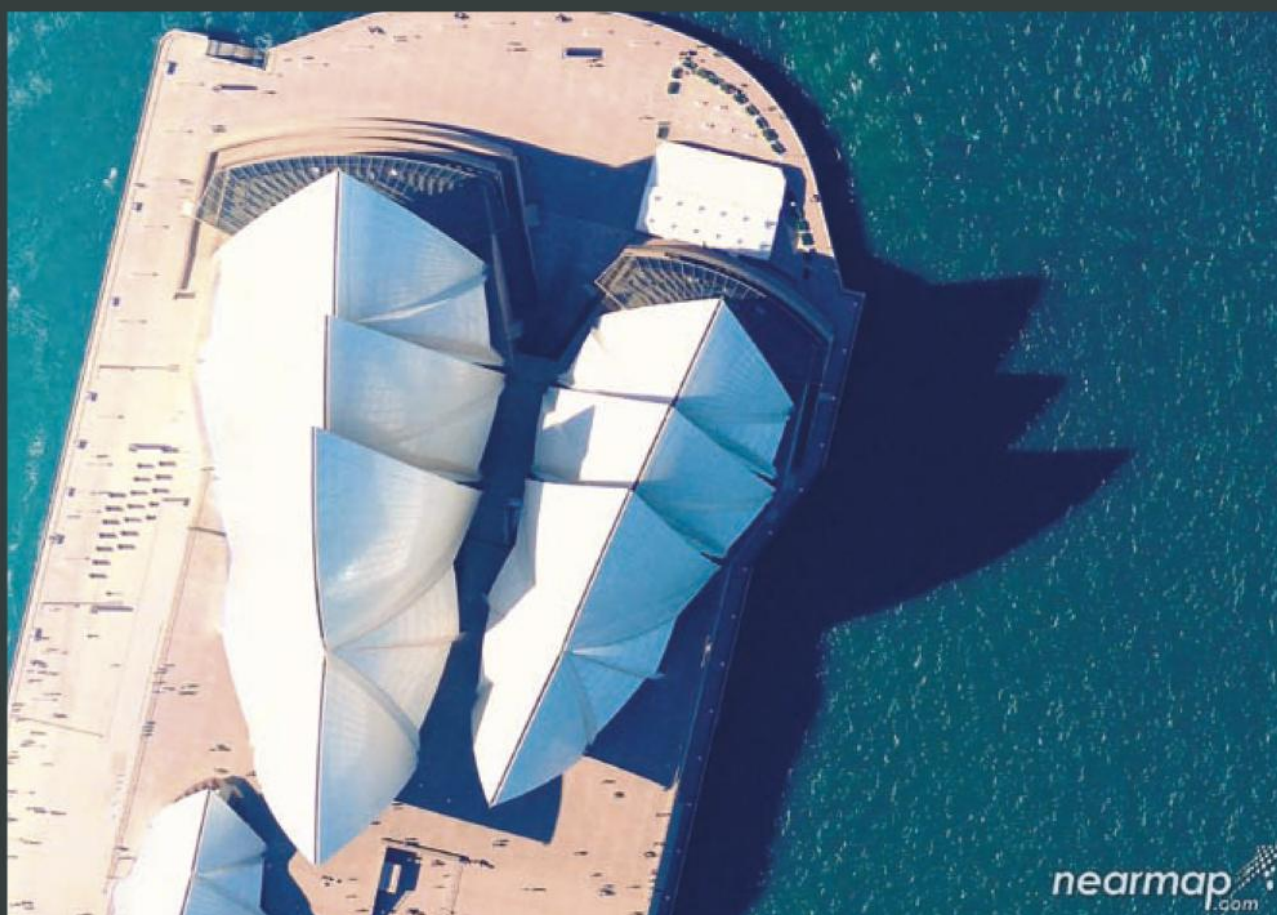




2011 annual report



Group highlights

- Net profit after tax \$1.6 million
 - 122% increase
- Income from continuing operations \$17 million
 - 467% increase
 - Diversified income streams
- Cashflow positive
 - \$7.78 million improvement in operational cashflow
- \$11.1 million cash at bank at year end
- No dilutive capital raising

Chairman's Letter	4
Managing Director's Report	5
Directors' Report	28
Statement of Comprehensive Income	45
Statement of Financial Position	46
Statement of Changes in Equity	47
Statement of Cash Flows	48
Notes to the Financial Statements	49
Directors' Declaration	86
Independent Audit Report	88
Corporate Governance Statement	90
Shareholder Information	98
Corporate Information	99

Dear Shareholders,

It is a pleasure to present the ipernica 2011 Annual Report.

The Company's solid profit and revenue performance for the year highlights the transformation that ipernica has gone through in the last few years. The acquisition of nearmap.com and subsequent launch of that business has changed the nature of ipernica. Today we see a group that combines nearmap.com's annuity style business (some 2000% revenue growth for the year) complementing the Intellectual Property Licensing business which delivered \$12.5 million in income for the year.



As a diversified technology commercialisation group, ipernica benefits from these multiple income streams and increasingly it is positioned for sustainable revenue and profit.

In the continuing demanding economic times, the Company remains disciplined to ensure that it is in a sound financial position. The year end cash at bank of \$11.1 million and positive group cashflow reflects this sound financial management and pleasingly there has been no need for any dilutive capital raising.

The Board composition changed during the year, with Conrad Crisafulli retiring after 10 years of service and I take this opportunity to thank Conrad for his substantial contribution to ipernica over this period.

Dr Robert Newman joined the Board in February 2011, previously he had chaired the nearmap.com Board that was reconstituted during the year in favour of an Advisory Board. This advisory group comprises four experienced digital business executives: Stephen Langsford, Rob Antulov, Cliff Rosenberg and David McGrath and I welcome them to the team and thank them for their contribution in reshaping the nearmap.com strategy to focus on content monetization across government and commercial sectors.

Further detail on our performance for the year and our prospects for the future are contained in the sections that follow and I encourage you to read them.

In conclusion, I would like to thank my fellow Directors, the management team and our strategic partners for contributing to the Company's profitable performance in financial year 2011 and to a rewarding year ahead.

A handwritten signature in black ink, appearing to read 'Ross Norgard', with a stylized flourish at the end.

Ross Norgard
Chairman
Perth
29 September 2011



Overview

ipernica is a diversified technology commercialisation group involved in technology innovation and the commercialisation of valuable intellectual assets.

ipernica has two main business activities providing diversified income streams:

- **nearmap.com**, an innovative online PhotoMap content company that creates and serves high quality, current and changing PhotoMaps.
- **Intellectual Property Licensing**, which involves the licensing of intellectual property ("IP") rights, with the Company assisting IP owners to create and implement international licensing programs.

FY 11 Results

ipernica reported a **\$1.6 million net profit after tax** for the 2011 financial year, with strong contribution from both nearmap.com and the Intellectual Property Licensing division.

This excellent result – which represents a 122% improvement from the previous year's loss of \$7.4 million – was struck on total income from continuing operations of \$17 million (2010: \$1.5 million). Pre-tax earnings increased sharply to \$1.7 million (2010: loss of \$7.8 million). The bottom line earnings translated to earnings per share of 0.5 cents (2010: -2.29 cents).

Business unit contribution to this result included:

- nearmap.com earned \$3.7 million revenue from its subscription and on request services for FY 11, an increase of over 2000% on the previous financial year's result. nearmap.com has achieved \$8.3 million of subscription and on request contracts since launch in November 2009 (to 30 June 2011).
- IP Licensing generated \$12.5 million in revenue from multiple programs in FY 11 and has now delivered \$83 million in gross revenue since 2007.

Group highlights of the 12 months to 30 June 2011 included:

- 122% increase in net profit after tax to \$1.6 million
- 467% increase in income from continuing operations to \$17 million
- Diversified income streams
- Cashflow positive (\$7.78 million improvement in operational cashflow)
- \$11.1 million cash at bank at year end
- No dilutive capital raising

ipernica achieved its two core goals for the year of a bottom line profit and generating positive cashflow, whilst continuing to invest in building the nearmap.com team and deployment capability to enable expansion into much larger international markets.

The financial track record of the Company over the last five years is shown below reflecting a period of investment in FY 09 and FY 10 and growth in diversified income in FY 11.

	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
Total Income from Continuing Operations	\$17.1M	\$1.5M	\$3.1M	\$45.2M	\$21.4M
Profit Before Tax	\$1.7M	(\$7.8M)	(\$4.7M)	\$17.9M	\$5.5M
Net Profit After Tax	\$1.6M	(\$7.4M)	(\$4.7M)	\$15.2M	\$4.4M
Earnings Per Share	0.50c	(2.29c)	(1.56c)	5.80c	1.79c
Net Equity	\$22.1M	\$19.7M	\$26.5M	\$28M	\$12M
Dividend Per Share	-	-	-	1.0c	-
Operating Cash Flow	\$2.1M	(\$5.6M)	(\$9.3M)	\$21.9M	\$7.4M
Investing Cash Flow	(\$1.2M)	(\$2.0M)	(\$6.0M)	(0.1M)	-

Cash Flow Management

As a result of the strong financial performance, ipernica was cashflow positive for the year, with a \$7.78 million improvement in operational cashflow and \$11.1 million cash reserves at financial year end (2010: \$10.5 million).

nearmap.com is still at the early stage of development, and cash flow management remains an ongoing focus for the Company. The Board and management team are mindful of its cost structure and are continuously seeking ways to further increase sales (such as the introduction of e-commerce facilities) whilst reducing cash burn (such as moving both business units to combined premises). We will continue to seek ways to cut costs without limiting our ability to meet our ambitious strategic objectives.

Strategic Review

During the year, the Board undertook a thorough review of the nearmap.com strategy and as a result announced in July 2011 a greater emphasis on content monetisation in both government and commercial sectors (versus a future advertising based strategy).

To more effectively monetize further revenue streams, nearmap.com refined its strategy to offer its mapping content to all government and commercial users on a paid for subscription model. It will achieve this by making it easier for government and business users to access and subscribe to relevant parts of the content to support their specific needs, via desktop and mobile applications and e-commerce facilities.

Management Changes

During the year, the Board appointed Simon Crowther as Chief Executive Officer of nearmap.com to support its next stage of growth. Simon brings the right mix of skills and experience that will enable nearmap.com to achieve its full potential internationally.

The nearmap.com technical team was further enhanced with the appointment of Wilfried Schaffner as Vice President of Engineering. Wilfried has a proven international track record of progressing online web solutions such as nearmap.com to the next level of scalability and supportability in readiness for international deployment.

With the Board, Advisory Board and management appointments put in place, and refined content monetization strategy, nearmap.com is well positioned for success.

Outlook

Following the acquisition of nearmap.com in 2008 and subsequent investment in that business, ipernica has consolidated its position during the economic downturn, exercising cost restraint and avoiding any dilutive capital raising. The Company has now positioned itself for sustainable revenue and profit growth.

nearmap.com is still in the early stages of commercializing its solution in world markets. The process will take time, however, the Board believes we have the management and advisory team and a globally significant technology that can be successfully marketed to create value for ipernica shareholders.

nearmap.com is confident that its B2B content strategy will deliver substantive additional sales in FY 12 and that the business will become cashflow positive on an ongoing operational basis in FY 12. Customer retention rates following the first year's subscription are running at 95%, with most licensees renewing for 2 years. These renewals reflect a high level of customer satisfaction with nearmap.com and provides it with an increasingly assured revenue stream to fund growth.

The Company remains focused on delivering shareholder value through:

- maximising the returns from nearmap.com with growth planned both in Australia and through international deployment into much larger markets
- maximising returns from the IP licensing programs and
- continuing to exercise cost restraint.

I am pleased with the 2011 Company performance and I look forward to being able to report further progress to you in the future.

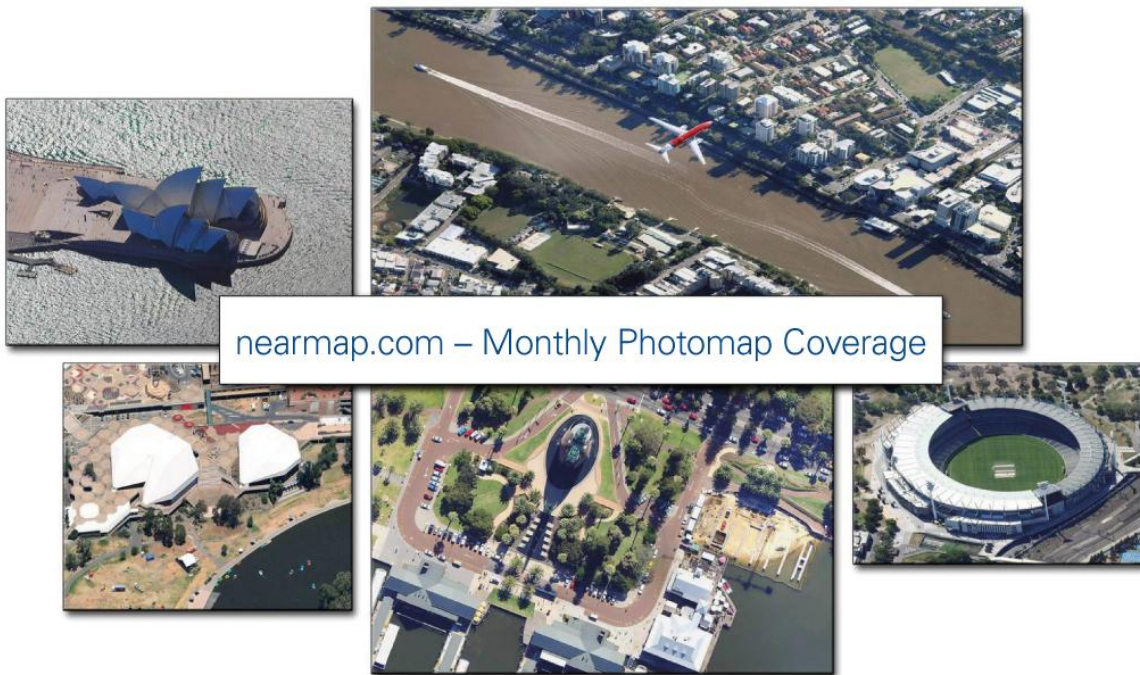


Graham Griffiths
Managing Director
29 September 2011



nearmap.com

nearmap.com regularly covers 75% of Australia's population.



