discussed further in Note 27 Financial Risk Management Objectives and Policies. The maximum exposure to credit risk at reporting date is the carrying amount of each class of receivables mentioned above.

7. AVAILABLE FOR SALE FINANCIAL ASSETS

	Consolidated	
	2010	2009
	\$	\$
Investments at cost comprise:		
Shares		
Unlisted entities (i) – Available for sale financial assets	712,359	561,239
Impairment of unlisted shares	(328,739)	(328,739)
	383,620	232,500

Risk Exposure:

Information about the Group's exposure to credit risk is discussed further in Note 27 Financial Risk Management Objectives and Policies. The maximum exposure to credit risk at reporting date is the total carrying value of the investments.

- (i) Unlisted entities are available-for-sale investments consisting of ordinary shares and convertible preference shares. They have no fixed maturity date or coupon rate. Where fair value cannot be reliably measured, available-for-sale investments are carried at cost.

7. AVAILABLE FOR SALE FINANCIAL ASSETS (cont.)

(ii) Unlisted controlled entities (subsidiaries):

In applying the interpretation 1052 Tax Consolidation Accounting ipernica Ltd has determined that on a standalone tax payer basis the subsidiaries transferring losses to the head entity have been provided a benefit which is recognised as a contribution by ipernica Ltd resulting in an increase in the carrying value of its investment.

Name	Country of Incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		2010 %	2009 %	2010 \$	2009 \$
QPSX Communications Pty Ltd	Australia	100	100	827,199	827,199
QPSX Europe GmbH	Germany	-	100	-	-
Nearmap Pty Ltd	Australia	100	100	-	-
IPR 1 Pty Ltd	Australia	100	100	-	-
IPR 2 Pty Ltd	Australia	100	100	-	-
IPR 3 Pty Ltd	Australia	100	100	-	-
IPR 4 Pty Ltd	Australia	100	100	-	-
IPR 5 Pty Ltd	Australia	100	100	-	-
IPR 6 Pty Ltd	Australia	100	100	-	-
IPR 7 Pty Ltd	Australia	100	100	-	-
IPR 8 Pty Ltd	Australia	100	100	-	-
QPSX Developments 5 Pty Ltd	Australia	100	100	-	-
ipernica ventures Pty Ltd	Australia	100	100	-	-
ipernica holdings Pty Ltd	Australia	100	100	1	1
				827,200	827,200

On 21 November 2008 NearMap Pty Ltd was 100% acquired.

On 1 April 2010 QPSX Europe GmbH was deconsolidated (see Note 20).

8. PLANT AND EQUIPMENT

Plant and equipment

	Consolidated	
	2010 \$	2009 \$
At cost	4,026,582	2,865,837
Accumulated depreciation and impairment	(1,348,072)	(536,319)
	2,678,510	2,329,518

Reconciliation

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the year.

At 1 July, net of accumulated depreciation and impairment	2,329,518	109,457
Additions (at cost)	1,174,498	2,034,139
Acquisition of a subsidiary	-	524,412
Disposals (at net book value)	(3,993)	(33,433)
Depreciation	(822,385)	(256,381)
Impairment (charge)/reversal	872	(48,676)
At 30 June, net of accumulated depreciation and impairment	2,678,510	2,329,518

Impairment charge

Impairment Charge – In 2009 an impairment charge of \$48,676 was recorded in relation to the decision to close down the Melbourne Office. The impairment charge was based on an estimate of the fair value less costs to sell the assets. A reversal of the impairment charge was recorded in 2010 on the subsequent sale of some of the impaired assets.

Plant and equipment pledged as security

Plant and equipment with a carrying amount of \$250,192 (2009: \$379,654) for the Group are pledged as securities for non-current liabilities as disclosed in Note 13.

	Consolidated	
	2010	2009
	\$	\$
9. INTANGIBLE ASSETS AND GOODWILL		
Goodwill	134,866	134,866
Development Costs	8,954,153	9,026,919
	9,089,019	9,161,785

(a) Reconciliation of carrying amounts at the beginning and end of the period

Reconciliation of movement in Goodwill (i):

Balance at the beginning of the year	134,866	-
Acquisition of subsidiary	-	134,866
Closing balance at the end of the year	134,866	134,866

Reconciliation of movement in Development Costs (ii):

Balance at the beginning of the year	9,026,919	-
Acquisition of subsidiary	-	8,877,133
Additions	472,427	151,580
Amortisation	(545,193)	(1,794)
Closing balance at the end of the year	8,954,153	9,026,919

(b) Description of the group's intangible assets and goodwill**(i) Goodwill**

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

(ii) Development Costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. Those development costs that have been assessed as having a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project. The amortisation has been recognised as an expense in the Statement of Comprehensive Income (refer to Note 2(u)). If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. Following the successful launch during the year of the NearMap web portal and the commencement of regular imagery capture programs across the five major cities, the Group has commenced amortising those development costs assessed as having finite useful lives.

Both goodwill and development costs have been allocated to the cash generating unit NearMap which is part of the reportable segment "ipernica ventures".

(c) Impairment tests for goodwill and intangibles with indefinite useful lives

Goodwill acquired through business combinations and development costs have been allocated to the cash generating unit NearMap.

The recoverable amount of the NearMap unit has been determined based on a value-in-use calculation using cash flow projections as at 30 June based on financial budgets approved by senior management covering a five-year period.

The calculation of value-in-use for the NearMap unit relies upon the successful commercialisation of the NearMap technology and is most sensitive to the following assumptions; discount rates (assessed as a pre-tax rate of 17%), market rates (the potential market is much greater than \$250,000,000 over the five year period), growth rates (is a percentage range of the potential market taking into account current signed contracts and pipeline) and licensing revenue (dependent on the contract price between \$25,000 and \$100,000 per licensable area). The costs associated with delivering the services are in line with the major assumptions above. The assessment was based upon cash flows and NearMap achieving forecast licensing revenue, based on anticipated contracts of which negotiations have yet to be concluded. Whilst it has been concluded that the forecast licensing revenue is probable, should these negotiations not result in the levels of sales forecast, then the value of the Goodwill and Development Costs may become impaired in the future. These assets will be continually reviewed for impairment indicators.

Sensitivity analysis was performed to ensure that any variations to the assumptions would not affect the carrying values of the Group's intangible assets.

	Consolidated	
	2010	2009
	\$	\$

10. LICENSING PROGRAM COSTS

Licensing program costs incurred assisting third parties to enforce their intellectual property rights

2,156,003 1,324,024

Reconciliation of the carrying amount of licensing program costs at the beginning and end of the year.

Beginning of financial year	1,324,024	588,257
Licensing program costs during the period	831,979	735,767
End of financial year	2,156,003	1,324,024

Licensing program costs are capitalised costs incurred in assisting third parties to enforce their intellectual property rights. The capitalising of licensing program costs is accounted for in line with the Group's accounting policy; refer to Note 2(t) for detailed explanation. The annual assessment of the carrying value of the intangibles compared with their recoverable amount has been undertaken and with the assistance of legal advisors, the likely revenue streams exceed the carrying value of the assets. The assessment of the individual cases cannot be disclosed for legal reasons.

For further details relating to litigation risk, refer to Note 27.

	Consolidated	
	2010	2009
	\$	\$
11. TRADE AND OTHER PAYABLES		
Trade creditors (refer Note 11(a) and 11(b))	3,428,606	3,323,492
Amounts other than trade creditors payable to other related parties (profit share partners) (refer Note 11(a) and 11(c))	10,405	11,979
Unearned revenue (refer Note 11(d))	1,646,261	-
	5,085,272	3,335,471

(a) Australian dollar equivalents of amounts payable in foreign currencies not effectively hedged:

- United States dollars	35,365	120,545
- Euro	2,456,298	2,333,835

(b) Terms and conditions relating to the above financial instruments:

Trade payables are generally non-interest bearing and are normally settled on 7 – 60 day terms.

Included in Trade creditors is an amount of \$1,486,664 (2009: \$1,363,717) representing the amount of costs orders and accrued interest which ipernica (through its subsidiary QPSX Communications Pty Ltd) may be ordered to pay in respect of the patent nullity proceedings brought by Deutsche Telekom in the German Federal Patent Court and appealed by ipernica in the German Supreme Court. The German Supreme Court's orders on the appeal in September 2008 amended the original costs order made against ipernica in June 2004 and reduced the Group's overall exposure to adverse costs orders. The amended costs order must now be taxed (re-calculated) to take into account the new elements of the order. The amount of the costs order is subject to movements in exchange rates. Simple interest may accrue on a proportion of the payable at the variable interest rate of the German Civil Court Basic Rate of Interest plus 5% which in total was 5.12% at 30 June 2010 (2009: 6.62%). The Group is entitled to seek recovery from Lloyds of London and a profit share partner for their share of this payable totalling approximately \$559,532 (2009: \$621,855). As such the net impact to ipernica is approximately \$927,132 (2009: \$741,862).

Also included in Trade creditors is a non interest bearing amount of \$950,000 (2009: \$950,000) which was received from Lloyds of London as an advance payment in respect to the original adverse costs orders made by the German Federal Patent Court in 2004. These orders have been amended by the German Supreme Court, and must now be taxed to take into account the new elements of the order. When the German Federal Court taxes the costs, it is expected that the amount of Lloyds' share will be reduced, and ipernica will accordingly be required to make a payment to Lloyds. The expected amount of Lloyds' share of the amended costs order has been recognised as a receivable.

The remainder of trade creditors are non-interest bearing and normally settled on 30 day terms.

(c) Amounts payable to profit share partners are non-interest bearing and are normally settled on 20 – 30 day terms.

(d) Unearned revenue represents licence fees charged, the revenue for which will be recognised over the life of the licence. Included in Unearned Revenue is \$395,000 of sales which were subject to an evaluation period at 30 June 2010. All licences subject to the evaluation period subsequently continued after the expiry of the evaluation period.

