

ipernica Limited

ABN 37 083 702 907

ASX Preliminary Final Report

Appendix 4E

Year Ended 30 June 2012

Lodged with the ASX Under Listing Rule 4.3A

Appendix 4E Preliminary Final Report

Name of entity

ipernica ltd

ABN 37 083 702 907

Financial period ended ('current period')

30 June 2012

Results for announcement to the market:

Revenue from nearmap.com segment	Up	50%	to	\$A \$5,613,396
Revenues from ordinary activities	Down	47%	to	\$5,687,099
Loss from ordinary activities after tax attributable to members	Down	748%	to	(\$10,403,335)
Net loss for the period attributable to members	Down	748%	to	(\$10,403,335)
		Jun – 12		June - 11
Net tangible assets per share (cents)		1.0		3.7
Net assets per share (cents)		3.6		6.9
 <i>Dividends</i>				
ipernica Ltd has not proposed to pay any dividends for the year ended 30 June 2012.				
 <i>Commentary and operational overview</i>				
The Group recorded a loss of \$10.4 million reflecting:				
- No IP licensing outcomes in the second half of FY 2012 (H2 FY 2011 : 2 outcomes that generated \$12.7 million of revenue and other income) - The Group is currently in a transition phase as it builds the nearmap.com's revenue base - One –off non cash write downs totalling approximately \$1.2 million as the Group moves from a reliance on uncertain lumpy licensing/ assertion revenues to more resilient growing recurring revenues generated by nearmap.com - One-off net expense of approximately \$0.9 million for the clearing up of the SAR Germany liabilities that were paid and announced in September 2011.				

ipernica Limited
ABN 37 083 702 907

Full Year Statutory Accounts
Year Ended 30 June 2012
Contents

Directors' report	4
Statement of comprehensive income	20
Statement of financial position	21
Statement of changes in equity	22
Statement of cash flows	23
Notes to the financial statements	
1 Corporate information	24
2 Summary of significant accounting policies	24
3 Revenue from continuing operations	35
4 Other income	35
5 Employee benefit expense	35
6 Amortisation, depreciation and impairment	36
7 Finance costs	36
8 Other operational expenses	36
9 Income tax	36
10 Dividends paid on ordinary shares	37
11 Trade and other receivables	38
12 Available for sale financial assets	38
13 Plant and equipment	39
14 Intangible assets and goodwill	39
15 Licensing program costs	40
16 Trade and other payables	40
17 Unearned income	40
18 Employee benefits	41
19 Finance lease liability	41
20 Contributed equity	41
21 Reserves	42
22 Accumulated losses	42
23 Expenditure commitments	42
24 Cash flow statement	43
25 Share-based payment plans	44
26 Contingent assets and liabilities	48
27 Significant events after balance sheet date	48
28 Earnings per share	48
29 Auditors' remuneration	49
30 Key management personnel disclosures	49
31 Segment information	51
32 Financial risk management objectives and policies	51
33 Parent entity information	55
34 Group entities	56
Directors' declaration	57
Independent audit report	58
Corporate information	60

Directors' Report

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 2012.

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** (65) 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 its National Disciplinary Committee, Chairman of the Duke of Edinburgh's Award Scheme and a former member of the University of Western Australia'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 three years:

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

Special duties:

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

Simon Crowther (47)

Managing Director (Appointed November 2011)

Simon has an extensive international background critical to nearmap.com's content strategy to generate revenue through multiple opportunities in the online content market. In addition to being 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, television 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.

Current directorships:

ipernica Ltd (since 2011)

Dr Rob Newman (49)

Non-Executive Director

Rob has 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\$34 million and he ran it until it was acquired for US\$123 million.

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 three years:

None

Special duties:

Chairman of the Audit and Risk Committee

Member of the Remuneration Committee

Member of the Nomination Committee

Mr Cliff Rosenberg (49) B.Bus.Sci. , M.Sc. Management

Non-Executive Director (Appointed 2 July 2012)

Clifford Rosenberg is the Managing Director for LinkedIn South East Asia, Australia and New Zealand. LinkedIn is the world's largest professional network with over 160 million members around the globe of which over 3 million are in Australia.

In this role, Cliff's focus is driving awareness and uptake of LinkedIn's products, including recruitment and marketing solutions. Since January 2010, Cliff has set up offices in Sydney, Melbourne and Perth, growing the local team to more than 80 staff, including sales, marketing and public relations personnel.

Cliff has a distinguished 20-year career in the digital space, both as an entrepreneur and executive. He was formerly the Managing Director of Yahoo! Australia and New Zealand where he was responsible for all aspects of the local operation for more than three years. He holds a number of directorships including Australia's leading online restaurant booking platform.