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



nearmap.com TimeView: Soccer Stadium, Melbourne

nearmap.com TimeView feature enables users to see how the natural and built environment changes over time.

nearmap.com

nearmap.com is an online PhotoMap content company which regularly covers 75% of the Australian population with high resolution PhotoMaps. The Company generates revenue through licensing its content to government agencies and the commercial sector. Its competitive advantage is frequently updated photo and terrain maps of very high resolution.

nearmap.com's strategy is to effectively monetise all of its content to both government and commercial sectors, by providing convenient access to the content via the desktop and mobile platforms, and through subscription models and value add products supported by e-commerce facilities.

The Company's monetisation model will see a series of sector-specific products and services introduced to the market in FY 12. In September 2011, nearmap.com launched its first e-commerce site for the education sector (<https://shop.nearmap.com>) providing a subscription service for nearmap.com's PhotoMaps to secondary private and public school education providers.

Year in review

nearmap.com earned \$3.7 million revenue from its subscription and on request services for FY 11, an increase of over 2000% on the previous financial year's result.

A snapshot of the substantial progress that nearmap.com has achieved includes:

- Launched web portal world first monthly cities PhotoMap capability (Nov 2009)
- Subsequently demonstrated production level ability to capture and serve cities typically on a monthly basis and large regional areas on a quarterly basis (with high availability and fast response times)
- Regularly covering 75% of Australia's population
- \$8.3 million of subscription sales to 30 June '11 from 70+ Government customers and Commercial Clients including:
 - : QGC (part of BG Group) : IAG Insurance
 - : Sensis : RP Data
- 95% renewal rate from existing customers
- E-commerce facilities being implemented

FY 11 was a year of growth and strategic realignment as nearmap.com prepares to scale the business internationally. Having completed the development of the core technology, demonstrated production and operational capability and established a growing customer base during FY 10, the focus for the business during FY 11 has been on ensuring the Company has the strategy, the people and the revenue to fully exploit the commercial potential of its innovative platform.

Simon Crowther's appointment as Chief Executive Officer in August was a key milestone in driving the Company's next stage of growth. Simon's international experience in the production, publishing and licensing of digital content is enabling nearmap.com to expand its core government and commercial customer base while developing new revenue streams to grow the business.



Digital business

Among Simon's initial priorities was to reposition the company as a digital business. The rebranding to nearmap.com sent a clear message to the market, not only about where to find nearmap.com online but more importantly, it reflects the digital sphere it operates in and the competitive attributes that drive success in digital businesses – agility, innovation and scalability.

In the second half of the year, the formation of an Advisory Board provided nearmap.com with ongoing access to the substantial expertise and experience of four digital business veterans:

- Cliff Rosenberg – Managing Director of LinkedIn Australia & New Zealand and former Managing Director of Yahoo! Australia & New Zealand;
- Stephen Langsford - Founder and Executive Chairman of Quickflix;
- Rob Antulov – Partner at Hall Capital Strategies, a media and technology corporate advisory firm; and
- David McGrath – Former Director of Group Content for APN News & Media, formerly Head of News & Sport at Telstra BigPond and Yahoo! and now CEO of UK media technology company VIAP.



With considerable digital industry planning expertise and track records in growing and scaling digital businesses, the Advisory Board has already contributed at both a tactical and strategic level to work on content monetisation, distribution and mobile strategies.

Business to Business ("B2B") Content Strategy

FY 11 also saw an important refinement of the Company's strategic direction. Since the commencement of its commercial operations in late 2009, nearmap.com has enabled its customers to see the detail of what is on the ground now and how it is changing. Whether in government, commercial enterprises or as individuals, this capability has assisted them to make informed decisions.

With consistently high levels of traffic to nearmap.com's site, the challenge has always been to most effectively monetise the traffic while providing simple yet compelling ways for customers to access the content they require. Put simply, how can nearmap.com deliver the world's best map solution in ways that enable businesses to excel and provide the compounding annuity streams that will drive international expansion?

The strategy is underpinned by a philosophy of 'monetising every tile' it publishes to nearmap.com. Through this lens, nearmap.com operates as a producer and distributor of specialist technical content – an archive of high resolution PhotoMap and terrain data. This has always been its approach to the government market, however nearmap.com is building on this model in the B2B space to monetise the existing and future use of its content by businesses of all sizes.

Key to this paid subscription model is nearmap.com's ability to deliver the specific PhotoMap and terrain data content that suit the needs of all businesses across multiple platforms. Whether to businesses through the web, mobile devices, applications or to

developers via Application Programming Interfaces ("APIs"), nearmap.com B2B customers will be able to access the content they need to power their business through a range of new and scalable subscription models.

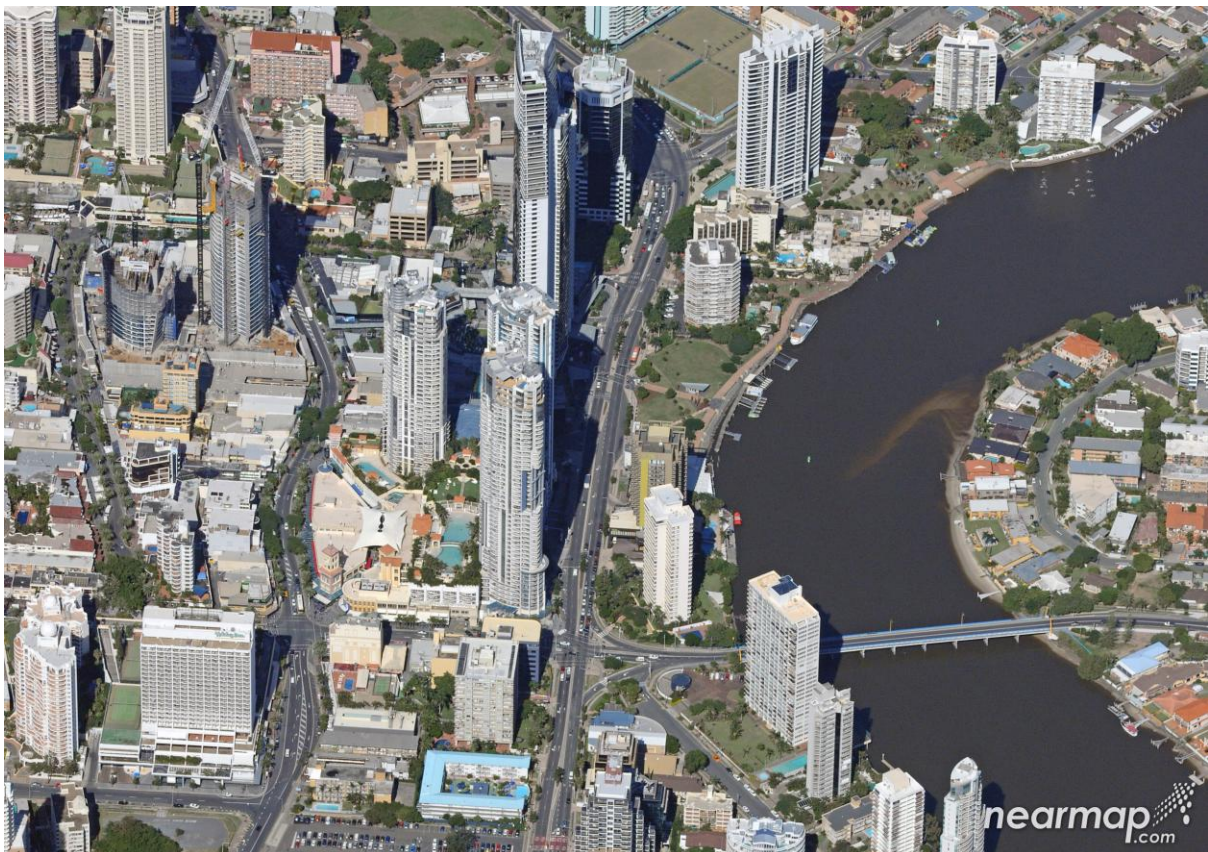
Simon Crowther, nearmap.com Chief Executive Officer, said "We are actively developing new subscription models and products to support this strategy and to address the significant demand we are experiencing for our content from multiple sectors and from SME's through to the Federal Government."

nearmap.com is confident that its B2B content strategy will deliver substantive additional sales in FY 12 and that the business will become cashflow positive on an ongoing operational basis in FY 12.

Building its capability

Successful execution of this strategy will be built on attracting the best talent to the business and FY 11 saw a number of key hires as nearmap.com further enhanced the capability of its team.

The commercial team was bolstered by new Commercial Managers based around Australia, each with substantial and diverse sales experience in the spatial industry. The appointment of a Customer Service Manager returned immediate dividends to the business, evidenced by very strong renewal rates throughout the year. There were significant hires in the R&D team, with the appointment of Head of Engineering, Chief Photogrammetrist and Senior Software Engineer roles that will drive the technical evolution of nearmap.com's PhotoMap and terrain data and assist it to maintain its competitive advantage.



Nearmap.com Multiview: Surfers Paradise, Queensland

Operational highlights

nearmap.com began FY 11 with the expansion of its capture program, ramping up to capture Australia's largest regional centres every quarter, in addition to its monthly capture of the Brisbane, Sydney, Melbourne, Adelaide and Perth. This represents an annual program of around 340,000 km² of PhotoMap and terrain data, captured at resolutions of 10cm or better. Together, these areas are home to around 75% of Australia's population and the regular updating of these areas has created opportunities to generate new business from the many governments and businesses with interests across regional Australia. This has been a critical first step in scaling the business and has enabled the Company to identify and introduce improved operational measures that position it well to expand internationally.

In addition to this operational expansion, nearmap.com also undertook two substantial projects in Queensland's Bowen and Surat Basins. Coal seam gas operator QGC commissioned nearmap.com to capture a 75,000km² area to assist them with their exploration activities and environmental responsibilities. nearmap.com is confident that these projects have demonstrated both its operational capability and the utility of its product to the resources industry and that this will lead to future opportunities in this sector.

Perhaps the most significant operational highlight of the year was nearmap.com's capture of the devastating 'once in one hundred years' floods that affected southeast Queensland during January. At the request of Brisbane City Council and the City of Ipswich, nearmap.com deployed two aircraft at the peak of the floods and captured around 700km² of PhotoMap at an amazing 2cm resolution.

nearmap.com before and after PhotoMaps Queensland floods, January 2011







The Company's unique technology enabled it to immediately process the raw imagery and publish the first of the PhotoMaps to nearmap.com within 36 hours of the first aircraft taking off. This unprecedented turnaround enabled local authorities to immediately put the imagery to work in responding to the disaster. Coupled with the many updates nearmap.com had already captured for these areas, the PhotoMap and terrain data nearmap.com created painted a dramatic 'before and after' perspective across the area and were invaluable in the recovery and rebuilding process that followed in the days, weeks and months after the event.

The Company's rapid response to a disaster of this scale propelled nearmap.com to the attention of millions via the mainstream media, who drew heavily on the PhotoMap to support their television and online reporting of the destruction that occurred. Within minutes of the first media reports, traffic to nearmap.com spiked dramatically and within a few days, Google searches for "nearmap.com" exceeded those for some of Australia's largest websites. During the unfolding disaster, media focus shifted to reporting on the uniqueness of the nearmap.com technology itself, with extensive coverage from ABC, Fairfax and News Limited on radio, television and online.

Readers' most viewed

brisbanetimes.com.au

Top 5 Technology articles

1. Flood devastation mapped by high-res sky cams
2. Clock it up to having a great time
3. 'Make us your home' page
4. Thousands disconnected as floods sink telcos
5. Bing Lee bruised by Queensland flood donation backlash

WA today

Top 5 Technology articles

1. Astrological storm after suggestion Zodiac signs are wrong
2. Flood devastation mapped by high-res sky cams
3. So what do you know?
4. Thousands disconnected as floods sink telcos
5. Watson the supercomputer battles Jeopardy! geniuses

theage.com.au

Top 5 Technology articles

1. Flood devastation mapped by high-res sky cams
2. So what do you know?
3. Thousands disconnected as floods sink telcos
4. Watson the supercomputer battles Jeopardy! geniuses
5. Hacker of Sarah Palin's email found guilty

smh.com.au

Top 5 Technology articles

1. Flood devastation mapped by high-res sky cams
2. Astrological storm after suggestion Zodiac signs are wrong
3. Clock it up to having a great time
4. Wikipedia - free, collaborative, global
5. Thousands disconnected as floods sink telcos

Videos

1. Dramatic flood rescue in Brazil
2. Brisbane clean-up continues
3. Floods: the tough emotional ride to come
4. Obama's Tucson Speech in full
5. Bullish or bearish about property?

Months later, the profile generated by its coverage of the Brisbane floods continues to drive new commercial opportunities from insurers, emergency management authorities and companies with at risk assets and operations. nearmap.com now has a very strong value proposition as emergency response specialists, as the floods demonstrated that no other commercial or government body can deploy, capture and deliver with the speed, scale and quality of nearmap.com.