	Consolidated	
	2010	2009
	\$	\$
12. PROVISIONS		
Current:		
Employee benefit provisions – Long service leave (i)	153,541	142,029
Litigation provisions (ii)	-	1,690,078
	153,541	1,832,107
Noncurrent:		
Employee benefit provisions – Long service leave (i)	47,786	30,810
Profit share partners payments (iii)	1,000,000	1,000,000
	1,047,786	1,030,810
 (i) Employee benefits – Long service leave		
Beginning of financial year	172,839	169,624
Arising during the year	66,268	45,497
Utilised	-	(24,307)
Unused amounts reversed	(30,876)	(12,909)
Discount rate adjustment	(6,904)	(5,066)
End of financial year	201,327	172,839
Disclosed as:		
Current employee benefit provisions	153,541	142,029
Non-current employee benefit provisions	47,786	30,810
Total	201,327	172,839
 (ii) Litigation provisions		
Beginning of financial year	1,690,078	-
Arising during the year	857,145	1,690,078
Reduction as a result of deconsolidation of subsidiary	(2,547,223)	-
End of financial year	-	1,690,078
Disclosed as:		
Current litigation provisions	-	1,690,078
 (iii) Profit share partners payments		
Beginning of financial year	1,000,000	1,000,000
Arising during the year	-	-
End of financial year	1,000,000	1,000,000
Disclosed as:		
Non-current profit share partners payments	1,000,000	1,000,000
Employee benefits – long service leave		

Refer to Note 2(z) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

12. PROVISIONS (cont.)**Litigation provisions**

On 1 April 2010, following ipernica Ltd's decision not to fund any further appeals and to wind-up QPSX Europe GmbH, a company involved in the program, the Directors of QPSX Europe GmbH filed a petition for insolvency with the German Insolvency Court. Following the Directors' decision to file the petition for insolvency for the Company and the subsequent order of the German Insolvency Court to formally institute insolvency proceedings in relation to the Company, the Group has deconsolidated its interest in QPSX Europe GmbH effective from the date of filing the petition.

During the previous year an amount of \$1,690,078 was raised in respect to anticipated adverse costs orders in the Group's infringement action against Deutsche Telekom and Siemens. During the current year and before the decision to file the petition for insolvency was made, additional costs orders totalling \$857,145 were booked net of adjustments for fluctuations in foreign currencies. As a result of the deconsolidation of QPSX Europe GmbH, the previously booked provision, together with the associated receivables from Lloyds of London and a profit share partner, has been removed from the Group's accounts.

Profit share partners payments

This amount has been guaranteed to be paid to Curtin University in relation to the Stat Mux 2 program. Payment will be made at the sooner of; (a) Curtin's share entitlement under its profit share arrangement or (b) at the completion of the program if the amount has not already been paid in full to Curtin under its share entitlements at that point in time (ie (a) above). The ultimate timing of the payment is hence unknown and therefore the amount is classified as a provision in accordance with the accounting standards.

	Consolidated	
	2010	2009
	\$	\$

13. BORROWINGS

Obligations under finance lease and hire purchase contracts (Note 17)

Current	161,271	146,857
Non-current	100,959	263,291
	<u>262,230</u>	<u>410,148</u>

Other borrowings:

Current	1,874	-
Non-current	-	-
	<u>1,874</u>	<u>-</u>

Total borrowings:

Current	163,145	146,857
Non-current	100,959	263,291
Total Borrowings	<u>264,104</u>	<u>410,148</u>

Plant and equipment with a carrying amount of \$250,192 (2009: \$379,654) for the Group are pledged as securities for current and non-current liabilities.

The carrying amount of the Group's current and non-current borrowings approximates their fair value.

Details regarding interest rate and liquidity risk are disclosed in Note 27.

	Consolidated	
	2010	2009
	\$	\$
14. CONTRIBUTED EQUITY		
(a) Issued and paid up capital		
323,056,101 ordinary shares fully paid (2009: 322,556,101)	26,610,948	26,535,948

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital or par value in respect of its issued shares.

	2010		2009	
	Number of	\$	Number of	\$
	Shares		Shares	
(b) Movement in shares on issue				
Beginning of the financial year	322,556,101	26,535,948	262,556,101	21,555,948
Issued during the year				
- exercise of options (i)	500,000	75,000	-	-
- issued in consideration of equity investment (ii)	-	-	60,000,000	4,980,000
	323,056,101	26,610,948	322,556,101	26,535,948

(i) During the year 500,000 shares were issued pursuant to the exercise of employee share options at an exercise price of \$0.15 per share

(ii) During the 2009 year 60,000,000 shares at a value of \$4,980,000 were issued (along with cash and options) as consideration for the purchase of NearMap Pty Ltd.

(c) Share Options

Options over ordinary shares:

At the end of the year there were 41,274,999 (2009: 41,399,994) unissued ordinary shares in respect of which options were outstanding.

Employee share incentive scheme

During the financial year 6,340,000 options over ordinary shares in respect of the employee share incentive scheme expired, 5,784,995 were cancelled and 500,000 were exercised.

During the financial year 12,500,000 options were issued over ordinary shares in respect of the employee share incentive scheme.

Further details in relation to the employee share incentive scheme are contained in Note 19.

(d) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	Consolidated	
	2010	2009
	\$	\$
15. RESERVES		
Share-based payments reserve		
Balance at beginning of the year	2,642,874	1,876,971
Share based option expense	494,088	430,903
Options issued as part of NearMap acquisition	-	335,000
Balance at end of year	3,136,962	2,642,874

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration (refer to Note 19 for further details of these plans) and the value of equity benefits provided as consideration for the acquisition of entities.

16. ACCUMULATED PROFITS/(LOSSES)

Balance at beginning of the year	(2,597,327)	4,705,736
Dividends paid out of 2008 year profits	-	(2,625,561)
Profit/(loss) attributable to members of ipernica ltd	(7,389,080)	(4,677,502)
Balance at end of year	(9,986,407)	(2,597,327)

	Consolidated 2010 \$	2009 \$
17. EXPENDITURE COMMITMENTS		
(a) Capital expenditure commitments		
There are no capital expenditure commitments contracted for at balance date		
(b) Expenditure commitments		
<i>Hire purchase commitments</i>		
Minimum lease payments		
not later than one year	177,759	177,759
later than one year and no later than five years	104,048	281,807
later than five years	-	-
Less amounts representing financing charge	(19,577)	(49,418)
Aggregate lease expenditure contracted for at balance date	<u>262,230</u>	<u>410,148</u>
<i>Operating leases (non-cancellable) (refer Note 17(c))</i>		
Minimum lease payments		
not later than one year	534,254	404,355
later than one year and no later than five years	405,765	769,603
later than five years	-	-
Aggregate lease expenditure contracted for at balance date	<u>840,019</u>	<u>1,173,958</u>
<i>Other operating expenses</i>		
Minimum lease payments		
not later than one year	351,235	-
later than one year and no later than five years	261,613	-
later than five years	-	-
Aggregate lease expenditure contracted for at balance date	<u>612,848</u>	<u>-</u>
Aggregate expenditure commitments comprise:		
Amounts not provided for:		
rental commitments	840,019	1,173,958
Other operating expenses	612,848	-
Total not provided for	<u>1,452,867</u>	<u>1,173,958</u>

(c) Notes**Operating lease commitments**

Operating lease commitments reflect non-cancellable operating leases for premises occupied by the group for a period of 1 – 5 years.

Hire purchase commitments

The group has hire purchase contracts for various items of plant and equipment with a carrying amount of \$250,192 (2009: \$379,654). The current hire purchase contracts have terms of 3 years.

	Consolidated	
	2010	2009
	\$	\$
18. CASH FLOW STATEMENT		
(a) Reconciliation of the net (loss)/profit after tax to the net cash flows from operations		
(Loss) / profit after tax	(7,389,080)	(4,677,502)
Non-cash items		
Depreciation of non-current assets	822,385	256,381
Amortisation of non-current assets	545,193	1,794
Loss on sale of non-current assets	3,477	18,188
Impairment of non-current assets	(872)	48,676
Net exchange differences	32,845	(52,858)
Share options expensed	494,088	430,904
Provision for diminution	35,001	-
Gain on deconsolidation	(1,253,627)	-
Changes in assets and liabilities		
Payables	1,868,860	(3,055,547)
Receivables	(1,649,987)	(1,140,035)
Provision for employee entitlements	28,489	3,214
Other Provisions	857,144	1,690,078
Provision for income tax payable	(21,260)	(2,075,045)
Other non-current assets	(17,627)	(735,767)
Net cash flow from / (used in) operating activities	<u>(5,644,971)</u>	<u>(9,287,519)</u>
(b) Reconciliation of cash		
Cash equivalents comprises:		
Cash at banks and on hand	1,479,918	763,694
Short term deposits at call	8,982,825	17,406,127
Closing cash balance	<u>10,462,743</u>	<u>18,169,821</u>

Cash at banks and short term deposits earn interest at floating rates based on daily bank deposits rates.

(c) Financing facilities available

Lloyd's of London ("Lloyd's") (through a syndicate) has provided a funding facility of up to US\$4 million for 80% of litigation expenses incurred in relation to litigations authorised by Lloyd's in Germany and the UK. The facility allows for three actions, which may proceed concurrently, to enforce the Company's intellectual property rights under certain of its patents. Where the litigation results in the Company receiving an economic benefit or presumed economic benefit through either monetary settlement, an award of damages or non-monetary arrangements with an infringer, the Company must repay the funds advanced by Lloyd's together with a premium of 30% thereon. If litigation is unsuccessful, and no economic benefit is received, no amount is repayable by the Company to Lloyd's, who forego the full amount advanced. The term of the insurance policy under which the facility is provided remains in effect for the current German actions and potential UK action. As a result of the settlement of the Company's case against Lloyd's in the Supreme Court of Western Australia in March 2007, the terms of the facility were amended in respect of adverse costs orders made in authorised litigation. The maximum amount of the facility has not changed.