Commercial highlights

nearmap.com earned revenue from its subscription and on request services for FY 11 of \$3.7 million, an increase of over 2000% on the previous financial year's result. As at June 30 2011, the total contract value of all subscription and on request sales from launch in November 2009 was \$8.3 million.

This is a very pleasing result, not only because new and recurring revenues continue to demonstrate strong growth, but also because FY 11 saw nearmap.com secure a number of important client subscriptions in new commercial sectors including insurance, real estate, utilities and mining & exploration.

Customer retention rates following the first year's subscription are running at 95%, with most licensees renewing for 2 years. The Department of Climate Change & Energy Efficiency renewed its licence for a further 12 months with a total contract value of \$1 million. These renewals reflect a high level of customer satisfaction with nearmap.com and the unique capability the Company delivers through its capture, processing and serving of high quality and current PhotoMap. This renewal rate provides nearmap.com with an increasingly assured revenue stream to fund growth.

The following table highlights nearmap.com performance by quarter for FY 11 and for FY 10. Growth was achieved across the board, including annual increases of 159% for Total Sales and 187% for Customer Receipts.

	Recurring		Non Recurring	Total Sales \$'000s	Customer Receipts \$'000s
	New Sales \$'000s	Renewals \$'000s	On Request \$'000s		
Q4 2011	\$1,056	\$1,650	\$122	\$2,828	\$995
Q3 2011	\$767	\$250	\$301	\$1,318	\$1,462
Q2 2011	\$420	\$25	\$836	\$1,281	\$608
Q1 2011	\$558	-	-	\$558	\$1,094
FY 2011	\$2,801	\$1,925	\$1,259	\$5,985	\$4,159
Increase % p.a.	21%			159%	187%
FY 2010	\$2,310	-	-	\$2,310	\$1,450
TOTAL	\$5,111	\$1,925	\$1,259	\$8,295	\$5,609
	62%	23%	15%		

An example of nearmap.com's initial success in the commercial sector was the agreement reached with Australia's leading property data and analytics company RP Data, signaling a strong push by nearmap.com into Australia's property sector. RP Data provides property information, analytics and risk management services to real estate agents, valuers, finance brokers and financial planners, lenders and government departments. RP Data is using nearmap.com's content to further enhance its established services to Australia's Property Professionals. The company accesses nearmap.com's high resolution content to include in their reports and associated products and services.

nearmap.com also signed an agreement with Hometrack (the leading housing intelligence business in the United Kingdom and a new participant in the Australian property intelligence market).

The property market is a significant opportunity for growth for nearmap.com and it continues to develop its suite of products to service this sector.

Customer Case Studies

QGC

Coal seam gas operator QGC (a BG Group business) engaged nearmap.com in two projects, which will together capture an area of around 70,000km² in Queensland's Bowen and Surat Basins, where they are establishing one of Australia's largest capital infrastructure projects to turn world class reserves of coal seam gas into liquefied natural gas.

With a project lifespan of around 30 years, the project will produce up to 12 million tonnes of liquefied natural gas each year and represents an investment of \$15 billion by BG Group between 2011 and 2014. nearmap.com PhotoMaps and terrain data are assisting QGC to efficiently plan and conduct vital exploration work across this large area.

Last year QGC had a requirement to create one of the country's largest aerial imagery capture projects. Coal seam gas exploration activities created a business need for high-resolution coverage over some of company's tenements in central Queensland. After an industry evaluation and tender process, QGC selected the nearmap.com solution, a decision which Shane Barrett, QGC's Manager of Spatial Data Quality, confirms has proven to be the best solution possible for the project.

"nearmap.com's ability to deliver high resolution imagery and elevation data over a massive area with exceptionally short processing and delivery times has made this project a huge success", said Mr Barrett. "The fact that the quote for the work from nearmap.com was up to nine times cheaper than some alternatives was a massive bonus to QGC."

QGC engineers and cartographers are using the information daily to plan seismic surveys and infrastructure placement, while managers and other project staff are frequently using the nearmap.com website for desktop surveys.

"We've estimated that making the hi-res imagery & elevation data available to the 3600 staff and contractors working on the project has saved the company several hundred thousand dollars per year in front-end engineering and design", said Mr Barrett. "Having this information on our desktops is as good as a visiting these remote sites."

"QGC are also happy to have this information publicly available through the nearmap.com website, as it shows transparency into our activities and contributes a free resource back to the communities in which we operate."



These projects have demonstrated nearmap.com's capability to deliver a quality product that cost effectively meets the needs of clients in the resources sector, many of whom pay orders of magnitude more to competing aerial survey providers. The Company is aiming to ensure this important relationship leads to subscriptions with other coal seam gas operators and more broadly in the resources sector, both in Queensland and in other key regions across Australia.

RP Data

The year also saw the negotiation of an extension to our relationship with RP Data, Australia's leading property data and analytics company. RP Data provides property information, analytics and risk management services to real estate agents, valuers, finance brokers and financial planners, lenders and government departments. RP Data had already licensed PhotoMaps from nearmap.com to include in their reports and associated products and services for real estate agents, banks, property valuers and insurance companies in Australia.

"As the pioneers of online property information, we are continually investing in emerging state-of-the-art technologies which are user-friendly and cost-effective for customers at all levels" said Kris Matthews, Chief Data Officer at RP Data. "In nearmap.com, we saw the potential for their frequently updated PhotoMaps to add significant value to the 'real time' data we provide to our customers. The PhotoMaps enable RP Data customers to get a much clearer view of what a property looks like today and enable them to make much more informed investment decisions."

The deal provides RP Data with access to nearmap.com's regularly updated Australian PhotoMaps and is an important move that increases the Company's penetration of the real estate sector. This is an important market for nearmap.com and we continue to refine our suite of products to service this sector.

Insurance Australia Group Ltd ("IAG")

Following its coverage of the Brisbane floods, nearmap.com were successful in licensing its Brisbane and Ipswich PhotoMap to Australia's leading general insurer, IAG.

With a portfolio of insurance brands (including NRMA, SGIO, SGIC, RACV, CGU and Swann), IAG underwrites around \$7.8 billion of insurance premiums each year. With a significant customer base affected by the floods, IAG turned to nearmap.com to help them quickly screen individual claims and refine risk models by using nearmap.com content to predict the impact of future flood events.

Department of Climate Change & Energy Efficiency ("DCCEE")

The Department of Climate Change & Energy Efficiency recently renewed its license with nearmap.com for a further 12 months with a total contract value of \$1 million. DCCEE administers the Federal Government Renewable Energy Bonus Scheme involving Solar Hot Water Rebates for householders installing a solar hot water system. The rebate encourages switching to alternative hot water technologies by addressing the up-front cost barriers to climate friendly systems, which also deliver low operating costs for the household.



nearmap.com's Technology Solution

nearmap.com's breakthrough technology has been designed to fully automate the process of creating very high definition PhotoMap of entire countries or continents quickly and in a cost effective fashion. The technology enables PhotoMap to be updated much more frequently than other providers, which can be months, if not years out of date.

As a result, for the first time people are able to see the environment change over time, with users able to move back and forward through time to see changes occur in specific locations or across a wide area.

The complete chain of technologies include:

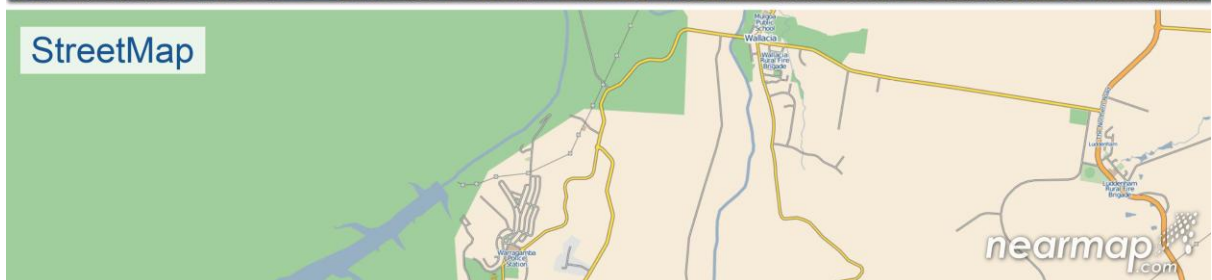
- nearmap.com's HyperPod aerial camera system is designed to capture PhotoMap data at a small fraction of the operating and capital costs for alternative camera systems and captures overhead and four oblique photos plus terrain data (U.S. patent pending). The HyperPod generates about 1Gigabyte of raw image data every second.
- nearmap.com's HyperVision PhotoMap processing solution processes individual photos into seamless PhotoMap and runs on supercomputer clusters. 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 PhotoMap to nearmap.com's online community.

In combination, these and other technologies developed by nearmap.com have enabled the Company to frequently capture, process, store and serve PhotoMap 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.

PhotoMap and Terrain maps are captured and processed simultaneously, using a single technology platform, enabling nearmap.com to offer three types of map information:

- Ortho-rectified PhotoMap with a resolution between 2cm and 10cm and with a precision of 50cm RMS.
- Oblique (MultiView) PhotoMap 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.com captures all three of these types of data at the same time and at very high resolution and capture speed. 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.com's Technology Advantage

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

- nearmap.com's HyperPod camera system produces PhotoMap and Terrain data with higher resolution at a fraction of the cost of traditional systems.
- nearmap.com's lower unit cost of capture makes it feasible to update the PhotoMap of capital cities every month, compared to several months or years for traditional systems.
- nearmap.com's HyperPod camera system can capture much larger areas with fewer flying hours than existing technologies, enabling PhotoMap for whole states, countries or continents to be captured cost effectively or smaller areas to be captured when less time is available due to adverse weather conditions.
- nearmap.com's HyperVision system uses supercomputers to automate the processing of PhotoMap 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.com to provide a single, uniform and consistent layer of spatial information (including overhead and oblique PhotoMap and Terrain data) covering whole countries or continents.

nearmap.com's low cost of capture enables its PhotoMap to be regularly updated, demonstrating change over time and representing a sustainable competitive advantage.

nearmap.com Team

Simon Crowther is nearmap.com's **Chief Executive Officer** and has an extensive background critical to nearmap.com's content strategy. In addition to being very sales focused, Simon has demonstrated a range of diverse experiences in content 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.



Simon Cope is nearmap.com's **Chief Technology Officer** and brings extensive technology management and development experience to nearmap.com, 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.com'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.com, 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.com in its development and growth.



Wilfried Schaffner is nearmap.com's **Vice President of Engineering**. He is an experienced IT manager with substantial academic and professional knowledge in building successful products in the online and mobile space. His outstanding experience within digital marketing and social media networks, as well as his technical understanding of building high transactional scalable web solutions, made him a valuable asset at various successful start-ups.

Wilfried has built technology teams across the Australian, European and US markets, most recently with Mobile Messenger in Los Angeles, USA, as Director of Product Management. Mobile Messenger is a leading mobile solutions provider enabling mobile entertainment, mobile marketing and mobile billing. In his role he managed all product lines of the entire global business of Mobile Messenger, which were generating annual revenue of over \$600 Million.

Prior to Mobile Messenger Wilfried was CTO at Truck24 in Germany (2000-2006), a successful startup building one of Europe's first profitable mobile service. The solution was an online SaaS based truck localization and positioning system based on mobile devices and GPS positioning.

Wilfried has a proven track record of building successful IT teams, processes and business structures for companies in the online and mobile industry. He is an effective and transparent leader with special skills in being a bridge between business and technical people.

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

Jonathan's 15 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 Licensing division.



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.

IP Licensing Division

Performance highlights for the year included \$12.5 million in revenue generated from multiple programs. The IP Licensing business has now delivered \$83 million in gross revenue since 2007.

ipernica's IP Licensing business involves the licensing of intellectual property rights on an international basis. ipernica assists IP owners to create and implement value extraction strategies.

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

During the year, ipernica successfully completed a number of licensing transactions including:

Stat Mux

ipernica earned a net A\$2.9 million from this program in FY 11. The lifetime Stat Mux program gross revenue generated was approximately A\$43 million, with licenses having been negotiated with all of the relevant telecommunication vendors and hence the program reached a conclusion in FY 11.

FST Patents

In FY 11, ipernica received US\$7M from Financial Systems Technology (Intellectual Property) Pty Ltd ("FST") for its services relating to FST's patents. ipernica continues to be engaged by FST to assist in regard to two families of US patents for a share of net revenue.

ipernica is confident that the existing portfolio of programs within the IP Licensing division will continue to generate substantial revenues over the next 1-3 years, with a healthy pipeline of new programs currently under development.

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 2011.

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 (64) FCA

Non-Executive Chairman

Ross Norgard is a Fellow of the Institute of Chartered Accountants and former managing partner of Arthur Andersen 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
ipernica ltd (since 1999)

Former directorships in the last 3 years:

Ammtec Ltd (acquired by Australian Laboratory Services Pty. Ltd. March 2011)

Special duties:

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

Dr Rob Newman (48)

Non-Executive Director

Rob was appointed as a director of ipernica on 17 February 2011.

Rob 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. One of those companies, Atmosphere Networks, was established by Rob with US Venture Capital backing of US\$34M and he ran it until it was acquired for US\$123M.

Rob is now a venture capitalist and is co-founder of Stone Ridge Ventures, and was previously an investment director for Foundation Capital. As a venture capitalist, Rob has extensive experience in identifying and helping grow companies with significant commercial potential, especially those addressing overseas markets. In the 1980's, Rob was the inventor and co-founder of QPSX Communications Pty Ltd. After founding the company, Rob provided the technical leadership and product strategy. Rob was instrumental in establishing QPSX as a worldwide standard for Metropolitan Area Networks and the company successfully sold products to Telecommunication Carriers in Australia, Europe, Asia and the US.