	\$AUD		\$USD	
	2010	2009	2010	2009
At balance date, the following financing facility from Lloyd's had been negotiated and was available:				
Total facility	4,693,183	4,929,751	4,000,000	4,000,000
Facility used at balance date	(3,214,403)	(3,376,052)	(2,739,329)	(2,739,329)
Facility unused at balance date	<u>1,479,140</u>	<u>1,553,699</u>	<u>1,260,671</u>	<u>1,260,671</u>

(d) Non-cash financing and investing activities

During the 2010 year, no additional fixed assets were acquired by the consolidated entity on hire purchase finance lease (2009: \$428,567).

During the previous year 60,000,000 shares at a value of \$4,980,000 and 12,500,000 40 cent options at a value of \$335,000 were issued (along with cash) as consideration for the purchase of NearMap Pty Ltd.

19. SHARE-BASED PAYMENT PLANS**Employee share option incentive scheme**

A share option incentive scheme has been established whereby directors and certain employees of the consolidated entity may be issued with options over the ordinary shares of ipernica Ltd. The options, which are usually issued for nil consideration at an exercise price calculated with reference to prevailing market prices, are issued in accordance with performance guidelines established by the directors of ipernica Ltd. The options are issued for terms ranging from 2 to 4 (usually 4) years and are exercisable on various dates (usually in 3 equal annual tranches when vested) within 4 years from the issue date. The options cannot be transferred without the approval of the ipernica Board and are not quoted on the ASX.

The following table lists the inputs to the model used for the years ended 30 June 2009 and 30 June 2010:

Grant Date	Share Value at Grant Date \$	Expected Price Volatility %	Risk Free Interest Rate %	Expected Life of Option Years	Option Exercise Price \$	Expiry Date
For the year ended 30 June 2010:						
06/08/09	0.095	88.63	5.25	4	0.20	06/08/13
24/11/09	0.120	93.66	5.13	4	0.20	24/11/13

For the year ended 30 June 2009:

11/07/08	0.077	90.08	6.43	4	0.16	11/07/12
21/11/08	0.085	100.81	3.92	4	0.16	21/11/12
24/11/08	0.080	100.39	3.93	4	0.20	24/11/12
21/01/09	0.075	91.68	3.45	4	0.20	21/01/13

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

There are no voting or dividend rights attached to the options.

Expenses arising from share based payments transaction is disclosed in Note 15.

Information with respect to the number of options issued under the share incentive scheme is as follows:

	2010		2009	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance at beginning of year	28,149,994	0.17	17,633,333	0.17
Issued	12,500,000	0.20	15,650,000	0.17
Cancelled	(5,784,995)	0.19	(3,693,339)	0.17
Expired	(6,340,000)	0.16	(1,440,000)	0.17
Exercised	(500,000)	0.15	-	-
Balance at end of year	28,024,999	0.18	28,149,994	0.17
Vested and exercisable at end of year	9,699,997	0.17	11,369,991	0.17

19. SHARE-BASED PAYMENT PLANS (cont.)**(a) Options held at the beginning of the reporting period:**

The following table summarises information about options held by directors and employees as at 1 July 2009:

Number of Options	Grant Date	Vesting Date	Expiry Date	Value per option at grant date	Weighted Average Exercise Price
613,332	13-Jul-05	14-Jul-06	14-Jul-09	\$0.029	\$0.15
613,333	13-Jul-05	14-Jul-07	14-Jul-09	\$0.029	\$0.15
613,335	13-Jul-05	14-Jul-08	14-Jul-09	\$0.029	\$0.15
133,332	13-Jul-05	28-Nov-06	28-Nov-09	\$0.031	\$0.15
133,333	13-Jul-05	28-Nov-07	28-Nov-09	\$0.031	\$0.15
133,335	13-Jul-05	28-Nov-08	28-Nov-09	\$0.031	\$0.15
833,333	28-Nov-05	28-Nov-06	28-Nov-09	\$0.031	\$0.15
833,333	28-Nov-05	28-Nov-07	28-Nov-09	\$0.031	\$0.15
833,334	28-Nov-05	28-Nov-08	28-Nov-09	\$0.031	\$0.15
166,666	25-Jan-06	8-Mar-07	8-Mar-10	\$0.123	\$0.15
166,667	25-Jan-06	8-Mar-08	8-Mar-10	\$0.123	\$0.15
166,667	25-Jan-06	8-Mar-09	8-Mar-10	\$0.123	\$0.15
523,330	18-Jul-06	18-Jul-07	18-Jul-10	\$0.092	\$0.15
523,330	18-Jul-06	18-Jul-08	18-Jul-10	\$0.092	\$0.15
240,004	18-Jul-06	18-Jul-09	18-Jul-10	\$0.092	\$0.15
666,666	29-Aug-06	29-Aug-07	29-Aug-10	\$0.082	\$0.15
666,666	29-Aug-06	29-Aug-08	29-Aug-10	\$0.082	\$0.15
666,668	29-Aug-06	29-Aug-09	29-Aug-10	\$0.082	\$0.15
366,665	5-Feb-07	5-Feb-07	5-Feb-10	\$0.119	\$0.20
366,666	5-Feb-07	5-Feb-08	5-Feb-10	\$0.119	\$0.20
333,335	5-Feb-07	5-Feb-09	5-Feb-10	\$0.119	\$0.20
300,000	12-Apr-07	12-Apr-07	12-Apr-10	\$0.105	\$0.20
300,000	12-Apr-07	12-Apr-08	12-Apr-10	\$0.105	\$0.20
300,000	12-Apr-07	12-Apr-09	12-Apr-10	\$0.105	\$0.20
950,000	30-Jul-07	31-Jul-08	31-Jul-11	\$0.133	\$0.20
533,336	30-Jul-07	31-Jul-09	31-Jul-11	\$0.133	\$0.20
533,328	30-Jul-07	31-Jul-10	31-Jul-11	\$0.133	\$0.20
100,000	30-Jul-07	3-Sep-08	3-Sep-11	\$0.133	\$0.20
733,333	30-Nov-07	30-Nov-08	30-Nov-11	\$0.102	\$0.20
733,333	30-Nov-07	30-Nov-09	30-Nov-11	\$0.102	\$0.20
733,334	30-Nov-07	30-Nov-10	30-Nov-11	\$0.102	\$0.20
1,313,333	11-Jul-08	11-Jul-09	11-Jul-12	\$0.042	\$0.16
1,313,333	11-Jul-08	11-Jul-10	11-Jul-12	\$0.042	\$0.16
1,313,334	11-Jul-08	11-Jul-11	11-Jul-12	\$0.042	\$0.16
1,466,666	21-Nov-08	21-Nov-09	21-Nov-12	\$0.050	\$0.16
1,466,667	21-Nov-08	21-Nov-10	21-Nov-12	\$0.050	\$0.16
1,466,667	21-Nov-08	21-Nov-11	21-Nov-12	\$0.050	\$0.16
1,666,666	24-Nov-08	24-Nov-09	24-Nov-12	\$0.044	\$0.20
1,666,666	24-Nov-08	24-Nov-10	24-Nov-12	\$0.044	\$0.20
1,666,668	24-Nov-08	24-Nov-11	24-Nov-12	\$0.044	\$0.20
28,149,994					

19. SHARE-BASED PAYMENT PLANS (cont.)**(b) Options granted during the reporting period:**

The following table summarises information about director and employee options granted by ipernica ltd during the year:

Number of Options	Grant Date	Vesting Date	Expiry Date	Value per option at grant date	Weighted Average Exercise Price
1,999,997	6-Aug-09	6-Aug-10	6-Aug-13	\$0.050	\$0.20
1,999,997	6-Aug-09	6-Aug-11	6-Aug-13	\$0.050	\$0.20
2,000,006	6-Aug-09	6-Aug-12	6-Aug-13	\$0.050	\$0.20
2,166,665	24-Nov-09	24-Nov-10	24-Nov-13	\$0.071	\$0.20
2,166,665	24-Nov-09	24-Nov-11	24-Nov-13	\$0.071	\$0.20
2,166,670	24-Nov-09	24-Nov-12	24-Nov-13	\$0.071	\$0.20
<u>12,500,000</u>					

(c) Options cancelled during the reporting period:

The following table summarises information about director and employee options cancelled by ipernica ltd during the year:

Number of Options	Grant Date	Vesting Date	Expiry Date	Value per option at grant date	Weighted Average Exercise Price
66,666	13-Jul-05	28-Nov-06	28-Nov-09	\$0.031	\$0.15
66,667	13-Jul-05	28-Nov-07	28-Nov-09	\$0.031	\$0.15
66,667	13-Jul-05	28-Nov-08	28-Nov-09	\$0.031	\$0.15
66,666	5-Feb-07	5-Feb-07	5-Feb-10	\$0.119	\$0.20
66,666	5-Feb-07	5-Feb-08	5-Feb-10	\$0.119	\$0.20
33,335	5-Feb-07	5-Feb-09	5-Feb-10	\$0.119	\$0.20
283,333	18-Jul-06	18-Jul-07	18-Jul-10	\$0.092	\$0.15
283,333	18-Jul-06	18-Jul-08	18-Jul-10	\$0.092	\$0.15
416,667	30-Jul-07	31-Jul-08	31-Jul-11	\$0.133	\$0.20
233,328	30-Jul-07	31-Jul-10	31-Jul-11	\$0.133	\$0.20
100,000	30-Jul-07	3-Sep-08	3-Sep-11	\$0.133	\$0.20
280,000	11-Jul-08	11-Jul-10	11-Jul-12	\$0.042	\$0.16
280,000	11-Jul-08	11-Jul-11	11-Jul-12	\$0.042	\$0.16
1,333,333	24-Nov-08	24-Nov-10	24-Nov-12	\$0.044	\$0.20
1,333,334	24-Nov-08	24-Nov-11	24-Nov-12	\$0.044	\$0.20
291,666	14-Oct-09	6-Aug-10	6-Aug-13	\$0.050	\$0.20
291,666	14-Oct-09	6-Aug-11	6-Aug-13	\$0.050	\$0.20
291,668	14-Oct-09	6-Aug-12	6-Aug-13	\$0.050	\$0.20
<u>5,784,995</u>					

19. SHARE-BASED PAYMENT PLANS (cont.)**(d) Options expired during the reporting period:**

The following table summarises information about director and employee options which expired during the year:

Number of Options	Grant Date	Vesting Date	Expiry Date	Value per option at grant date	Weighted Average Exercise Price
613,332	13-Jul-05	14-Jul-06	14-Jul-09	\$0.029	\$0.15
613,333	13-Jul-05	14-Jul-07	14-Jul-09	\$0.029	\$0.15
613,335	13-Jul-05	14-Jul-08	14-Jul-09	\$0.029	\$0.15
66,666	13-Jul-05	28-Nov-06	28-Nov-09	\$0.031	\$0.15
66,666	13-Jul-05	28-Nov-07	28-Nov-09	\$0.031	\$0.15
66,668	13-Jul-05	28-Nov-08	28-Nov-09	\$0.031	\$0.15
833,333	28-Nov-05	28-Nov-06	28-Nov-09	\$0.031	\$0.15
833,333	28-Nov-05	28-Nov-07	28-Nov-09	\$0.031	\$0.15
833,334	28-Nov-05	28-Nov-08	28-Nov-09	\$0.031	\$0.15
300,000	5-Feb-07	5-Feb-07	5-Feb-10	\$0.119	\$0.20
300,000	5-Feb-07	5-Feb-08	5-Feb-10	\$0.119	\$0.20
300,000	5-Feb-07	5-Feb-09	5-Feb-10	\$0.119	\$0.20
300,000	12-Apr-07	12-Apr-07	12-Apr-10	\$0.105	\$0.20
300,000	12-Apr-07	12-Apr-08	12-Apr-10	\$0.105	\$0.20
300,000	12-Apr-07	12-Apr-09	12-Apr-10	\$0.105	\$0.20
6,340,000					

(e) Options exercised during the reporting period

The following table summarises information about director and employee options exercised during the year:

Number of Options	Grant Date	Vesting Date	Expiry Date	Value per option at grant date	Weighted Average Exercise Price
166,666	25-Jan-06	8-Mar-07	8-Mar-10	\$0.123	\$0.15
166,667	25-Jan-06	8-Mar-08	8-Mar-10	\$0.123	\$0.15
166,667	25-Jan-06	8-Mar-09	8-Mar-10	\$0.123	\$0.15
500,000					

No options were exercised during the 2009 year.

19. SHARE-BASED PAYMENT PLANS (cont.)**(f) Options held at the end of the reporting period:**

The following table summarises information about options held by directors and employees at 30 June 2010:

Number of Options	Grant Date	Vesting Date	Expiry Date	Value per option at grant date	Weighted Average Exercise Price
239,998	18-Jul-06	18-Jul-07	18-Jul-10	\$0.092	\$0.15
239,998	18-Jul-06	18-Jul-08	18-Jul-10	\$0.092	\$0.15
240,004	18-Jul-06	18-Jul-09	18-Jul-10	\$0.092	\$0.15
666,666	29-Aug-06	29-Aug-07	29-Aug-10	\$0.082	\$0.15
666,666	29-Aug-06	29-Aug-08	29-Aug-10	\$0.082	\$0.15
666,668	29-Aug-06	29-Aug-09	29-Aug-10	\$0.082	\$0.15
533,333	30-Jul-07	31-Jul-08	31-Jul-11	\$0.133	\$0.20
533,333	30-Jul-07	31-Jul-09	31-Jul-11	\$0.133	\$0.20
300,000	30-Jul-07	31-Jul-10	31-Jul-11	\$0.133	\$0.20
733,333	30-Nov-07	30-Nov-08	30-Nov-11	\$0.102	\$0.20
733,333	30-Nov-07	30-Nov-09	30-Nov-11	\$0.102	\$0.20
733,334	30-Nov-07	30-Nov-10	30-Nov-11	\$0.102	\$0.20
1,313,332	11-Jul-08	11-Jul-09	11-Jul-12	\$0.042	\$0.16
1,033,334	11-Jul-08	11-Jul-10	11-Jul-12	\$0.042	\$0.16
1,033,334	11-Jul-08	11-Jul-11	11-Jul-12	\$0.042	\$0.16
1,466,666	21-Nov-08	21-Nov-09	21-Nov-12	\$0.050	\$0.16
1,466,667	21-Nov-08	21-Nov-10	21-Nov-12	\$0.050	\$0.16
1,466,667	21-Nov-08	21-Nov-11	21-Nov-12	\$0.050	\$0.16
1,666,666	24-Nov-08	24-Nov-09	24-Nov-12	\$0.044	\$0.20
333,333	24-Nov-08	24-Nov-10	24-Nov-12	\$0.044	\$0.20
333,334	24-Nov-08	24-Nov-11	24-Nov-12	\$0.044	\$0.20
1,708,331	14-Oct-09	6-Aug-10	6-Aug-13	\$0.050	\$0.20
1,708,331	14-Oct-09	6-Aug-11	6-Aug-13	\$0.050	\$0.20
1,708,338	14-Oct-09	6-Aug-12	6-Aug-13	\$0.050	\$0.20
2,166,665	24-Nov-09	24-Nov-10	24-Nov-13	\$0.071	\$0.20
2,166,665	24-Nov-09	24-Nov-11	24-Nov-13	\$0.071	\$0.20
2,166,670	24-Nov-09	24-Nov-12	24-Nov-13	\$0.071	\$0.20
28,024,999					

20. DECONSOLIDATION OF SUBSIDIARY**(a) Summary of deconsolidation**

On 1 April 2010, following ipernica Ltd's decision not to fund any further appeals in relation to the SAR Germany program and to wind-up QPSX Europe GmbH, a company involved in the program, the Directors of QPSX Europe GmbH filed a petition for insolvency with the German Insolvency Court. As a result of the filing of this petition and the Insolvency Court subsequently formally instituting insolvency proceedings in relation to the Company, QPSX Europe GmbH was deconsolidated from the group effective 1 April 2010.

(b) Carrying Amounts of Assets and Liabilities

The carrying amounts of the assets and liabilities as at 1 April 2010 were:

	2010	2009
	\$	\$
<u>Current Assets</u>		
Cash and Cash Equivalents	35,654	-
Receivables	1,257,940	-
<u>Current Liabilities</u>		
Provision	2,547,223	-
Net Assets/(Liabilities)	(1,253,627)	-

(c) Details of Deconsolidation

	\$	\$
Consideration received or receivable	-	-
Carrying amount of net assets/(liabilities) sold	(1,253,627)	-
Gain on deconsolidation (included in the profit/(loss) for the year)	1,253,627	-

(d) Net Cash outflow on deconsolidation

	\$	\$
Consideration received in cash and cash equivalents	-	-
Less: cash and cash equivalent balances disposed of	(35,654)	-
Net Cash Outflow on deconsolidation	(35,654)	-

21. CONTINGENT ASSETS AND LIABILITIES**(a) Contingent assets**

No contingent assets have arisen in respect of the Company or the consolidated entity.

(b) Contingent liabilities

The Company is liable to pay certain profit share amounts in respect of some of its assertion cases to third parties. Each of the profit share amounts are only eligible to be paid from the proceeds of future revenue streams.

In certain exceptional circumstances US Courts may order litigants to pay a proportion of the other litigant's legal costs. If this occurs in a case to which ipernica is a party, ipernica would be liable to pay such costs. If this occurs in a case to which ipernica's client is a party, ipernica may be required to reimburse its client in respect of such costs.

No other contingent liabilities have arisen in respect of the Company or the consolidated entity.

22. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

On 1 April 2010, following ipernica Ltd's decision not to fund any further appeals in relation to the SAR Germany program and to wind-up QPSX Europe GmbH, a company involved in the program, the Directors of QPSX Europe GmbH filed a petition for insolvency with the German Insolvency Court. On 3 August 2010 the Insolvency Court formally instituted insolvency proceedings in relation to QPSX Europe GmbH. Creditors of QPSX Europe GmbH have until 29 September 2010 to notify claims to the Administrator. ipernica is currently anticipating filing a claim for costs previously incurred by the Group on behalf of QPSX Europe GmbH in relation to the SAR Germany program.

There are no other significant post balance date events that need to be disclosed.

23. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit / (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit / (loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	2010	2009
	\$	\$
Net profit/(loss) attributable to ordinary equity holders	(7,389,080)	(4,677,502)
Net profit/(loss) used in calculating diluted earnings per share	(7,389,080)	(4,677,502)
	2010	2009
	Number of Shares	Number of Shares
Weighted average number of ordinary shares on issue used in the calculation of basic profit/(loss) per share	322,760,211	299,049,252
Weighted average number of ordinary shares on issue used in the calculation of diluted profit/(loss) per share	322,760,211	299,049,252

There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of these financial statements.

The options on issue during the year and at balance date which represent potential ordinary shares are not dilutive.