Dr Newman's formal qualifications include a PHD and Bachelor of Electrical Engineering (1st class honors) from the University of Western Australia. He has been recognised with a number of awards including the Bicentennial BHP Pursuit of Excellence Award (Youth Category) and Western Australian Young Achiever of the Year 1987.

Current directorships:

ipernica ltd (since February 2011)

Former directorships in the last 3 years:

None

Special duties:

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

Names, qualifications, experience, directorships and special responsibilities (cont.)**Mr Graham J Griffiths** (56) B Bus FAICD

Managing Director

Graham has overall responsibility for the Company's operations including strategy, corporate governance, human resources, investor relations and partnership development. Graham has over 35 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.

Current directorships:

ipernica Ltd (since 2000)

Former directorships in the last 3 years:

None

Special duties:

None

Mr Karl-Christian Agerup (48) MSM, MBEC

Non-Executive Director

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

Karl-Christian is Managing Director of Oslo Innovation Centre, a research facility, incubator and science park located at the University of Oslo in Norway.

Karl-Christian has significant experience in the online media space. He has been a director of Schibsted since 2003. Schibsted is a Scandinavian media group with operations in 22 countries, including Europe, Asia Pacific and Latin America. In 2009 it had a turnover of NOK 13.8 billion (A\$2.5 billion).

Previously, Karl-Christian co-founded Northzone Ventures, a European Venture Capital Partnership. He was instrumental in establishing Northzone's strategy and focus, raising funds and carrying out investment decisions with hands on involvement in portfolio companies. Prior to Northzone, 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 Hugin was sold in 2006 to Euronext SA and today is owned by Thompson Reuters.

He was previously a consultant with McKinsey & Co and supported clients in Scandinavia and Great Britain in the fields of strategy, operations and change management.

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 the Audit and Risk Committee

Member of the Remuneration Committee

Member of the Nomination Committee

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

Mr Conrad W Crisafulli (61) BE (Hons), FAIM, MAICD

Non-Executive Director

Conrad was appointed as a director of ipernica in October 2000 and resigned on 26 November 2010.

Special duties:

- Former Chairman of the Audit & Risk Committee
- Former member of the Remuneration Committee
- Former member of the Nomination Committee

Mr Stuart William Nixon (47)

Non-Executive Director

Stuart was appointed as a director of ipernica on 3 August 2010 and resigned on 14 April 2011.

Special duties:

None

Mr Bradley John Rosser (47)

Non-Executive Director

Brad was appointed as a director of ipernica on 17 February 2011 and resigned on 12 August 2011.

Special duties:

- Former Chairman of the Remuneration Committee
- Former member of the Nomination Committee

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.com in its development and growth. Mark has been a Chartered Accountant for more than 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	10,000,000
KC Agerup	-	2,000,000
R Newman	-	2,000,000

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 valuable intellectual assets, including 100% owned subsidiary nearmap.com.

Employees

The consolidated entity employed 28 employees as at 30 June 2011 (2010: 26).

Consolidated Result

The consolidated entity's result after provision for income tax was a profit of \$1,604,572 (2010: Loss of \$7,389,080).

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.

Greenhouse Gas and Energy Data Reporting Requirements

The group is subject to the reporting requirements of both the *Energy Efficient Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007*.

The *Energy Efficient Opportunities Act 2006* requires the group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the group intends to take as a result. The group continues to meet its obligations under this Act.

The National Greenhouse and Energy Reporting Act 2007 requires the group to report its annual greenhouse gas emissions and energy use for each year in which the reporting threshold is met. As the group did not meet the reporting threshold in 2009/10, a report was not required to be submitted to the Greenhouse and Energy Data Officer. The group will continue to determine on an annual basis, the activities and associated greenhouse gas emissions and energy consumption and production for which they are responsible, and assess whether they have met the required reporting threshold.

Significant changes in the State of Affairs

- a) Wholly owned subsidiary nearmap.com commenced regularly capturing 75% of Australia's population as part of a contract to deliver regular imagery to a Federal Government Agency.
- b) On 3 August 2010 the Company announced that Simon Crowther had been appointed as the new CEO of its wholly owned subsidiary, nearmap.com.
- c) On 4 October 2010, the Company announced that nearmap.com had been appointed to the Government Geospatial Supplier Panel (OGRE).
- d) In January 2011 nearmap.com captured stunning imagery of the Brisbane floods at close to their peak at very high resolution and served the first images online within 36 hours of the aircraft taking off. The nearmap.com imagery was broadcast around the world and resulted in a significant profile boost for the company.
- e) On 3 February 2011 the Company announced that it had earned \$7m from Financial Systems Technology (Intellectual Property) Pty Ltd (FST) for services relating to FST's patents and that a joint motion for the dismissal of patent litigation brought against Oracle by FST had been filed pursuant to the terms of a settlement agreement.
- f) nearmap.com updated that it had received orders totaling \$707k from QGC, a leading Australian coal seam gas explorer and producer owned by British Gas, to capture large areas in Queensland.
- g) On 20 May 2011 the Company announced that ipernica had settled its patent litigation against Ericsson with respect the Company's Stat Mux patent.
- h) On 30 May 2011 the Company announced that nearmap.com had appointed an Advisory Board comprising four experienced digital business executives.
- i) The Company announced that nearmap.com achieved a 2000% increase in revenue from the licensing of its PhotoMaps and achieved a 95% license renewal rate.

Significant Events Subsequent to Balance Date

On 5 September 2011, nearmap.com entered into a lease of new premises for a three year period commencing on 1 October 2011 for \$210,005 per annum with a 4% increase each year. The new premises will be utilised by both the IP Licensing business and the nearmap.com business and will result in significant occupancy cost savings over the two separate premises previously occupied. The existing nearmap.com and ipernica leases expire on 7 November 2011 and 15 October 2011 respectively.

The Company previously advised that it was terminating its Segmentation and Re-assembly ("SAR") global licensing program which to date has generated A\$30 million in revenue. The finalisation of the program is underway with payment of the outstanding costs orders as included in trade creditors (Note 11) now having been made. In addition to the amounts as disclosed under Note 11, the Company has decided to remit an amount of 1.22m Euro (A\$1.69m) to the Administrator of QPSX Europe GmbH ("QPSX Europe") pending the formalisation of an Insolvency Plan to cover a negotiated percentage of the liabilities of QPSX Europe plus Administration costs.

The Company previously deconsolidated QPSX Europe as reported in the 2010 financial statements (see Note 13 Litigation Provisions) when QPSX Europe was placed into Administration and the Group lost control of the entity. The Company believes, after due consideration, it is now reasonable to assist the Administrator in the insolvency process and as such has decided to enter into a non binding agreement in principle with the Administrator and the creditors of QPSX Europe to fund a negotiated percentage of its liabilities. Upon approval and implementation of the Insolvency Plan, QPSX Europe will be returned to the Group.

The overall financial impact of reinstating the German subsidiary cannot yet be determined until the Insolvency Plan has been formalised and received court approval. The Company has the ability to obtain contributions under certain insurance and profit share contracts which will reduce the net cost to the Company of these payments. Further detail will be reflected in the first quarter cashflow statement.

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 \$59,625 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 2011 there were 49,185,000 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 total options at reporting date). Refer to Note 21 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	7	7	1	0	2	2	0	0
C Crisafulli	3	3	1	1	1	1	0	0
G Griffiths	7	7	-	-	-	-	-	-
KC Agerup	7	6	1	1	2	2	0	0
S Nixon	5	5	-	-	-	-	-	-
B Rosser	3	3	-	-	1	1	0	0
R Newman	3	3	0	0	-	-	0	0

Mr C Crisafulli resigned as a director on 26 November 2010.

Mr S Nixon resigned as a director on 14 April 2011.

Mr B Rosser was appointed as a director on 17 February 2011 and resigned on 12 August 2011.

Dr R Newman was appointed as a director on 17 February 2011.

- 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 typically 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 where 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 Licensing business and the commercialisation of nearmap.com 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.

	2011	2010	2009	2008	2007
Net profit/(loss) after tax attributable to members	\$1,604,572	(\$7,389,080)	(\$4,677,502)	\$15,200,611	\$4,423,123
Dividends paid	-	-	1 cent	-	-
Change in share price	(\$0.007)	\$0.013	(\$0.007)	(\$0.091)	\$0.055
Return on capital employed	7%	(37%)	(18%)	54%	36%

B Details of remuneration

Directors

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

R Norgard	Non-Executive Chairman
G Griffiths	Managing Director
C Crisafulli	Non-Executive Director
KC Agerup	Non-Executive Director
S Nixon	Non-Executive Director
B Rosser	Non-Executive Director
R Newman	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 Crowther	Chief Executive Officer – nearmap.com (appointed as Chief Executive Officer of nearmap.com on 15 September 2010)
J Lawe Davies	General Counsel
S Cope	Chief Technical Officer – nearmap.com
M Maitland	Group Chief Financial Officer and Company Secretary
A Young	Director of Sales - nearmap.com

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:

2011	Short-Term			Long-Term	Post employment Super-annuation	Share-Based Payment Options *	Total	Options Issued as a Proportion of Remuneration (%)
	Salary & Fees	Non monetary	Cash Bonus	Long Service Leave				
Non-executive directors								
R Norgard	91,743	-	-	-	8,257	-	100,000	0
KC Agerup**	43,067	-	-	-	2,266	58,844	104,177	56.5
R Newman***	45,333	-	-	-	-	58,844	104,177	56.5
B Rosser	19,113	-	-	-	1,720	-	20,833	0
C Crisafulli	16,922	-	-	-	578	-	17,500	0
Subtotal	216,178	-	-	-	12,821	117,688	346,687	
Executive directors								
G Griffiths	400,954	-	-	5,236	49,046	136,463	591,699	23.1
S Nixon	453,058	-	-	-	30,095	-	483,153	0
Other key management personnel (group)								
S Crowther	277,054	-	-	-	19,138	276,642	572,834	48.3
J Lawe Davies	275,243	-	-	-	24,772	38,500	338,515	11.4
S Cope	250,000	-	-	-	22,500	34,345	306,845	11.2
M Maitland	192,339	-	-	-	17,311	47,747	257,397	18.5
A Young	128,440	-	-	-	11,560	17,336	157,336	11.0
Total	2,193,266	-	-	5,236	187,243	668,721	3,054,466	

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

*** Dr Newman's fees include director fees of \$24,500 earned as director of nearmap.com prior to his appointment to the ipernica Board.

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

2010	Short-Term			Long-Term	Post employment Super-annuation	Share-Based Payment Options *	Total	Options Issued as a Proportion of Remuneration (%)
	Salary & Fees	Long Service Leave	Cash Bonus	Long Service Leave				
Non-executive directors								
R Norgard	91,744	-	-	-	8,256	-	100,000	0
KC Agerup**	38,532	-	-	-	3,468	52,131	94,131	55.4
C Crisafulli	38,532	-	-	-	3,468	-	42,000	0
M O'Kane	31,500	-	-	-	-	-	31,500	0
Sub-total	200,308	-	-	-	15,192	52,131	267,631	
Executive director								
G Griffiths	400,004	-	-	11,512	50,000	198,956	660,472	30.1
Other key management personnel (group)								
S Nixon	366,972	-	-	-	33,028	-	400,000	0
J Lawe Davies	274,181	-	-	-	24,676	64,858	363,715	17.8
T O'Connor***	269,810	-	-	-	18,013	(24,135)	263,688	***
G Perkins***	255,691	-	-	-	21,870	(6,041)	271,520	***
S Cope	250,000	-	-	-	22,500	46,920	319,420	14.7
M Maitland	103,493	-	-	-	9,314	8,180	120,987	6.8
A Young	110,097	-	-	-	9,909	12,270	132,276	9.3
Total	2,230,556	-	-	11,512	204,502	353,139	2,799,709	

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

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	
	2011	2010	2011	2010	2011	2010
Non – executive directors						
KC Agerup	43.5%	44.6%	-	-	56.5%	55.4%
R Newman	43.5%	-			56.5%	-
Executive director						
G Griffiths	76.9%	69.9%	-	-	23.1%	30.1%
Other key management personnel						
S Crowther	51.7%	-	-	-	48.3%	-
S Cope	88.8%	85.3%	-	-	11.2%	14.7%
J Lawe Davies	88.6%	82.2%	-	-	11.4%	17.8%
M Maitland	81.5%	93.2%	-	-	18.5%	6.8%
A Young	89.0%	90.7%	-	-	11.0%	9.3%

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
S Crowther	15 Sep 2010	n/a
J Lawe Davies	7 Sep 2009	n/a
S Cope	1 Sep 2008	1 Sep 2011
M Maitland	7 Sep 2009	n/a
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 2011:

Grant Date	Option life	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate
	years	\$	\$	\$	%	%
1 July 2010	4	0.0416	0.20	0.080	92.47	6.25
5 July 2010	4	0.0491	0.20	0.090	92.84	6.25
29 July 2010	4	0.0733	0.20	0.120	94.71	6.25
29 November 2010	4	0.0419	0.20	0.087	84.40	6.25
16 June 2011	3	0.0219	0.20	0.080	72.91	4.68