	Consolidated	
	2010	2009
	\$	\$
24. AUDITORS' REMUNERATION		
Amounts paid or payable to the Company's auditors		
- an audit or review of the financial statements of the entity – BDO Audit (WA) Pty Ltd	61,858	68,125
- other services in relation to the entity and any other entity in the consolidated group – BDO Corporate Tax (WA) Pty Ltd	2,200	5,670
	<u>64,058</u>	<u>73,795</u>

25. KEY MANAGEMENT PERSONNEL DISCLOSURES**(a) Key management personnel compensation**

	Consolidated	
	2010	2009
	\$	\$
Short-term employee benefits	2,230,555	1,739,114
Post-employment benefits	204,502	278,115
Share-based payments	353,139	456,902
	<u>2,788,196</u>	<u>2,474,131</u>

(b) Option holdings of directors and other key management personnel

	30 June 2010	Balance at beginning of year 1 July 2009	Granted as Remuneration	Options Exercised	Net Other Changes #	Balance at end of year 30 June 2010	Vested and exercisable at 30 June 2010
Directors							
G Griffiths		12,000,000	2,500,000	-	(3,400,000)	11,100,000	4,933,333
KC Agerup		-	2,000,000	-	-	2,000,000	-
Other key management personnel							
S Cope		1,000,000	1,000,000	-	-	2,000,000	333,333
J Lawe Davies		5,000,000	550,000	(500,000)	(500,000)	4,550,000	1,766,666
M Maitland		-	300,000	-	-	300,000	-
S Nixon*		8,130,544	-	-	-	8,130,544	8,130,544
T O'Connor		2,200,000	550,000	-	(1,770,000)	980,000	980,000
G Perkins		4,000,000	150,000	-	(2,816,667)	1,333,333	1,333,333
A Young		-	450,000	-	-	450,000	-

Includes expired options, cancellations and other acquisitions, transfers and disposals.

* S Nixon was issued 8,130,544 Options as one of the vendors of the NearMap Pty Ltd which was acquired by the Group on 21 November 2008.

	30 June 2009	Balance at beginning of year 1 July 2008	Granted as Remuneration	Options Exercised	Net Other Changes #	Balance at end of year 30 June 2009	Vested and exercisable at 30 June 2009
Directors							
G Griffiths		7,600,000	4,400,000	-	-	12,000,000	5,466,665
Other key management personnel							
S Cope		-	1,000,000	-	-	1,000,000	-
T Jones		2,050,000	450,000	-	(1,750,002)	749,998	749,998
J Lawe Davies		2,100,000	2,900,000	-	-	5,000,000	1,433,332
S Nixon*		-	-	-	8,130,544	8,130,544	8,130,544
T O'Connor		1,720,000	780,000	-	(300,000)	2,200,000	913,332
G Perkins		-	4,000,000	-	-	4,000,000	-

Includes expired options, cancellations and other acquisitions, transfers and disposals.

* S Nixon was issued 8,130,544 Options as one of the vendors of the NearMap Pty Ltd which was acquired by the Group on 21 November 2008.

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont.)**(c) Shareholdings of Key Management Personnel**

Shares held in ipernica Ltd.

30 June 2010	Balance at 1 July 2009	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2010	Balance held nominally
Directors						
R Norgard	48,145,773	-	-	-	48,145,773	48,105,773
G Griffiths	6,209,059	-	-	-	6,209,059	1,637,904
C Crisafulli	-	-	-	-	-	-
M O'Kane	50,000	-	-	-	50,000	-
KC Agerup	-	-	-	-	-	-
Other key management personnel						
S Cope	255,000	-	-	140,000	395,000	215,000
J Lawe Davies	757,150	-	500,000	-	1,257,150	-
M Maitland	-	-	-	150,000	150,000	150,000
S Nixon*	39,026,609	-	-	-	39,026,609	-
T O'Connor	166,667	-	-	-	166,667	166,667
G Perkins	1,110,680	-	-	75,000	1,185,680	720,000
A Young	-	-	-	300,000	300,000	-
30 June 2009	Balance at 1 July 2008	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 09	Balance held nominally
Directors						
R Norgard	48,145,773	-	-	-	48,145,773	48,105,773
G Griffiths	4,671,155	-	-	1,537,904	6,209,059	1,637,904
C Crisafulli	-	-	-	-	-	-
M O'Kane	50,000	-	-	-	50,000	-
K Agerup	-	-	-	-	-	-
Other key management personnel						
S Cope	-	-	-	255,000	255,000	75,000
T Jones	-	-	-	-	-	-
J Lawe Davies	407,150	-	-	350,000	757,150	-
S Nixon*	-	-	-	39,026,609	39,026,609	-
T O'Connor	166,667	-	-	-	166,667	166,667
G Perkins	-	-	-	1,110,680	1,110,680	645,000

* S Nixon was issued 39,026,609 Shares as one of the vendors of the NearMap Pty Ltd which was acquired by the Group on 21 November 2008.

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont.)**(d) Loans to Key Management Personnel**

Details of loans made to key management personnel during the year are set out below (aggregated amount):

	Balance at start of year	Loan monies	Repayments	Balance at the end of year	Interest not charged
	\$	\$	\$	\$	
Other key management personnel					
2010	-	75,000	-	75,000	1,929
2009	8,750	-	(8,750)	-	223

Terms and Conditions of loans

On 2 February 2010, an employee exercised options to acquire shares in the Company that were issued under the Company's ESOP. In accordance with the rules of the ESOP the employee requested, and was granted, a loan to fund the purchase of the relevant shares. The loan is on a non-recourse basis and is secured over the issued shares in question. Interest is charged on the loan at rates prescribed under the Fringe Benefits Assessment Act (1986).

The amounts shown for interest not charged in the table above represent the interest accrued for the year.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel; however, given that the loan is on a non-recourse basis, the loan has been impaired by \$35,000 at the reporting date to reflect the reduction in value of the underlying security.

(e) Other transactions with Directors and Key Management Personnel

There were no other transactions with directors and key management personnel which require disclosure for the financial year ended 30 June 2010.

26. SEGMENT INFORMATION

Business Segments:

The consolidated entity business is organised on a global basis into the following areas.

IP Assertion – strategy is to build a diversified portfolio of intellectual property (“IP”) Assertion programs, some of which are capable of short term resolution and some with a probable longer term resolution, targeting significant potential returns to ipernica.

ipernica ventures – strategy is to create a diversified portfolio of technology related equity investments (including NearMap)

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is \$671,514 (2009: \$950,902) and the total revenue from external customers in North America is \$575,531 (2009: \$1,407,250). Segment revenues are allocated based on the country in which the customer is located.

Business segments	IP Assertion		Ipernica Ventures		Unallocated		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenue								
Rendering of services/settlement of litigation programs	575,531	1,407,251	332,382	166,341	-	-	907,913	1,573,592
Interest Income	-	-	-	-	547,758	1,499,938	547,758	1,499,938
Gain on deconsolidation	-	-	-	-	1,253,627	-	1,253,627	-
Other income	-	13,500	8,155	-	445	2478	8,600	15,978
Total Revenue	575,531	1,420,751	340,537	166,341	1,801,830	1,502,416	2,717,897	3,089,508
Expenses								
Depreciation and amortisation	32,108	42,651	1,335,470	215,524	-	-	1,367,578	258,175
Impairment loss/(reversal)	-	-	(872)	48,676	-	-	(872)	48,676
Net foreign exchange (gains)/losses	(309,554)	13,820	1,875	(2,966)	18,765	(164,324)	(288,914)	(153,470)
Hire Purchase Lease Interest	-	-	30,952	12,436	-	-	30,952	12,436
Loss on sale of assets	871	6,986	2,606	11,203	-	-	3,477	18,189
Share Based Payment Expenses	116,014	165,507	378,073	265,396	-	-	494,088	430,903
Other expenses	2,842,236	3,106,410	6,046,419	4,026,198	-	-	8,888,655	7,132,608
Total Expenses	2,681,676	3,335,374	7,794,522	4,576,467	18,765	(164,324)	10,494,964	7,747,517
Net profit(loss) before income tax expense	(2,106,145)	(1,914,623)	(7,453,985)	(4,410,127)	1,783,065	1,666,741	(7,777,065)	(4,658,009)
Income tax expense							(387,985)	(19,493)
Net profit(loss) after income tax expense							(7,389,080)	(4,677,502)
Assets								
Cash assets	-	-	-	-	10,462,743	16,169,821	10,462,743	16,169,821
Total Other Assets	2,938,067	3,021,083	12,705,338	11,855,215	206,058	165,172	15,849,463	15,041,470
Total Assets	2,938,067	3,021,083	12,705,338	11,855,215	10,668,801	16,334,993	26,312,206	33,211,291
Liabilities								
Total Liabilities	3,472,791	5,147,708	2,621,157	1,031,538	456,756	450,550	6,550,703	6,629,796
Other segment information:								
Additions to Noncurrent Assets	832,609	760,403	1,646,296	11,697,492	-	-	2,478,906	12,457,895

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash, short-term deposits, bank investment bills and finance leases.

The main purpose of these financial instruments is to provide working capital for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk, litigation risk and credit risk. The Board has reviewed and agreed policies for managing each of these risks and they are summarised below.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Company's short-term deposits and bank investment bills and certain trade creditors. The Group constantly analyses its exposure to interest rates, with consideration given to potential renewal of existing positions, the mix of fixed and variable interest rates and the period to which deposits are fixed. The Group is also exposed to interest rate risk as a result of interest which is accruing on litigation costs awarded against the Group by the German Federal Patent Court (see Note 11 for further details).

The Group is currently not exposed to interest rate risk on its finance leases as they are locked in at a fixed rate.