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 2011	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	666,666			100%		100%	Aug 06	0.082	0.15	Aug 07	Aug 10	
	666,666			100%		100%	Aug 06	0.082	0.15	Aug 08	Aug 10	
	666,668			100%		100%	Aug 06	0.082	0.15	Aug 09	Aug 10	
- Current	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	
	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	
	1,466,667				100%		Nov 08	0.050	0.16	Nov 11	Nov 12	9,682
	833,333		100%				Nov 09	0.071	0.20	Nov 10	Nov 13	
	833,333				100%		Nov 09	0.071	0.20	Nov 11	Nov 13	11,986
	833,334				100%		Nov 09	0.071	0.20	Nov 12	Nov 13	27,860
	300,000	100%			100%		Nov 10	0.042	0.20	Nov 11	Nov 14	5,235
	300,000	100%			100%		Nov 10	0.042	0.20	Nov 12	Nov 14	8,907
	300,000	100%			100%		Nov 10	0.042	0.20	Nov 13	Nov 14	10,127
KC Agerup												
- Current	666,666		100%				Nov 09	0.071	0.20	Nov 10	Nov 13	
	666,667				100%		Nov 09	0.071	0.20	Nov 11	Nov 13	9,589
	666,667				100%		Nov 09	0.071	0.20	Nov 12	Nov 13	22,288
R Newman												
- Current	666,666		100%				Nov 09	0.071	0.20	Nov 10	Nov 13	
	666,667				100%		Nov 09	0.071	0.20	Nov 11	Nov 13	9,589
	666,667				100%		Nov 09	0.071	0.20	Nov 12	Nov 13	22,288
Other key management personnel												
J Lawe Davies												
- Expired	66,666			100%		100%	Jul 06	0.092	0.15	Jul 07	Jul 10	
	66,666			100%		100%	Jul 06	0.092	0.15	Jul 08	Jul 10	
	66,668			100%		100%	Jul 06	0.092	0.15	Jul 09	Jul 10	
- Current	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	
	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	
	966,667				100%		Jul 08	0.042	0.16	Jul 11	Jul 12	405
	183,333		100%				Aug 09	0.050	0.20	Aug 10	Aug 13	
	183,333				100%		Aug 09	0.050	0.20	Aug 11	Aug 13	461
	183,334				100%		Aug 09	0.050	0.20	Aug 12	Aug 13	3,348
	166,666	100%					Jul 10	0.049	0.20	Jul 11	Jul 14	111
	166,667	100%					Jul 10	0.049	0.20	Jul 12	Jul 14	4,136
	166,667	100%					Jul 10	0.049	0.20	Jul 13	Jul 14	5,480
S Crowther												
- Current	1,500,000	100%	100%				Jul 10	0.073	0.20	Sep 10	Jul 14	
	2,000,000	100%			100%		Jul 10	0.073	0.20	Sep 11	Jul 14	27,332
	1,500,000	100%			100%		Jul 10	0.073	0.20	Sep 12	Jul 14	62,526

Remuneration Report (cont.)**D Share based compensation (cont.)**

30 June 2011	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 \$
S Cope												
- Current	333,333			100%			Nov 08	0.044	0.20	Nov 09	Nov 12	
	333,333		100%				Nov 08	0.044	0.20	Nov 10	Nov 12	
	333,334				100%		Nov 08	0.044	0.20	Nov 11	Nov 12	2,135
	333,333		100%				Aug 09	0.050	0.20	Aug 10	Aug 13	
	333,333				100%		Aug 09	0.050	0.20	Aug 11	Aug 13	839
	333,334				100%		Aug 09	0.050	0.20	Aug 12	Aug 13	6,087
	116,666	100%			100%		Jul 10	0.049	0.20	Jul 11	Jul 14	78
	116,667	100%			100%		Jul 10	0.049	0.20	Jul 12	Jul 14	2,895
	116,667	100%			100%		Jul 10	0.049	0.20	Jul 13	Jul 14	3,836
M Maitland												
- Current	100,000		100%				Aug 09	0.050	0.20	Aug 10	Aug 13	
	100,000				100%		Aug 09	0.050	0.20	Aug 11	Aug 13	252
	100,000				100%		Aug 09	0.050	0.20	Aug 12	Aug 13	1,826
	566,666	100%			100%		Jul 10	0.042	0.20	Jul 11	Jul 14	64
	566,667	100%			100%		Jul 10	0.042	0.20	Jul 12	Jul 14	11,819
	566,667	100%			100%		Jul 10	0.042	0.20	Jul 13	Jul 14	15,730
A Young												
- Current	150,000		100%				Aug 09	0.050	0.20	Aug 10	Aug 13	
	150,000				100%		Aug 09	0.050	0.20	Aug 11	Aug 13	378
	150,000				100%		Aug 09	0.050	0.20	Aug 12	Aug 13	2,739
	116,666	100%			100%		Jul 10	0.049	0.20	Jul 11	Jul 14	78
	116,667	100%			100%		Jul 10	0.049	0.20	Jul 12	Jul 14	2,895
	116,667	100%			100%		Jul 10	0.049	0.20	Jul 13	Jul 14	3,836

E Shares Under Option

Unissued ordinary shares of ipernica Ltd under employee option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
30 July 2007	30 July 2011	\$0.20	900,000
30 November 2007	30 November 2011	\$0.20	2,200,000
11 July 2008	11 July 2012	\$0.20	2,900,000
21 November 2008	21 November 2012	\$0.16	4,400,000
24 November 2008	24 November 2012	\$0.20	1,000,000
6 August 2009	6 August 2013	\$0.20	2,300,000
24 November 2009	24 November 2013	\$0.20	6,500,000
1 July 2010	1 July 2014	\$0.20	1,700,000
2 July 2010	2 July 2014	\$0.20	1,200,000
29 July 2010	29 July 2014	\$0.20	5,000,000
29 November 2010	29 November 2014	\$0.20	900,000
			<u>29,000,000</u>

F Additional Information

Options granted as part of remuneration for the year ended 30 June 2011 (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.

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

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	56.5%	-	-	-	-
R Newman	56.5%	-	-	-	-
G Griffiths	23.1%	37,710	-	-	37,710
J Lawe Davies	11.2%	24,550	-	-	24,550
S Crowther	48.3%	366,500	-	-	366,500
S Cope	11.4%	17,185	-	-	17,185
M Maitland	18.5%	70,720	-	-	70,720
A Young	11.0%	17,185	-	-	17,185

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.

There were no shares provided on the exercise of options during the year

This is the end of the Audited Remuneration Report

29 September 2011

The Board of Directors
ipernica limited
16 Ord Street
WEST PERTH WA 6872

Dear Sirs,

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

As lead auditor of ipernica limited for the year ended 30 June 2011, 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

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
29 September 2011

**ipernica Statement of Comprehensive Income for the Year Ended
30 June 2011**

		Consolidated	
	Notes	2011 \$	2010 \$
Revenue from continuing operations	3(a)	11,421,104	1,464,270
Gain on Deconsolidation		-	1,253,627
Gain on Disposal of Investment		163,764	-
Other Income	3(b)	5,468,088	288,914
Total Income		17,052,956	3,006,811
Expenses:			
Amortisation and depreciation	3(c)	(2,053,679)	(1,367,578)
Capture Costs		(916,859)	(686,084)
Costs of Goods Sold		(55,400)	-
Employee benefits expenses	3(d)	(5,637,619)	(4,914,541)
Finance costs	3(e)	(16,488)	(30,952)
Impairment of fixed assets/Investments	3(f)	(191,810)	872
Lease payments	3(g)	(684,540)	(627,233)
Legal Fees		(192,356)	(328,482)
Litigation/Profit Share costs		(3,796,610)	(1,424,883)
Other operational expenses		(641,123)	(290,846)
Research and development costs	3(h)	(62,783)	(221,874)
Other	3(i)	(1,100,783)	(892,275)
PROFIT /(LOSS) BEFORE INCOME TAX EXPENSE		1,702,906	(7,777,065)
(INCOME TAX EXPENSE) / INCOME TAX BENEFIT	4	(98,334)	387,985
TOTAL COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX		1,604,572	(7,389,080)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF IPERNICA LTD		1,604,572	(7,389,080)
Earnings / (loss) per share (cents per share)			
- basic for profit / (loss) for the year attributable to ordinary equity holders of the parent	24	0.50	(2.29)
- diluted for profit / (loss) for the year attributable to ordinary equity holders of the parent	24	N/A	N/A

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

	Notes	Consolidated 2011 \$	2010 \$
CURRENT ASSETS			
Cash and cash equivalents	19(b)	11,131,679	10,462,743
Trade and other receivables	6	9,516,320	1,502,310
TOTAL CURRENT ASSETS		20,647,999	11,965,053
NON-CURRENT ASSETS			
Receivables	6	37,887	40,000
Available for sale financial assets	7	191,810	383,620
Plant and equipment	8	2,485,075	2,678,510
Intangible assets and goodwill	9	8,610,587	9,089,019
Licensing program costs	10	1,706,126	2,156,003
TOTAL NON-CURRENT ASSETS		13,031,485	14,347,153
TOTAL ASSETS		33,679,484	26,312,206
CURRENT LIABILITIES			
Trade and other payables	11	7,301,681	3,439,011
Unearned Income	12	3,788,164	1,646,261
Provisions	13	158,777	153,541
Borrowings	14	100,959	163,145
Current tax liability		125,185	-
TOTAL CURRENT LIABILITIES		11,474,766	5,401,958
NON-CURRENT LIABILITIES			
Provisions	13	62,963	1,047,786
Borrowings	14	-	100,959
TOTAL NON-CURRENT LIABILITIES		62,963	1,148,745
TOTAL LIABILITIES		11,537,729	6,550,703
NET ASSETS		22,141,755	19,761,503
EQUITY			
Contributed equity	15	26,610,948	26,610,948
Reserves	16	3,912,642	3,136,962
Accumulated profit/(losses)	17	(8,381,835)	(9,986,407)
TOTAL EQUITY		22,141,755	19,761,503

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

FOR THE YEAR ENDED 30 JUNE 2011

CONSOLIDATED	<i>Contributed Equity</i> \$	<i>Accumulated Losses</i> \$	<i>Share Based Payment Reserve</i> \$	<i>Total Equity</i> \$
At 1 July 2010	26,610,948	(9,986,407)	3,136,962	19,761,503
Profit/(Loss) for the period / total comprehensive income for the period	-	1,604,572	-	1,604,572
Transactions with owners in their capacity as owners:				
Issue of share capital	-	-	-	-
Cost of share-based payments to employees	-	-	775,680	775,680
At 30 June 2011	<u>26,610,948</u>	<u>(8,381,835)</u>	<u>3,912,642</u>	<u>22,141,755</u>

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>

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

	Notes	Consolidated 2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		11,776,283	2,030,078
Payments to suppliers and employees		(10,177,404)	(8,588,952)
Interest received		523,654	578,130
Interest paid		(16,488)	(30,952)
Tax refund/(Withholding taxes paid)		30,067	366,725
NET CASH (OUTFLOWS) / INFLOWS FROM OPERATING ACTIVITIES	19(a)	2,136,112	(5,644,971)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(949,115)	(1,368,639)
Purchase of intangibles		(441,406)	(474,424)
Purchase of equity investments		-	(151,120)
Proceeds from sale of plant and equipment		-	575
Proceeds from sale of equity investments		147,395	-
Cash outflow on deconsolidation of subsidiary		-	(35,654)
Loans to other Entities		(3,262)	-
NET CASH (OUTFLOWS) / INFLOWS FROM INVESTING ACTIVITIES		(1,246,388)	(2,029,262)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(161,271)	-
NET CASH (OUTFLOWS) / INFLOWS FROM FINANCING ACTIVITIES		(161,271)	-
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		728,453	(7,674,233)
Cash and cash equivalents at beginning of year		10,462,743	18,169,821
Net foreign exchange differences		(59,517)	(32,845)
CASH AND CASH EQUIVALENTS AT END OF YEAR	19(b)	11,131,679	10,462,743

The above consolidated 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 2011 was authorised for issue in accordance with a resolution of the directors on 29 September 2011.

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.

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 2011. They have not been adopted in preparing the financial statements for the year ended 30 June 2011 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 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	Periods commencing 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
AASB 7	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
AASB 101	Presentation of Financial Statements	A detailed reconciliation of each item of other comprehensive income may be included in the statement of changes in equity or in the notes to the financial statements.	Periods commencing on or after 1 January 2011	There will be no impact on initial adoption of this amendment as a detailed reconciliation of each item of other comprehensive income has always been included in the statement of changes in equity.	1 July 2011
AASB 2010-8 (issued December 2010)	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	For investment property measured using the fair value model, deferred tax assets and liabilities will be calculated on the basis of a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. However, this presumption cannot be rebutted for the land portion of investment property which is not depreciable.	Periods commencing on or after 1 January 2012	The entity does not have any investment property measured using the fair value model. There will therefore be no impact on the financial statements when these amendments are first adopted.	1 July 2012
AASB 2010-9 (issued December 2010)	Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters [AASB 1]	A first-time adopter of Australian Accounting Standards must apply the derecognition requirements in AASB 139 Financial Instruments: Recognition and Measurement prospectively for transactions occurring on or after the date of transition to Australian Accounting Standards, rather than 1 January 2004.	Periods commencing on or after 1 July 2011 (i.e. date of transition would be 1 July 2010)	There will be no impact on initial adoption of this amendment as a as the entity is the entity is reporting in accordance is Australian Accounting Standards.	1 July 2011
AASB 124 (issued December 2009)	Related Party Disclosures	Simplifies disclosure requirements for government-related entities and clarifies the definition of a related party.	Annual reporting periods commencing on or after 1 January 2011.	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.	1 July 2011
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the entity's returns from investee.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities.	1 July 2013

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 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed). However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity has not entered into any joint arrangements.	1 July 2013
AASB 13 (issued September 2011)	Fair Value Measurements	Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time on 1 July 2013, additional disclosures will be required about fair values.	1 July 2013
AASB 13 (issued September 2011)	Fair Value Measurements	Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.	Annual reporting periods commencing on or after 1 January 2013	Due to the recent release of this standard, the entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013.	1 July 2013
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows: 1 statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income' 2 statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. - OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.	Annual reporting periods commencing on or after 1 January 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).	1 July 2012
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	1 July 2013
AASB 119 (reissued September 2011)	Employee Benefits	Main changes include: - Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans - Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods - Subtle amendments to timing for recognition of liabilities for termination benefits - Employee benefits expected to be settled (as opposed to due to settled under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	The entity currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave at any time. The amendments to AASB 119 require that such liabilities be calculated on the basis of when the leave is expected to be taken, i.e. expected settlement. When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012. Leave liabilities for any employees with significant balances of leave outstanding who are not expected to take their leave within 12 months will be discounted, which may result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.	1 July 2013

* designates the beginning of the applicable annual reporting period

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

(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 2011. 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.

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

Expenditure recognition

The Group 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 2011 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(f) Revenue recognition (cont.)****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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(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 reporting 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.

(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 reporting date.

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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 reporting 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 reporting 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 profit and loss.

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

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.

(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 Statement of Financial Position.

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.com and the Company's IP Licensing activities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(q) Plant and equipment (cont.)****(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.

(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 reporting 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 determined in accordance with AASB 8 Segment Reporting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(s) Goodwill (cont.)**

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.

(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 the third party being assisted by ipernica (and there is no subsequent appeal) and 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**

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 profit and loss.

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.

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.

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

(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.

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

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.

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

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	
	2011	2010
	\$	\$
3. REVENUE AND EXPENSES		
(a) Revenue from continuing operations		
Settlement of litigation programs/licensing revenues	10,797,448	907,912
Other revenue	94,619	8,600
Interest	529,037	547,758
	11,421,104	1,464,270
(b) Other income		
Net gain from foreign currency translation	-	288,914
Litigation contracts – settlement	6,677,914	-
Litigation contracts - expenses	(1,209,826)	-
Net gain from disposal of intangible asset/Litigation contract	5,468,088	-
(c) Amortisation and depreciation		
Amortisation of development costs	(908,980)	(545,193)
Depreciation	(1,144,699)	(822,385)
	(2,053,679)	(1,367,578)
(d) Employee benefits expenses		
Share-based payments expense	(775,680)	(494,088)
Defined Contribution plan expense	(346,878)	(309,240)
(e) Finance costs		
Finance charges payable under hire purchase contracts	(16,488)	(30,952)
(f) Impairments		
Impairment of fixed assets/Investments	(191,810)	872
(g) Lease payments		
Minimum lease payments – operating lease	(621,056)	(543,283)
Contingent rentals	(63,484)	(83,950)
	(684,540)	(627,233)
(h) Research and development costs		
Research and development costs	(62,783)	(221,874)
(i) Other costs		
Provision for diminution of employee loan	(10,852)	(35,000)
Provision for diminution of investment in QPSX Europe GmbH	-	(1)
	(10,852)	(35,001)

	Consolidated	
	2011	2010
	\$	\$
4. INCOME TAX		
(a) Income tax expense/(benefit)		
Current tax expense / (benefit)	352,410	28,777
Deferred tax expense / (benefit)	-	-
Under/Over Provision	(254,076)	(416,762)
	98,334	(387,985)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit / (loss) from continuing operations before income tax	1,702,906	(7,777,065)
Tax at the Australian tax rate of 30% (2010: 30%)	510,872	(2,333,120)
Tax effect of amounts which are not deductible(taxable) in calculating taxable income:		
Amortisation of intangibles	-	4,869
Capitalised litigation costs	192,495	(5,288)
Entertainment	3,743	4,058
Excess foreign income tax withheld not claimable	352,410	28,777
Impairment of Asset	57,543	-
Investment allowance	-	(123,564)
Legal	-	-
Other	-	(209,207)
Over provision for tax in previous years	-	-
Patent costs	6,474	15,845
Provision for non recovery of loan	3,256	10,500
Relocation costs	-	-
Research and Development	-	(92,638)
Shared based expenses	232,704	148,226
	1,359,497	(2,551,542)
Deferred tax asset not recognised arising from temporary differences	314,850	-
Prior years losses previously not recognised now brought into account	(1,321,937)	-
Current year tax losses not brought to account	-	2,580,318
Under/(Over) provision	(254,076)	(416,762)
Income tax expense / (benefit)	98,334	(387,985)
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	8,079,842	10,587,779
Potential tax benefit @ 30%	2,423,953	3,176,334
(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	314,850	-
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	
	2011	2010
	\$	\$
(f) Noncurrent assets – deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit and loss		
Provisions	150,129	132,843
Fixed Assets	-	-
Accrued expenses	34,883	426,299
Borrowing costs	1,136,449	375,348
Tax loss carry forwards	2,423,953	620,400
	<u>3,745,414</u>	<u>1,554,890</u>
Amounts recognised directly in equity		
Capital raising costs	-	-
	<u>3,745,414</u>	<u>1,554,890</u>
Set-off deferred tax liabilities pursuant to set-off provisions	(1,556,336)	(1,554,890)
Unrecognised Deferred Tax Asset	<u>(2,189,078)</u>	
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	18,128	18,966
Fixed Assets	3,167	3,212
Intangible Assts	1,105,205	1,172,725
Depreciable intangible assets	-	24,000
Unrealised foreign exchange gain	127,211	114,069
Creditors	302,625	221,919
	<u>1,556,336</u>	<u>1,554,890</u>
Set-off deferred tax assets pursuant to set-off provisions	(1,556,336)	(1,554,890)
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 2011: nil (2010: nil)	-	-
There is no proposed dividend for the year ended 30 June 2011.		

(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% (2010: 30%)	907,213	907,213
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
Franking debits that will arise from the payment of dividends as at the end of the financial year	-	-
	<u>907,213</u>	<u>907,213</u>

(c) Tax rates

The tax rate at which paid dividends have been franked is 30% (2010:30%)

	Consolidated	
	2011	2010
	\$	\$
6. TRADE AND OTHER RECEIVABLES (Current)		
Trade receivables	2,216,826	637,791
Other	526,488	154,987
Amounts other than trade debts receivable from other related parties (Lloyds of London and a profit share partner)	6,773,006	709,532
	9,516,320	1,502,310
RECEIVABLES (Non Current)		
Other receivables	1,387	-
Loan to key management personnel (see Note 25(d))	82,352	75,000
Provision for diminution	(45,852)	(35,000)
	37,887	40,000

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

United States Dollars	6,141,565	599,373
Euros	569,386	32,691

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 impairment 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 \$638,025 of receivables which were past due but not impaired (2010: \$27,500). These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011	2010
	\$	\$
Up to 3 months	107,250	27,500
3 to 6 months	530,775	-
	638,025	27,500

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.

	Consolidated	
	2011	2010
	\$	\$
7. AVAILABLE FOR SALE FINANCIAL ASSETS		
Investments at cost comprise:		
Shares		
Unlisted entities (i) – Available for sale financial assets	712,359	712,359
Impairment of unlisted shares	(520,549)	(328,739)
	191,810	383,620

7. AVAILABLE FOR SALE FINANCIAL ASSETS (cont.)**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.

- (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	
		2011 %	2010 %	2011 \$	2010 \$
QPSX Communications Pty Ltd	Australia	100	100	827,199	827,199
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

8. PLANT AND EQUIPMENT

Plant and equipment

	Consolidated	
	2011 \$	2010 \$
At cost	4,977,846	4,026,582
Accumulated depreciation and impairment	(2,492,771)	(1,348,072)
	2,485,075	2,678,510

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	2,678,510	2,329,518
Additions (at cost)	951,264	1,174,498
Disposals (at net book value)	-	(3,993)
Depreciation	(1,144,699)	(822,385)
Impairment (charge)/reversal	-	872
At 30 June, net of accumulated depreciation and impairment	2,485,075	2,678,510

Plant and equipment pledged as security

Plant and equipment with a carrying amount of \$120,729 (2010: \$250,192) for the Group are pledged as securities for non-current liabilities as disclosed in Note 14.

	Consolidated	
	2011	2010
	\$	\$
9. INTANGIBLE ASSETS AND GOODWILL		
Goodwill	134,866	134,866
Development Costs	8,475,721	8,954,153
	8,610,587	9,089,019

(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	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	8,954,153	9,026,919
Additions	430,548	472,427
Amortisation	(908,980)	(545,193)
Closing balance at the end of the year	8,475,721	8,954,153

(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 developments 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 profit and loss (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. The Group commenced amortising the development costs assessed as having finite useful lives during the previous year following the successful launch of the nearmap.com web portal and the commencement of regular imagery capture programs across the five major cities.

Both goodwill and development costs have been allocated to the "nearmap.com" cash generating unit.

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

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

The recoverable amount of the nearmap.com 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.com unit relies upon the successful commercialisation of the nearmap.com technology and is most sensitive to the following assumptions; discount rates (assessed as a pre-tax rate of 15%), market rates (the potential market is assessed as being 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.com 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	
	2011	2010
	\$	\$

10. LICENSING PROGRAM COSTS

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

1,706,126 2,156,003

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

Beginning of financial year	2,156,003	1,324,024
Licensing program costs incurred during the period	759,949	831,979
Licensing programs expensed during the period	(1,209,826)	-
End of financial year	1,706,126	2,156,003

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	
	2011	2010
	\$	\$
11. TRADE AND OTHER PAYABLES		
Trade creditors (refer Note 11(a) and 11(b))	3,238,685	3,428,606
Amounts other than trade creditors payable to other parties (profit share partners) (refer Note 11(a) and 11(c))	4,062,996	10,405
	7,301,681	3,439,011

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

- United States dollars	4,111,933	35,365
- Euro	2,269,499	2,456,298

(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 \$1,319,499 (2010: \$1,486,664) representing the amount of costs orders and accrued interest which ipernica (through its subsidiary QPSX Communications Pty Ltd) has been 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 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 2011 (2010: 5.12%). The group is entitled to seek recovery from Lloyds of London and a profit share partner for their share of this payable totalling approximately \$720,301 (2010: \$559,532). As such the net impact to ipernica is approximately \$599,198 (2010: \$927,132).

Also included in Trade creditors is a non interest bearing amount of \$950,000 (2010: \$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. This amount will be repaid to Lloyds upon finalisation of the costs in these proceedings, and offset against the amount due from Lloyds in respect of the latest costs order. 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.

	Consolidated	
	2011	2010
	\$	\$
12. UNEARNED INCOME (Current)		
Unearned Licensing Revenue	3,788,164	1,646,261
	3,788,164	1,646,261

Unearned revenue represents licence fees charged, the revenue for which will be recognised over the life of the licence. Included in Unearned Revenue is \$275,000 of sales which were subject to an evaluation period at 30 June 2011 (2010: \$395,000). All licences subject to the evaluation period subsequently continued after the expiry of the evaluation period and no cancellations were received.

	Consolidated	
	2011	2010
	\$	\$
13. PROVISIONS		
Current:		
Employee benefit provisions – Long service leave (i)	158,777	153,541
Litigation provisions (ii)	-	-
Profit share partners payments (iii)	-	-
	158,777	153,541
Noncurrent:		
Employee benefit provisions – Long service leave (i)	62,963	47,786
Profit share partners payments (iii)	-	1,000,000
	62,963	1,047,786

(i) Employee benefits – Long service leave

Beginning of financial year	201,327	172,839
Arising during the year	61,637	66,268
Utilised	-	-
Unused amounts reversed	(32,415)	(30,876)
Discount rate adjustment	(8,809)	(6,904)
End of financial year	221,740	201,327

Disclosed as:

Current employee benefit provisions	158,777	153,541
Non-current employee benefit provisions	62,963	47,786
Total	221,740	201,327

(ii) Litigation provisions

Beginning of financial year	-	1,690,078
Arising during the year	-	857,145
Reduction as a result of deconsolidation of subsidiary	-	(2,547,223)
End of financial year	-	-

Disclosed as:

Current litigation provisions	-	-
-------------------------------	---	---

(iii) Profit share partners payments

Beginning of financial year	1,000,000	1,000,000
Extinguished during the year (now included in payables)	(1,000,000)	-
End of financial year	-	1,000,000

Disclosed as:

Non current profit share partners payments	-	1,000,000
--	---	-----------

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.

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

During the previous financial year, 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 deconsolidated its interest in QPSX Europe GmbH effective from the date of filing the petition.

Profit share partners payments

Following the Group's settlement in the Stat Mux program, the amount previously provided for as a provision payable to Curtin University has now been recognised as a payable and is included as in amounts other than trade creditors payable to other related parties as disclosed in Note 11.

	Consolidated	
	2011	2010
	\$	\$
14. BORROWINGS		
Obligations under finance lease and hire purchase contracts (Note 18)		
Current	100,959	161,271
Non-current	-	100,959
	<u>100,959</u>	<u>262,230</u>
Other borrowings:		
Current	-	1,874
Non-current	-	-
	<u>-</u>	<u>1,874</u>
Total borrowings:		
Current	100,959	163,145
Non-current	-	100,959
Total Borrowings	<u>100,959</u>	<u>264,104</u>

Plant and equipment with a carrying amount of \$120,729 (2010: \$250,192) 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	
	2011	2010
	\$	\$
15. CONTRIBUTED EQUITY		
(a) Issued and paid up capital		
323,056,101 ordinary shares fully paid (2010: 323,056,101)	<u>26,610,948</u>	<u>26,610,948</u>

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.