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on classes of financial assets and financial liabilities is as follows:

**Consolidated
2010**

	Weighted Average Interest Rate	Floating Interest Rate < 1 year \$	Fixed Interest Rate < 1 year \$	Fixed Interest Rate >2 - <3 years \$	Non- Interest Bearing \$	Total \$
Financial Assets						
Cash and cash equivalents	3.7%	1,900,788	8,561,955	-	-	10,462,743
Trade and other receivables	5.9%	542,306	-	-	960,004	1,502,310
		2,443,094	8,561,995	-	960,004	11,965,053
Financial Liabilities						
Trade and other payables	5.8%	1,364,445	-	-	3,720,827	5,085,272
Borrowings	6.1%	-	163,145	99,085	-	262,230
		1,364,445	163,145	99,085	3,720,827	5,347,502
Net Financial Assets/(Liabilities)		1,078,703	8,398,850	(99,085)	(2,760,823)	6,617,551

**Consolidated
2009**

	Weighted Average Interest Rate	Floating Interest Rate < 1 year \$	Fixed Interest Rate < 1 year \$	Fixed Interest Rate >2 - <3 years \$	Non- Interest Bearing \$	Total \$
Financial Assets						
Cash and cash equivalents	6.0%	1,207,866	16,961,955	-	-	18,169,821
Trade and other receivables	7.3%	527,333	-	-	1,466,310	1,993,643
		1,735,199	16,961,955	-	1,466,310	20,163,464
Financial Liabilities						
Trade and other payables	7.9%	1,156,432	-	-	2,179,039	3,335,471
Borrowings	8.0%	-	-	410,148	-	410,148
		1,156,432	-	410,148	2,179,039	3,745,619
Net Financial Assets/(Liabilities)		578,767	16,961,955	(410,148)	(712,729)	16,417,845

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont.)**Sensitivity Analysis:**

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. The 0.5% sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical LIBOR movements over the last 3 years.

At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit relating to floating financial assets/liabilities of the Group would have been affected as follows:

	Consolidated	
	2010	2009
	\$	\$
Judgements of reasonably possible movements:		
Post tax profit – higher / (lower)		
+0.5%	2,900	(315)
-0.5%	(2,900)	315

Foreign Currency Risk

As previously stated the Group had litigation costs and accrued interest awarded against it by the German Federal Patent Court which is denominated in a foreign currency and as such is subject to fluctuations in currency exchange rates.

The Company has not hedged this exposure.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by a member of the Group in currencies other than Australian dollars.

At 30 June 2010, the Group had the following exposures to foreign currency that is not designated in cash flow hedges (All amounts are shown as AUD equivalents, with column headings denoting the denominated currency):

Consolidated

	30 June 2010		30 June 2009	
	USD	EUR	USD	EUR
Cash and cash equivalents	12,656	-	208,327	42,450
Trade and other receivables	599,373	32,691	860,174	608,428
Trade and other payables	(35,365)	(2,456,298)	(120,545)	(2,333,835)
Gross Balance sheet exposure	576,664	(2,423,607)	947,956	(1,682,957)

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2010	2009	2010	2009
USD	0.8821	0.7477	0.8523	0.8114
EUR	0.5989	0.5420	0.6979	0.5751

Sensitivity Analysis:

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased / (decreased) equity and profit 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.

	2010		2009	
	Equity	Profit	Equity	Profit
USD	-	(40,366)	-	(66,357)
EUR	-	169,652	-	117,807

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont.)**Litigation Risk**

With any litigation there is no guarantee of success. It is possible that the Group will lose one or more cases that it is involved in, which may result in the Group being ordered to pay part or all of the other side's costs. There is also the chance that, upon the Group succeeding in a damages claim against one or more defendants, the defendants will be unable to satisfy the judgement against them.

To mitigate these risks the Group performs extensive due diligence on the cases in which it is involved prior to litigation being commenced, and chooses its legal firms and advisers from the best available.

In broad terms, the Group's strategy is to develop a diversified portfolio of intellectual property litigation and licensing programs in a variety of territories, targeting significant returns to the Group. The litigation in which the Group becomes involved generally relates to allegations of patent infringement, or other breaches of, or issues associated with, intellectual property rights. The Group's litigation programs are supported by a variety of innovative co-funding arrangements, such as insurance facilities and contingent funding by US law firms and independent funders, which are structured to ensure ipernica retains a substantial share of the outcome, while minimising day-to-day expenses and overall financial exposure.

Capital Risk Management

The Group's objective in managing capital is to safeguard its ability to continue as a going concern, so it can continue to commercialise intellectual property with the ultimate objective of providing returns to shareholders whilst maintaining an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Company may issue new shares, sell assets, consider joint ventures and may return capital in some form to shareholders.

Credit Risk

The Group trades only with recognised, creditworthy third parties.

In addition, receivable balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not significant. The maximum exposure of credit risk relating to the Group and parent is equal to the carrying amount of the balances disclosed in Note 6 Trade and Other Receivables and Note 18(b) Reconciliation of Cash.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of those instruments. Since the Group trades only with recognised third parties, there is no requirement for collateral.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	Consolidated	
	2010	2009
	\$	\$
Trade receivables – without external credit rating		
Existing Customers (more than 6 months) with no defaults in the past	637,791	51,891
Cash at bank and short-term bank deposits		
AA	10,462,743	18,127,371
A	-	42,450
	<u>10,462,743</u>	<u>18,169,821</u>
Available-for-sale share investments – without external credit rating		
Investments in unlisted entities	383,620	232,500

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its cash and funding requirements. The Group continually monitors forecast and actual cash flows and the maturity profiles of assets and liabilities to manage its liquidity risk.

All Trade and Other Creditors are contractually payable within a one year time frame. Refer to Interest Rate Risk section for Balances.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont.)**Net Fair Values of Financial Assets and Liabilities**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 July 2009, the Company 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:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) 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) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

All of the "available for sale financial assets" as disclosed in note 7 are unlisted equity securities that are included in "level 3" of the fair value hierarchy. During the year there was an increase of \$151,120 in level 3 fair value equity securities which arose as a result of the purchase of additional securities. There are no other financial assets or liabilities that require disclosure under AASB 7. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

28. PARENT ENTITY INFORMATION

Information relating to ipernica Ltd:

	2010	2009
	\$	\$
Current Assets	9,097,941	17,751,236
Total Assets	27,106,597	26,784,323
Current Liabilities	39,462	202,828
Total Liabilities	39,462	202,828
Net Assets	27,067,135	26,581,495
Contributed Equity	26,610,948	26,535,948
Reserves	3,136,963	2,642,874
Accumulated Profits/(Losses)	(2,680,776)	(2,597,327)
Total Shareholder Equity	27,067,135	26,581,495
Profit/(Loss) of Parent Entity	(450,057)	(9,218,981)
Total Comprehensive Income of Parent Entity	(83,449)	(8,735,946)

The parent entity has not entered into any guarantees with its subsidiaries.

Details of the contingent liabilities of the parent entity are contained in Note 21. There are no contingent liabilities of the parent entity.

Details of the contractual commitments of the Group are contained in Note 17. The contractual commitments of the parent entity are as outlined below:

*Lease expenditure commitments**Operating leases (non-cancellable) (refer Note 17(c))*

Minimum lease payments		
not later than one year	177,094	176,457
later than one year and no later than five years	36,900	216,473
later than five years	-	-
Aggregate lease expenditure contracted for at balance date	213,994	392,930

Aggregate expenditure commitments comprise:

Amounts not provided for:		
Rental commitments	213,994	392,930
Total not provided for	213,994	392,930

Wholly-owned Group transactions

Loans made by ipernica Ltd to and from wholly-owned subsidiaries are repayable on demand. No interest is charged on the loans (2009: Nil).

28. PARENT ENTITY INFORMATION (cont.)

	2010	2009
	\$	\$
Loans to wholly-owned subsidiaries		
Beginning of the year	7,992,314	87,196
Loans advanced	9,859,259	16,691,365
Loan repayments received	(1,074,412)	(1,543,151)
(Provision for no recovery - Impairment) /Reversal accumulated provision for non recovery	-	(9,935,292)
Transfer from Loans from wholly owned subsidiaries	150,722	2,692,196
End of the year	<u>16,927,883</u>	<u>7,992,314</u>
Loans from wholly-owned subsidiaries		
Beginning of the year	167,351	1,797,428
Loans advanced	17,545	2,294,933
Loan repayments made	(335,617)	(6,617,206)
Transfer to Loans to wholly owned subsidiaries	150,722	2,692,196
End of the year	<u>-</u>	<u>167,351</u>

Key Management Personnel

Details relating to loans from and to directors and key management personnel are contained in Note 25.

In accordance with a resolution of the directors of ipernica ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) the Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards
- (c) 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
- (d) the remuneration disclosures set out on pages 46 to 54 of the directors' report (as part of audited Remuneration Report) for the year ended 30 June 2010, comply with section 300A of the Corporations Act 2001.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ending 30 June 2010.

On behalf of the Board



G Griffiths
Managing Director

Perth
24 September 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IPERNICA LIMITED

Report on the Financial Report

We have audited the accompanying financial report of ipernica limited, which comprises the statement of financial position as at 30 June 2010, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the disclosing entity 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 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

- (a) the financial report of ipernica limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 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
- (a) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year 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 ipernica limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO Audit


Chris Burton
Director

Perth, Western Australia
Dated this 24th day of September 2010

The Board of Directors of ipernica limited is responsible for establishing the corporate governance framework of the Company and its related bodies corporate. In establishing this framework, the Board has considered the guidelines published by the ASX Corporate Governance Council ("**Council**") as well as the Council's corporate governance principles and recommendations.

The table below summarises the Company's compliance with the Council's recommendations.

Recommendation		Comply Yes/No/ Partly	Reference
Principle 1 – Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	Yes	Page 108
1.2	Companies should disclose the process for evaluating the performance of senior executives	Yes	Page 109
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1	Yes	
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors	Partly	Page 109
2.2	The chair should be an independent director	No	Page 110
2.3	The roles of chair and Managing Director should not be exercised by the same individual	Yes	Page 110
2.4	The Board should establish a nomination committee	Yes	Page 110
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors	Yes	Page 111
2.6	Companies should provide the information indicated in the guide for reporting on Principle 2	Yes	
Principle 3 – Promote ethical and responsible decision making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: The practices necessary to maintain confidence in the Company's integrity. The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. The responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Yes	Website
3.2	Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	Yes	Page 112
3.3	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee	Yes	Page 111
4.2	The audit committee should be structured so that it: Consists only of non-executive directors. Consists of a majority of independent directors. Is chaired by an independent chair, who is not chair of the board Has at least three members	Yes	Page 111
4.3	The audit committee should have a formal charter.	Yes	Page 111
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	Yes	Website
Principle 5 – Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	
Principle 6 – Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	Yes	Page 111
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	

Recommendation		Comply Yes/No/ Partly	Reference
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	Yes	Page 112
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks	Yes	Page 112
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 112
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	Yes	Page 110
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Partly	Refer to remuneration report and page 110

The Board of directors of ipernica Ltd is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business affairs of ipernica Ltd on behalf of the shareholders by whom they are elected and to whom they are accountable.

The format of the Corporate Governance Statement is in accordance with the Australian Stock Exchange Corporate Governance Council's (**Council's**) "Principles of Good Corporate Governance and Best Practice Recommendations" (**Recommendations**). The Company has reviewed its corporate governance statement in the light of the "Second edition – Revised Corporate Governance Principles and Recommendations" published by the Australian Stock Exchange Limited in August 2007.

In accordance with the Recommendations, the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the Recommendations during the period. As detailed in the Recommendations, nothing in the Principles or Recommendations precludes a company from following an alternative practice to that set out in a particular Recommendation, provided that fact is disclosed, together with reasons for the departure. ipernica's Corporate Governance Statement is structured with reference to the Recommendations, which are as follows:

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the board to add value
Principle 3.	Promote ethical and responsible decision making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

ipernica's corporate governance practices were in place throughout the year ended 30 June 2010. With the exception of the departures as detailed below, the corporate governance practices of ipernica were compliant with the Recommendations.

For further information on corporate governance policies adopted by the Board, refer to the Corporate Governance section of the ipernica website at www.ipernica.com.

Board Responsibilities

ipernica has established the functions that are reserved to the Board. The Board acts on behalf of the shareholders and is therefore accountable to the shareholders. It also has other obligations of a regulatory or ethical nature. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to appropriately manage those risks.

The Board's role is to govern the consolidated entity. Without limiting the generality of that stated role, the matters reserved specifically for the Board include:

- determining the vision and objectives of the Company;
- identifying all areas where written Board policy is required, determination of those policies, and overseeing the implementation and monitoring of compliance, including policy in relation to code of conduct, related party transactions, and trading in the Company's securities;
- formulating short term and long terms strategies to enable the Company to achieve its objectives, and ensuring adequate resources are available to meet strategic objectives;
- monitoring senior executives' performance and implementation of strategy;
- approving the annual operating and capital budgets, and variations thereto, ensuring they are aligned with the Company's strategic objectives;
- authorising expenditure approval limits for the managing director, and authorising expenditure in excess of these discretionary limits;
- authorising the issue of securities and instruments of the Company;
- approving the Half Yearly and Annual Financial Reports, Annual Report, notice of general meeting, and profit and dividend announcements.

For a complete list of the functions reserved to the Board and a copy of the Board's charter, please refer to the Corporate Governance section of the ipernica website at www.ipernica.com.

The Board is responsible for ensuring that management objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

- approval of a dynamic document referred to as the strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- ongoing review and development of the strategic plan to approve initiatives and strategies designed to ensure the continued growth and success of the entity;
- implementation of operating plans and budgets by management and Board monitoring of progress against budget for all significant business processes; and
- managing the organisation's financial risk which entails such matters as the entity's insurance arrangements, liquidity, currency, interest rate and credit policies and exposures and the monitoring of management's actions to ensure they are in line with Company policy.

While the Board retains full responsibility for guiding and monitoring the consolidated entity, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To achieve this objective, the Board has established the following committees:

- Audit & Risk Management Committee
- Remuneration Committee
- Nomination Committee

Refer to the Corporate Governance section of the ipernica website at www.ipernica.com for further details of the roles and responsibilities of these committees.

Responsibilities of senior executives

The responsibility for the operation and administration of the consolidated entity, in accordance with the direction of the Board, is delegated by the Board to the managing director and the executive team. The Board ensures that this team is appropriately qualified and experienced to carry out their responsibilities and has in place procedures to assess the performance of the managing director and the executive team. In delegating this power, the Board must also be satisfied that the managing director and senior executives will exercise their powers reliably and competently, and in accordance with the requirements of the Board.

The matters and functions delegated from the Board to senior executives include:

- formulating with the Board, the vision, strategies, business plans and budgets of the Company and, to the extent approved by the Board, implementing these plans, budgets and strategies;
- operating the Company's businesses within the parameters and having regard to the policies set by the Board from time to time, and keeping the Board informed of material developments in relation to those businesses;
- identifying material business risks, formulating strategies in conjunction with the Board or the Audit and Risk Committee to manage the risks, and monitoring effectiveness of the management process and reporting to the Board and Audit and Risk Committee;
- implementing and monitoring compliance with the policies, processes and codes of conduct approved by the Board; and
- providing strong leadership to, and effective management of, the Company.

For a complete list of the functions delegated to the managing director and the executive team, please refer to the Corporate Governance section of the ipernica website at www.ipernica.com.

Evaluation of Senior Executives

An evaluation of senior executives took place in the financial year and was in accordance with the process outlined in the Directors' Report on page 46 and in ipernica's Corporate Governance Policy. This remuneration structure ensures that annual Company performance is clearly reflected in senior executives' reward outcomes.

The Managing Director's fixed reward is reviewed annually in conjunction with the annual salary review process. The review involves having due regard to market relativity for similar-sized roles. The Board must review any adjustments to the Managing Director's fixed reward.

Structure of the Board

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board should comprise at least four directors of whom at least two should be non-executive directors;
- The chairperson should be a non-executive director;
- The Board should comprise directors with an appropriate range of qualifications and expertise; and
- The Board should meet at least six times per annum and ensure all directors are made aware of, and have available, all necessary information to participate in an informed discussion of all agenda items.

The directors in office and the term of their appointment at the date of this statement are:

Name	Position	Date of Appointment
R Norgard	Chairman, Non-Executive Director	01/01/1999
G Griffiths	Managing Director	12/06/2000
C Crisafulli	Non-Executive Director	29/10/2000
KC Agerup	Non-Executive Director	30/03/2009
S Nixon	Non-Executive Director	03/08/2010

The skills, experience and expertise relevant to the position of director held by each director at the date of the annual report are included in the Directors' Report on pages 40 to 42. There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

Recommendation 2.1 requires a majority of the Board to be independent directors. Up to the date of resignation of Dr Mary O'Kane on 30 March 2010, the majority of the Board was independent. Following Dr O'Kane's resignation the majority of the Board was not independent. The Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, the following directors are not considered to be independent:

Name	Position
R Norgard	Chairperson, Non-Executive Director
G Griffiths	Managing Director
S Nixon	Non-Executive Director

The Chairperson, Mr Ross Norgard, is not considered to be independent using the Council's definition of independence as he is a substantial shareholder of ipernica. Mr Nixon is not considered independent as he is also a substantial shareholder. Mr Graham Griffiths is also not considered independent as he is the Managing Director of the Company. The majority of the Board, up to 30 March 2010, was independent as 3 directors (Mr Crisafulli, Dr M O'Kane and Mr Agerup) were considered as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. After 30 March 2010 the Company had only 2 independent directors (Mr Crisafulli and Mr Agerup) out of the 4 (out of the 5 after 3 August 2010) and the majority of the Board was, therefore, not independent. Although the Company was non-compliant for part of the financial year, the Company is satisfied, given the size of its operation, that its Board was appropriately composed and balanced allowing for the effective corporate governance of the Company.

The Company recognises Recommendation 2.2 which requires the chairperson of the Company to be independent. The Chairperson, Mr Ross Norgard, is a substantial shareholder of ipernica and is not considered independent. However, he has been appointed to this position as he has considerable experience as a public company Chairman and is the most appropriately qualified person for this position. The Board believes that he is able to and does bring impartial judgment to all relevant issues falling within the scope of the role of Chairperson.

Nomination Committee

The Board has established a nomination committee, which usually meets at least annually, to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. For further details regarding the procedure for the nomination, selection and appointment of new directors and re-election of incumbents, as well as a copy of the Nomination Committee's charter, please refer to the Corporate Governance section of the ipernica website at www.ipernica.com. All members of the nomination committee are non-executive directors.

For details of directors on the committee and attendance at meetings of the nomination committee, refer to page 45 of the Directors' Report.

Remuneration Committee

The Board is responsible for determining and reviewing compensation arrangements for the directors and senior executives. The Company has established a remuneration sub-committee. All members of the remuneration committee are non-executive directors.

For details of directors on the committee and attendance at meetings of the remuneration committee, refer to page 45 of the Directors' Report.

For further details on the remuneration policy of ipernica, including a description of the structure of non-executive directors' remuneration and executive directors' and senior executives' remuneration, see pages 46 to 54 of the Directors' Report. The only long term incentive that the Company offers to directors and employees are options over the ordinary shares of ipernica Ltd. The options, which are usually issued for nil consideration at an exercise price calculated with reference to prevailing market prices, are issued in accordance with performance guidelines established by the directors of ipernica Ltd. The options typically only vest under certain conditions, principally centred on the employee still being employed at the time of vesting. The options cannot be transferred without the approval of the ipernica Board and are not quoted on the ASX. As a result plan participants may not enter into any transaction designed to remove the "at risk" aspect of an option before it is exercised.