15. CONTRIBUTED EQUITY (cont.)

	2011		2010	
	Number of Shares	\$	Number of Shares	\$
(b) Movement in shares on issue				
Beginning of the financial year	323,056,101	26,610,948	322,556,101	26,535,948
Issued during the year				
- exercise of options (i)	-	-	500,000	75,000
	<u>323,056,101</u>	<u>26,610,948</u>	<u>323,056,101</u>	<u>26,610,948</u>

- (i) No shares were issued during the 2011 year pursuant to the exercise of employee share options. During 2010 500,000 shares were issued pursuant to the exercise of employee share options at an exercise price of \$0.15 per share.

(c) Share Options

Options over ordinary shares:

At the end of the year there were 49,185,000 (2010: 41,274,999) unissued ordinary shares in respect of which options were outstanding.

Employee share incentive scheme

During the financial year 4,189,999 options over ordinary shares in respect of the employee share incentive scheme expired, 1,300,000 were cancelled and no options were exercised.

During the financial year 13,400,000 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 20.

(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.

16. RESERVES**Share-based payments reserve**

	Consolidated	
	2011	2010
	\$	\$
Balance at beginning of the year	3,136,962	2,642,874
Share based option expense	775,680	494,088
Balance at end of year	<u>3,912,642</u>	<u>3,136,962</u>

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration (refer to Note 20 for further details of these plans) and the value of equity benefits provided as consideration for the acquisition of entities.

17. ACCUMULATED PROFITS/(LOSSES)

	Consolidated	
	2011	2010
	\$	\$
Balance at beginning of the year	(9,986,407)	(2,597,327)
Profit/(loss) attributable to members of ipernica Ltd	1,604,572	(7,389,080)
Balance at end of year	<u>(8,381,835)</u>	<u>(9,986,407)</u>

	Consolidated	
	2011	2010
	\$	\$
18. 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	104,048	177,759
later than one year and no later than five years	-	104,048
later than five years	-	-
Less amounts representing financing charge	(3,089)	(19,577)
Aggregate lease expenditure contracted for at balance date	100,959	262,230
<i>Operating leases (non-cancellable) (refer Note 18(c))</i>		
Minimum lease payments		
not later than one year	238,390	534,254
later than one year and no later than five years	287,975	405,765
later than five years	-	-
Aggregate lease expenditure contracted for at balance date	526,365	940,019
<i>Other operating expenses</i>		
Minimum lease payments		
not later than one year	697,600	351,235
later than one year and no later than five years	212,625	261,613
later than five years	-	-
Aggregate lease expenditure contracted for at balance date	910,225	612,848
Aggregate expenditure commitments comprise:		
Amounts not provided for:		
rental commitments	526,365	940,019
Other operating expenses	910,225	612,848
Total not provided for	1,436,590	1,452,867

(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 \$120,729 (2010: \$250,192). The current hire purchase contracts have terms of 3 years.

	Consolidated	
	2011	2010
	\$	\$
19. CASH FLOW STATEMENT		
(a) Reconciliation of the net (loss)/profit after tax to the net cash flows from operations		
Profit / (loss) after tax	1,604,572	(7,389,080)
Non-cash items		
Depreciation of non-current assets	1,144,699	822,385
Amortisation of non-current assets	908,980	545,193
Loss on sale of non-current assets	-	3,477
Impairment of non-current assets	191,810	(872)
Net exchange differences	59,516	32,845
Share options expensed	775,680	494,088
Provision for diminution	10,852	35,001
Gain on deconsolidation	-	(1,253,627)
Gain on Disposal of Investments	(163,764)	-
Changes in assets and liabilities		
Payables	5,974,926	1,868,860
Receivables	(8,158,409)	(1,649,987)
Provision for employee entitlements	20,413	28,489
Other Provisions	-	857,144
Provision for income tax payable	125,185	(21,260)
Other non-current assets	(358,348)	(17,627)
Net cash flow from / (used in) operating activities	<u>2,136,112</u>	<u>(5,644,971)</u>
(b) Reconciliation of cash		
Cash equivalents comprises:		
Cash at banks and on hand	964,367	1,479,918
Short term deposits at call	10,167,312	8,982,825
Closing cash balance	<u>11,131,679</u>	<u>10,462,743</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	
	2011	2010	2011	2010
At balance date, the following financing facility from Lloyd's had been negotiated and was available:				
Total facility	3,724,742	4,693,183	4,000,000	4,000,000
Facility used at balance date	(2,550,823)	(3,214,403)	(2,739,329)	(2,739,329)
Facility unused at balance date	<u>1,173,919</u>	<u>1,479,140</u>	<u>1,260,671</u>	<u>1,260,671</u>

(d) Non-cash financing and investing activities

During the 2011 year, no additional fixed assets were acquired by the consolidated entity on hire purchase finance lease (2010: nil).

20. 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 2010 and 30 June 2011:

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 2011:						
01/07/10	0.080	92.47	6.25	4	0.20	01/07/14
05/07/10	0.090	92.84	6.25	4	0.20	05/07/14
29/07/10	0.120	94.71	6.25	4	0.20	29/07/14
29/11/10	0.087	84.40	6.25	4	0.20	29/11/14
16/06/11	0.080	72.91	4.68	3	0.20	02/06/14
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

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 16.

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

	2011		2010	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance at beginning of year	28,024,999	0.18	28,149,994	0.17
Issued	13,400,000	0.20	12,500,000	0.20
Cancelled	(1,300,000)	0.20	(5,784,995)	0.19
Expired	(4,189,999)	0.17	(6,340,000)	0.16
Exercised	-	-	(500,000)	0.15
Balance at end of year	35,935,000	0.19	28,024,999	0.18
Vested and exercisable at end of year	15,551,662	0.18	9,699,997	0.17

20. SHARE-BASED PAYMENT PLANS (cont.)**2011**

Grant Date	Expiry Date	Exercise Price	Balance at Beginning of the Year	Granted During the Year	Cancelled During the Year	Expired During the Year	Exercised During the Year	Balance at the End of the Year	Vested and Exercisable at the End of the Year
18-Jul-06	18-Jul-10	\$0.16	720,000	-	-	(720,000)	-	-	-
29-Aug-06	29-Aug-10	\$0.15	2,000,000	-	-	(2,000,000)	-	-	-
30-Jul-07	31-Jul-11	\$0.20	1,366,666	-	-	(66,666)	-	1,300,000	1,300,000
30-Nov-07	30-Nov-11	\$0.20	2,200,000	-	-	-	-	2,200,000	2,200,000
11-Jul-08	11-Jul-12	\$0.15	3,380,000	-	-	(20,000)	-	3,360,000	2,326,666
21-Nov-08	21-Nov-12	\$0.15	4,400,000	-	-	-	-	4,400,000	2,933,333
24-Nov-08	24-Nov-12	\$0.20	2,333,333	-	-	(1,333,333)	-	1,000,000	666,666
6-Aug-09	6-Aug-13	\$0.20	5,125,000	-	(500,000)	(50,000)	-	4,575,000	1,658,332
24-Nov-09	24-Nov-13	\$0.20	6,500,000	-	-	-	-	6,500,000	2,166,665
1-Jul-10	1-Jul-14	\$0.20	-	1,700,000	-	-	-	1,700,000	-
5-Jul-10	5-Jul-14	\$0.20	-	3,800,000	(800,000)	-	-	3,000,000	-
29-Jul-10	29-Jul-14	\$0.20	-	5,000,000	-	-	-	5,000,000	1,500,000
29-Nov-10	29-Nov-14	\$0.20	-	900,000	-	-	-	900,000	-
16-Jun-11	2-Jun-14	\$0.20	-	2,000,000	-	-	-	2,000,000	800,000
Total			28,024,999	13,400,000	(1,300,000)	(4,189,999)	-	35,935,000	15,551,662
Weighted Average Price			\$0.18	\$0.20	\$0.20	\$0.17	-	\$0.19	\$0.18

2010

Grant Date	Expiry Date	Exercise Price	Balance at Beginning of the Year	Granted During the Year	Cancelled During the Year	Expired During the Year	Exercised During the Year	Balance at the End of the Year	Vested and Exercisable at the End of the Year
13-Jul-05	14-Jul-09	\$0.15	1,840,000	-	-	(1,840,000)	-	-	-
13-Jul-05	28-Nov-09	\$0.15	400,000	-	(200,000)	(200,000)	-	-	-
28-Nov-05	28-Nov-09	\$0.20	2,500,000	-	-	(2,500,000)	-	-	-
25-Jan-06	8-Mar-10	\$0.20	500,000	-	-	-	(500,000)	-	-
18-Jul-06	18-Jul-10	\$0.16	1,286,665	-	(566,665)	-	-	720,000	720,000
29-Aug-06	29-Aug-10	\$0.15	2,000,000	-	-	-	-	2,000,000	2,000,000
5-Feb-07	5-Feb-10	\$0.15	1,066,666	-	(166,666)	(900,000)	-	-	-
12-Apr-07	12-Apr-10	\$0.20	900,000	-	-	(900,000)	-	-	-
30-Jul-07	31-Jul-11	\$0.20	2,016,663	-	(649,997)	-	-	1,366,666	1,066,666
30-Jul-07	3-Sep-11	\$0.16	100,000	-	(100,000)	-	-	-	-
30-Nov-07	30-Nov-11	\$0.20	2,200,000	-	-	-	-	2,200,000	1,466,666
11-Jul-08	11-Jul-12	\$0.15	3,940,000	-	(560,000)	-	-	3,380,000	1,313,332
21-Nov-08	21-Nov-12	\$0.15	4,400,000	-	-	-	-	4,400,000	1,466,667
24-Nov-08	24-Nov-12	\$0.20	5,000,000	-	(2,666,667)	-	-	2,333,333	1,666,666
6-Aug-09	6-Aug-13	\$0.20	-	6,000,000	(875,000)	-	-	5,125,000	-
24-Nov-09	24-Nov-13	\$0.20	-	6,500,000	-	-	-	6,500,000	-
Total			28,149,994	12,500,000	(5,784,995)	(6,340,000)	(500,000)	28,024,999	9,699,997
Weighted Average Price			\$0.17	\$0.20	\$0.19	\$0.16	\$0.15	\$0.18	\$0.17

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

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

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

(b) Contingent assets

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

22. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

On 5 September 2011, nearmap.com entered into a lease of new premises for a three year period commencing on 1 October 2011 for \$210,005 per annum with a 4% increase each year. The new premises will be utilised by both the IP Licensing business and the nearmap.com business and will result in significant occupancy cost savings over the two separate premises previously occupied. The existing nearmap.com and ipernica leases expire on 7 November 2011 and 15 October 2011 respectively.

The Company previously advised that it was terminating its Segmentation and Re-assembly ("SAR") global licensing program which to date has generated A\$30 million in revenue. The finalisation of the program is underway with payment of the outstanding costs orders as included in trade creditors (Note 11) now having been made. In addition to the amounts as disclosed under Note 11, the Company has decided to remit an amount of 1.22m Euro (A\$1.69m) to the Administrator of QPSX Europe GmbH ("QPSX Europe") pending the formalisation of an Insolvency Plan to cover a negotiated percentage of the liabilities of QPSX Europe plus Administration costs.

The Company previously deconsolidated QPSX Europe as reported in the 2010 financial statements (see Note 13 Litigation Provisions) when QPSX Europe was placed into Administration and the Group lost control of the entity. The Company believes, after due consideration, it is now reasonable to assist the Administrator in the insolvency process and as such has decided to enter into a non binding agreement in principle with the Administrator and the creditors of QPSX Europe to fund a negotiated percentage of its liabilities. Upon approval and implementation of the Insolvency Plan, QPSX Europe will be returned to the Group.

The overall financial impact of reinstating the German subsidiary cannot yet be determined until the Insolvency Plan has been formalised and received court approval. The Company has the ability to obtain contributions under certain insurance and profit share contracts which will reduce the net cost to the Company of these payments. Further detail will be reflected in the first quarter cashflow statement.

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	
	2011	2010
	\$	\$
Net profit/(loss) attributable to ordinary equity holders	1,604,572	(7,389,080)
Net profit/(loss) used in calculating diluted earnings per share	1,604,572	(7,389,080)
	Number of	Number of
	Shares	Shares
Weighted average number of ordinary shares on issue used in the calculation of basic profit/(loss) per share	323,056,101	322,760,211
Weighted average number of ordinary shares on issue used in the calculation of diluted profit/(loss) per share	323,056,101	322,760,211

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 because the options are not in the money.

	Consolidated	
	2011	2010
	\$	\$
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	59,019	61,858
- other services in relation to the entity and any other entity in the consolidated group – BDO Corporate Tax (WA) Pty Ltd	-	2,200
	<u>59,019</u>	<u>64,058</u>

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

	Consolidated	
	2011	2010
	\$	\$
Short-term employee benefits	2,193,266	2,230,555
Long-term employee benefits	158,777	153,541
Post-employment benefits	187,243	204,502
Share-based payments	668,720	353,139
	<u>3,208,006</u>	<u>2,941,737</u>

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

30 June 2011	Balance at beginning of year 1 July 2010	Granted as Remuneration	Options Exercised	Net Other Changes #	Balance at end of year 30 June 2011	Vested and exercisable at 30 June 2011
Directors						
G Griffiths	11,100,000	900,000	-	(2,000,000)	10,000,000	5,966,667
KC Agerup	2,000,000	-	-	-	2,000,000	666,666
R Newman	2,000,000	-	-	-	2,000,000	666,666
S Nixon*	8,130,544	-	-	(5,000,000)	3,130,544	3,130,544
Other key management personnel						
S Crowther	-	5,000,000	-	5,000,000	10,000,000	6,500,000
S Cope	2,000,000	350,000	-	-	2,350,000	999,999
J Lawe Davies	4,550,000	500,000	-	(200,000)	4,850,000	3,016,666
M Maitland	300,000	1,700,000	-	-	2,000,000	100,000
A Young	450,000	350,000	-	-	800,000	150,000

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.com which was acquired by the Group on 21 November 2008. As part of an additional incentive for Mr Crowther to accept the position as CEO of nearmap.com Mr Nixon agreed to transfer 5,000,000 of his options to Mr Crowther for nil consideration.