The Company acknowledges Recommendation 8.2 which recommends that non-executive Directors should not receive options or bonus payments. Under the Company's current circumstances the Directors consider that the options granted to Mr Agerup as approved at the Company's last Annual General Meeting were a cost effective and efficient means for the Company to provide a reward and an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

There is no scheme to provide retirement benefits (other than superannuation) for non-executive directors.

For additional details regarding the remuneration committee, including a copy of its charter, please refer to the Corporate Governance section of the ipernica website at www.ipernica.com.

Audit & Risk Management Committee

The Board has established an audit & risk management committee ("audit committee") which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes such as the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information as well as non-financial considerations including the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the audit & risk management committee. The audit & risk management committee provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The committee is also responsible for the nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review.

For further details regarding the procedures for selection, appointment and rotation of external audit partners, as well as a copy of the audit & risk committee's charter, please refer to the Corporate Governance section of the ipernica website at www.ipernica.com.

All members of the audit & risk management committee are non-executive directors and it is chaired by an independent director.

For details of directors on the committee and attendance at meetings of the audit & risk management committee, refer to page 45 of the Directors' Report.

Monitoring of Performance

The Company has formally disclosed that the composition of the Board is reviewed annually by the Nominations Committee to ensure that the non-executive directors between them bring the range of skills, knowledge and experience necessary to direct the Company in the future, taking into account its current operations and expectations for changes in the nature and scope of its activities. The Managing Director's performance objectives are equivalent to the Company's performance objectives and are set by the Board based on qualitative and quantitative measures. The Managing Director's performance against these objectives is reviewed annually by the Board and is reflected in the Managing Director's remuneration review.

At all times, a Director whose performance is found to be unsatisfactory may be asked to retire.

An evaluation of the Board, its committees and directors took place in the reporting period and was carried out by the Chairman. Although the evaluation was not in accordance with the process disclosed in this document and the Company's Corporate Governance Policy, the Board is satisfied that the evaluation undertaken was effective given the size and nature of its operations.

Communication to Shareholders

Pursuant to Recommendation 6, the Board aims to ensure that the shareholders are provided with full and timely information about ipernica's activities. To promote effective communication with shareholders, the Company has designed a Shareholders Communication policy. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- announcements made through the ASX companies announcements platform;
- the Company's website (<http://www.ipernica.com>) which has a dedicated Investor Relations section for the purpose of publishing all important company information and relevant announcements made to the market; and
- the annual general meeting and any other meetings called to obtain approval for Board action as appropriate.

In addition, shareholders are encouraged to make their views known or to seek clarification on information available in the public arena by contacting the Company or attending the annual general meeting. The external auditors also attend, and are available to answer queries at, the company's annual general meetings.

For further information regarding the Company's Shareholder Communication Policy please refer to the Corporate Governance section of the ipernica website at www.ipernica.com.

Share Trading

The Constitution of the Company permits directors and officers to acquire shares in the Company.

In accordance with the provisions of the Corporations Act and the listing Rules of the ASX, directors must advise the Company and the ASX of any transactions they conducted in securities of the Company.

The Company has established a policy concerning trading in the entity's securities by directors, senior executives and employees. The Securities Dealing policy prohibits the buying or selling of Company securities at any time by any director, officer, executive, contractor, consultant or employee ("insiders") who possesses price-sensitive information about the company that is not available to investors and the stock market generally.

Individuals who hold price-sensitive information not generally available to investors and the stock market:

- must not trade in any securities of the Company;
- must not engage any other person or entity to trade in the Company's securities;
- must not allow the price sensitive information to be disclosed to another person who may use the information for improper trading purposes; and
- must not communicate inside information to any other individual who works within the ipernica Group except on a "need to know" basis.

Individuals who liaise with stock brokers, industry analysts or business journalists and the like regarding the business activities of ipernica, must not disclose to such third parties any inside information about ipernica, or confirm any analysis, the confirmation of which would constitute price-sensitive and non-public information. For further information on the Company's share trading policy please refer to the Corporate Governance section of the ipernica website at www.ipernica.com.

Integrity of Financial Reporting and Risk Management Policies

The Board has primary responsibility to ensure that the Company presents and publishes accounts which present a true and fair view of its results and financial position and that the accounting methods adopted are appropriate to the Company and consistently applied in accordance with relevant accounting standards and the applicable laws.

Under section 259A of the *Corporations Act*, the Managing Director and the Chief Financial Officer are each required to provide a written statement that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and that they are in accordance with the relevant accounting standards. In addition the Managing Director and Chief Financial Officer must also confirm that this statement is founded on a sound system of risk management and internal compliance which implements the policies adopted by the board and that the company's risk management and internal compliance and control system is operating effectively in all material respects. The Board confirms that it has received written statements to this effect from the Managing Director and the Chief Financial Officer.

ipernica is committed to the management of risks throughout its operations to protect all of its stakeholders. Risk management is carried out through the various committees, processes and procedures mentioned above.

The Board has delegated to the Audit & Risk Management Committee the primary responsibility for ensuring that risks are identified and monitored. The Audit & Risk Management Committee has in turn required management to design and implement a risk management and control system to manage the Company's material business risks. The Company's Risk Management Policy deals with the management and oversight of material business risks and provides the guiding principle for management in the identification of risks across the organisation as a whole, and within individual business units.

The annual business planning process includes careful consideration of the internal and external risk profile of the Company. Senior executives report regularly to the Board in relation to the effectiveness of the management of material business risks. This process will allow senior management to minimise the potential impact of business risks in achieving objectives to create and protect shareholder value. The Board confirms that it has received a report from management affirming that the Company's management of material business risks is effective.

The Risk Management Policy provides a framework for systematically understanding and identifying the types of business risks threatening ipernica as a whole or specific business activities within the Company and includes risk mitigation strategies.

Integrity of Financial Reporting and Risk Management Policies (cont.)

The categories of risk covered in the Risk Management Policy include but are not limited to:

- Operational risk;
- Environmental risk;
- Sustainability risk;
- Compliance risk;
- Strategic risk;
- Ethical conduct risk;
- Reputation or brand risk;
- Technological risk;
- Product or service quality risk;
- Human capital risk;
- Financial reporting risk; and
- Market related risk.

For a summary of the Company's Risk Management Policy, please refer to the Corporate Governance section of the ipernica website at www.ipernica.com.

Director and Executive Code of Conduct, Continuous Disclosure Policy and Company Code of Conduct

The Company's Code of Conduct and Continuous Disclosure Policy are contained within its Corporate Governance Policy which can be found in the Corporate Governance section of the ipernica website at www.ipernica.com.

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 22 September 2010.

(a) Distribution of ordinary shares

The number of shareholders, by size of holding, are:

Range	No of holders	No of shares
1 – 1,000	58	31,725
1,001 – 5,000	196	655,752
5,001 – 10,000	218	1,830,714
10,001 – 100,000	660	29,177,054
100,001 and over	291	291,360,856
Total	1,423	323,056,101

The number of shareholders holding less than a marketable parcel of ordinary shares is:

202 432,141

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

Name	No of shares	% of shares
1 Mr Stuart William Nixon	39,026,609	12.08
2 Longfellow Nominees Pty Ltd <Aeolus A/C>	36,689,394	11.36
3 Planetek Italia SRL	15,828,974	4.90
4 Mrs Alison Elizabeth Farrelly	9,967,234	3.09
5 Longfellow Nominees Pty Ltd <The Norgard Super Fund A/C>	9,650,606	2.99
6 Mr Paul Farrelly	8,223,902	2.55
7 ANZ Nominees Limited <Cash Income A/C>	6,613,430	2.05
8 J P Morgan Nominees Australia Limited <Cash Income A/C>	6,043,771	1.87
9 Citicorp Nominees Pty Ltd	4,925,553	1.52
10 Corry Lyn Pty Ltd	4,750,000	1.47
11 Ms Vivianne Jaffe	4,750,000	1.47
12 Mr Graham Griffiths	4,571,155	1.41
13 McRae Technology Pty Ltd	4,166,667	1.29
14 Dequetteville Nominees Pty Ltd <Long-Term Trading A/C>	3,380,000	1.05
15 Mr Edward William Gallop & Ms Glenda Joy Gallop <Gallop Family S/F A/C>	3,000,000	0.93
16 Nefco Nominees Pty Ltd	3,000,000	0.93
17 Colbern Fiduciary Nominees Pty Ltd	2,700,000	0.84
18 Damplin Investments Pty Ltd	2,667,255	0.83
19 J P Morgan Nominees Australia Limited	2,500,000	0.77
20 Mr Daniel Oertli	2,500,000	0.77
Total	174,954,550	54.16

(c) Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Name	No of shares	% of shares
R S Norgard	49,645,773	15.37
S W Nixon	40,526,609	12.54

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction. No voting rights are attached to options.

(e) Stock Exchange Quotation

The Company's ordinary shares are listed on the Australian Stock Exchange (Code: IPR). The Home Exchange is Perth.

ipernica Ltd

ABN 37 083 702 907

Directors

R Norgard (Non-Executive Chairman)
G Griffiths (Managing Director)
C Crisafulli (Non-Executive Director)
KC Agerup (Non-Executive Director)
S Nixon (Non-Executive Director)

Company Secretary

M Maitland

Registered Office

16 Ord Street
WEST PERTH WA 6005

Website

<http://www.ipernica.com>

Solicitors

Mallesons
Central Park
152 St George's Terrace
PERTH WA 6000

Bankers

Commonwealth Bank of Australia

Share Register

Computershare Registry Services Pty Ltd
45 St George's Terrace
PERTH WA 6000

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008