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.

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

Shares held in ipernica ltd.

30 June 2011	Balance at 1 July 2010	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2011	Balance held nominally
Directors						
R Norgard	48,145,773	-	-	1,500,000	49,645,773	49,605,773
G Griffiths	6,209,059	-	-	224,000	6,433,059	1,637,904
C Crisafulli	-	-	-	-	-	-
B Rosser	-	-	-	-	-	-
KC Agerup	-	-	-	-	-	-
R Newman	-	-	-	-	-	-
S Nixon*	39,026,609	-	-	1,500,000	40,526,609	-

Other key management personnel

S Crowther	-	-	-	-	-	-
S Cope	395,000	-	-	-	395,000	215,000
J Lawe Davies	1,257,150	-	-	-	1,257,150	-
M Maitland	150,000	-	-	-	150,000	150,000
A Young	300,000	-	-	-	300,000	-

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	-

* S Nixon was issued 39,026,609 Shares as one of the vendors of the nearmap.com 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 \$	Interest charged	Balance at the end of year \$	Interest not charged
Other key management personnel						
2011	75,000	-	-	7,352	82,352	-
2010	-	75,000	-	-	75,000	1,929

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 \$45,852 at the reporting date to reflect the reduction in value of the underlying security.

(e) Other transactions with Directors and Key Management Personnel

During the financial year, there were \$17,865.70 in fees paid to BSF Group, a company in which Mr Brad Rosser holds a financial interest

26. SEGMENT INFORMATION

From 1 July 2010 the group changed its segments from "IP Assertion" and "ipernica ventures" to "IP Licensing" and "nearmap.com" to more appropriately reflect the different operational business units within the group and the basis on which the board reviews their performance. The comparatives have been restated in line with the new segments. The amounts allocated from the previous "ipernica ventures" segment into the new "ipernica segment" are not considered material.

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia was \$3,721,798 (2010: \$671,514), North America \$7,048,210 (2010: \$575, 531) and Other \$27,440 (2010: \$Nil). Segment revenues are allocated based on the country in which the customer is located.

Business segments	IP Licensing		nearmap.com		Unallocated		Consolidated	
	2011	2010 Restated	2011	2010 Restated	2011	2010 Restated	2011	2010 Restated
Revenue								
Settlement of litigation programs/licensing	7,231,760	1,083,305	3,749,471	163,739	-	-	10,981,231	1,247,044
Intersegment eliminations	(175,781)	(339,132)	(8,002)	-	-	-	(183,783)	(339,132)
Interest Income	-	-	-	-	529,037	547,758	529,037	547,758
Gain on deconsolidation	-	-	-	-	-	1,253,627	-	1,253,627
Gain on Disposal of Investment	163,764	-	-	-	-	-	163,764	-
Other income	5,468,088	-	94,355	8,155	264	445	5,562,707	8,600
Total Income	12,687,831	744,173	3,835,824	171,894	529,301	1,801,830	17,052,956	2,717,897
Expenses								
Depreciation and amortisation	35,825	569,106	2,017,854	798,472	-	-	2,053,679	1,367,578
Impairment loss/(reversal)	191,810	(872)	-	-	-	-	191,810	(872)
Net foreign exchange (losses)/gains	21,036	(290,789)	2,544	1,875	(2,287)	-	21,293	(288,914)
Hire Purchase Lease Interest	-	-	16,488	30,952	-	-	16,488	30,952
Loss on sale of assets	-	3,477	-	-	-	-	-	3,477
Share Based Payment Expenses	186,330	116,014	589,350	378,074	-	-	755,680	494,088
Intersegment eliminations	(8,002)	-	(175,781)	(339,132)	-	-	(183,783)	(339,132)
Other expenses	5,546,634	3,255,934	6,928,249	5,971,852	-	-	12,474,883	9,227,786
Total Expenses	5,973,633	3,652,870	9,378,704	6,842,093	(2,287)	-	15,350,050	10,494,963
Net profit(loss) before income tax	6,714,198	(2,908,697)	(5,542,880)	(6,670,199)	531,588	1,801,830	1,702,906	(7,777,066)
Income tax expense/(benefit)							98,334	(387,985)
Net profit(loss) after income tax							1,604,572	(7,389,081)
Assets								
Cash assets	-	-	-	-	11,131,679	10,462,743	11,131,679	10,462,743
Total Other Assets	8,722,278	3,393,157	13,663,940	12,295,732	161,587	160,574	22,547,805	15,849,463
Total Assets	8,722,278	3,393,157	13,663,940	12,295,732	11,293,266	10,623,317	33,679,484	26,312,206
Liabilities								
Total Liabilities	6,759,732	3,973,702	4,733,515	2,544,321	44,482	32,680	11,537,729	6,550,703
Other segment information:								
Additions to Non current Assets	765,492	832,609	1,376,001	1,646,296	-	-	2,141,493	2,478,906

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
2011**

	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	4.5%	1,555,485	9,576,194	-	-	11,131,679
Trade and other receivables	5.1%	647,529	-	-	8,868,791	9,516,320
		2,203,014	9,576,194	-	8,868,791	20,647,999
Financial Liabilities						
Trade and other payables	5.1%	1,186,189	-	-	6,115,492	7,301,681
Borrowings	4.8%	-	100,959	-	-	100,959
		1,186,189	100,959	-	6,115,492	7,402,640
Net Financial Assets/(Liabilities)		1,016,825	9,475,235	-	2,753,299	13,245,359

**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	8,561,955	-	960,004	11,965,053
Financial Liabilities						
Trade and other payables	5.8%	1,364,445	-	-	2,074,566	3,439,011
Borrowings	6.1%	-	163,145	99,085	-	262,230
		1,364,445	163,145	99,085	2,074,566	3,701,241
Net Financial Assets/(Liabilities)		1,078,649	8,398,810	(99,085)	(1,114,562)	8,263,812

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 2011, 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	
	2011	2010
	\$	\$
Judgements of reasonably possible movements:		
Post tax profit – higher / (lower)		
+0.5%	3,667	2,900
-0.5%	(3,667)	(2,900)

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 2011, 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 2011		30 June 2010	
	USD	EUR	USD	EUR
Cash and cash equivalents	134,190	-	12,656	-
Trade and other receivables	6,141,565	569,386	599,373	32,691
Trade and other payables	(4,111,933)	(2,269,499)	(35,365)	(2,456,298)
Gross exposure	2,163,822	(1,700,113)	576,664	(2,423,607)

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2011	2010	2011	2010
USD	0.9881	0.8821	1.0739	0.8523
EUR	0.7245	0.5989	0.7405	0.6979

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 2010.

	2011		2010	
	Equity	Profit	Equity	Profit
USD	-	(151,468)	-	(40,366)
EUR	-	119,008	-	169,652

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 primarily 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 19(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 primarily 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	
	2011	2010
	\$	\$
Trade receivables – without external credit rating		
Existing Customers (more than 6 months) with no defaults in the past	2,212,240	637,791
Cash at bank and short-term bank deposits		
AA	11,131,679	10,462,743
A	-	-
	<u>11,131,679</u>	<u>10,462,743</u>
Available-for-sale share investments – without external credit rating		
Investments in unlisted entities	191,810	383,620

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.

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 no additions and one disposal in level 3 fair value equity securities. The level 3 fair value equity security disposed of was previously carried at nil value. 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:

	2011	2010
	\$	\$
Current Assets	10,598,945	9,097,941
Total Assets	27,402,681	27,106,597
Current Liabilities	47,431	39,462
Total Liabilities	47,431	39,462
Net Assets	<u>27,355,250</u>	<u>27,067,135</u>
Contributed Equity	26,610,948	26,610,948
Reserves	3,912,642	3,136,963
Accumulated Profits/(Losses)	<u>(3,168,340)</u>	<u>(2,680,776)</u>
Total Shareholder Equity	<u>27,355,250</u>	<u>27,067,135</u>
Profit/(Loss) of Parent Entity	(711,573)	(450,057)
Total Comprehensive Income of Parent Entity	(487,564)	(83,449)

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 18. The contractual commitments of the parent entity are as outlined below:

*Lease expenditure commitments**Operating leases (non-cancellable) (refer Note 18(c))*

Minimum lease payments		
not later than one year	37,722	177,094
later than one year and no later than five years	-	36,900
later than five years	-	-
Aggregate lease expenditure contracted for at balance date	<u>37,722</u>	<u>213,994</u>

Aggregate expenditure commitments comprise:

Amounts not provided for:		
Rental commitments	37,722	213,994
Total not provided for	<u>37,722</u>	<u>213,994</u>

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 (2010: Nil).

28. PARENT ENTITY INFORMATION (cont.)

	2011	2010
	\$	\$
Loans to wholly-owned subsidiaries		
Beginning of the year	16,927,883	7,992,314
Loans advanced	5,869,712	9,859,259
Loan repayments received	(7,071,130)	(1,074,412)
Transfer from Loans from wholly owned subsidiaries	-	150,722
End of the year	<u>15,726,465</u>	<u>16,927,883</u>
Loans from wholly-owned subsidiaries		
Beginning of the year	-	167,351
Loans advanced	-	17,545
Loan repayments made	-	(335,617)
Transfer to Loans to wholly owned subsidiaries	-	150,722
End of the year	<u>-</u>	<u>-</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 2011 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 34 to 42 of the directors' report (as part of audited Remuneration Report) for the year ended 30 June 2011, 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 2011.

On behalf of the Board



G Griffiths
Managing Director

Perth
29 September 2011

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 consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of ipernica limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO Audit


Chris Burton
Director

Perth, Western Australia
Dated this 29th day of September 2011

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 91
1.2	Companies should disclose the process for evaluating the performance of senior executives	Yes	Page 92
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 92
2.2	The chair should be an independent director	No	Page 93
2.3	The roles of chair and Managing Director should not be exercised by the same individual	Yes	Page 93
2.4	The Board should establish a nomination committee	Yes	Page 93
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors	Yes	Page 94
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 diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes	Page 95
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them	No	Page 95
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the Board.	No	Page 95
3.5	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 94
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 94
4.3	The audit committee should have a formal charter.	Yes	Page 94
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 94
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 95
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 95
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 95
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 93
8.2	The remuneration committee should be structured so that it: • Consists of a majority of independent directors • Is chaired by an independent chairman • Has at least 3 members.	Yes	
8.3	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 93
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8	Yes	

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 with amendments being made in 2010.

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 2011. 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 34 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
KC Agerup	Non-Executive Director	30/03/2009
R Newman	Non-Executive Director	17/02/2011

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 28 to 30. 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 Stuart Nixon on 14 April 2011, the majority of the Board was not independent. Following Mr Nixon's resignation, the majority of the Board was 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/were 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 was 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. 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, Mr Norgard 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 Mr Norgard 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 33 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 33 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 34 to 42 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.

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 34 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.

Diversity Policy

Pursuant to Recommendation 3.2, the Company has implemented a Diversity policy. Reporting against the measurable objectives for achieving gender diversity as noted in Recommendation 3.3 and the proportion of women in the whole organization, women in senior executive positions and women on the board as outlined in Recommendation 3.3 will commence in the Company's 2012 annual report.

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 and during "Closed Periods" and periods of "block-out" as stipulated in the policy.

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 295A 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 2011.

(a) Distribution of ordinary shares

The number of shareholders, by size of holding, are:

Range	No of holders	No of shares
1 – 1,000	57	30,845
1,001 – 5,000	187	624,210
5,001 – 10,000	215	1,785,290
10,001 – 100,000	655	29,655,790
100,001 and over	291	290,959,966
Total	1,406	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 Longfellow Nominees Pty Ltd	46,340,000	14.34
2 Mr Stuart William Nixon	39,026,609	11.36
3 Planetek Italia SRL	15,828,974	4.90
4 J P Morgan Nominees Australia Limited <Cash Income A/C>	10,129,771	3.14
5 Mrs Alison Elizabeth Farrelly	9,967,234	3.09
6 Mr Paul Farrelly	7,500,000	2.32
7 Citicorp Nominees Pty Ltd	6,377,553	1.97
8 Mr Graham Griffiths	4,571,155	1.41
9 Damplin Investments Pty Ltd	4,500,000	1.39
10 Ms Vivianne Jaffe	4,450,000	1.38
11 McRae Technology Pty Ltd	4,166,667	1.29
12 Mrs Tew Hua Cameron	3,834,740	1.19
13 Nefco Nominees Pty Ltd	3,000,000	0.93
14 National Nominees	2,533,429	0.78
15 HSBC Custody Nominees (Australia) Limited	2,527,127	0.78
16 Corry Lyn Pty Ltd	2,523,667	0.78
17 J P Morgan Nominees Australia Limited	2,500,000	0.77
18 Ms Sheelagh Clark <Est Anthony Clark A/C>	2,456,220	0.76
19 Challenger Group Services Pty Ltd	2,262,007	0.70
20 Guthrie CAD/GIS Software Pty Ltd	2,220,000	0.69
Total	174,495,153	54.70

(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)
KC Agerup (Non-Executive Director)
R Newman (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 Georges Terrace
PERTH WA 6000

Bankers

Commonwealth Bank of Australia

Share Register

Computershare Registry Services Pty Ltd
45 St Georges Terrace
PERTH WA 6000

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008