Prior to joining Yahoo!, Cliff was the Founder and Managing Director of iTouch Australia and New Zealand, a leading wireless application service provider. He grew the Australian office to one of the largest mobile content and application providers in Australia with key partnerships with companies such as Ninemsn, Yahoo!, Telstra and Vodafone. Previously, Cliff was head of corporate strategy for Vodafone Australasia and also served as an international management consultant with Gemini Consulting and Bain Consulting. He earned a master of science degree in management as well as bachelor's degree of business science in economics and marketing

Current directorships:

ipernica Ltd (since July 2012)

Former directorships in the last three years:

None

Special duties:

Chairman of the Remuneration Committee

Member of the Audit and Risk Committee

Member of the Nomination Committee

Names, qualifications, experience, directorships and special responsibilities (cont.)**Mr Karl-Christian Agerup** (49) MSM, MBEC

Non-Executive Director (Resigned 2 July 2012)

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 three years:

None

Special duties:

Former member of the Audit and Risk Committee
Former member of the Remuneration Committee
Former member of the Nomination Committee

Mr Bradley John Rosser (48)

Non-Executive Director (Resigned 12 August 2011)

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

Brad's experience includes the establishment of Unilever Ventures, a \$100M venture capital fund that invests in Unilever start-ups. Prior to that he was the Group Corporate Development Director, Virgin Group of Companies, reporting directly into Sir Richard Branson.

Special duties:

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

Company Secretary**Mark Maitland** (48) B Bus CA

Mark was appointed Chief Financial Officer and Company Secretary of the ipernica Ltd on 27 May 2010 after joining the Group initially in September 2009. 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 the Group 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 as follows:

	Ordinary shares	Options over ordinary shares
R Norgard	52,484,273	-
S Crowther	-	-
CJ Rosenberg	-	-
R Newman	1,838,500	-

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 online aerial photomapping via its 100% owned subsidiary nearmap.com.

Consolidated Result

The consolidated entity's result after provision for income tax was a loss of \$10,403,335 (2011: profit \$1,604,572).

Review and Results of Operations

ipernica is a technology group, now focused on its 100% owned subsidiary nearmap.com, an innovative online photomap content company that creates and serves high quality, current and changing photomaps.

After more than 11 years of service, former Managing Director Mr Graham Griffiths stood down and Mr Simon Crowther (formerly CEO of nearmap) was appointed Group Managing Director on 1 November 2011. Mr Crowther undertook a strategic review of the Group including its original IP Licensing business.

Following Mr Crowther's review, the Board decided to focus on the growth opportunities of the nearmap business and not to invest in any new IP Licensing projects. As a result of this decision, the Group impaired approximately \$1.2 million in relation to an existing IP Licensing programme and other IP Licensing related assets. The group had also been in the process of winding up the SAR Germany case throughout the 2012 financial year and had previously paid approximately \$1.7 million to settle its remaining liabilities. After allowing for the recoupment of claims under an insurance policy and some related foreign exchange adjustments, a net \$1.0 million loss was booked to finalise the matter.

ipernica also made changes to its Board during the year with the appointment of Mr Cliff Rosenberg, Managing Director for LinkedIn South East Asia, Australia and New Zealand. Cliff was previously part of the nearmap Advisory Board. Given the realigned strategic focus towards nearmap, following year-end the nearmap Advisory Board was wound down and the Board would like to thank Mr Stephen Langsford, Mr Rob Antulov and Mr David McGrath for their contribution throughout the year. The Board would also like to thank Mr KC Agerup for his contribution following his resignation after year-end.

During the year the company also commenced shifting its operations to Sydney and is expected to complete this transition in the first half of the 2013 financial year. This, together with the changes made to focus on the nearmap business will result in a more simplified business and reduced overhead structure going forward. This combined with a growing customer base, a very high renewal rate (currently tracking at almost 90%) and the planned launch of the e-commerce solution for the Small-Medium Enterprise (SME) sector in the second quarter of the 2013 financial year are expected to help the group return to profitability in a sustainable and ongoing basis in the near future.

Dividends

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

Environmental Regulation and Performance

The current activities of the Company 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 FY11, 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 it has met the required reporting threshold.

Significant Changes in the State of Affairs

- a) On 14 September 2011 the Company announced that it had launched its first e-commerce site for education.
- b) On 24 November 2011 the Company announced that it had signed a reseller Agreement with Digital Mapping Solutions (DMS) extending its distribution network.
- c) On 19 January 2012 the Company announced that nearmap.com had exceeded \$10 million in sales in two years for its online photomap content.
- d) On 25 May 2012 the Company announced that it will have greater focus on the Group's photomap's business and not to invest in new IP licensing/ assertion programmes.

Significant Events Subsequent to Balance Date

On 15 June 2012 a formal plan was submitted to the Munich District Court under which the Group will fund a percentage of QPSX Europe GmbH's (a former subsidiary) liabilities. On 26 July 2012 the plan was approved by the Court and the agreement became binding. Included in the results for the year ending 30 June 2012 is the impact of a liability of \$1,508,898 that was partly offset by an insurance claim amounting to \$1,190,601 relating to the settlement of the liability and other amounts paid previously.

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 Review and Results of Operations section of the Directors 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, the Group paid a premium of \$55,310 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 2012 there were 10,109,997 unissued ordinary shares under options. Refer to Note 25 of the financial statements for further details of the employee options outstanding. On 29 June 2012 the Company announced that it had agreed with certain directors and employees to cancel a number of share options to enable the Board to review and potentially reset the Company's option plan and strategy.

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	2	2	-	-	-	-
G Griffiths	2	2	-	-	-	-	-	-
S Crowther	5	5	-	-	-	-	-	-
KC Agerup	7	6	2	2	-	-	-	-
B Rosser	-	-	-	-	-	-	-	-
R Newman	7	7	2	2	-	-	-	-

Mr G Griffiths resigned as a director on 1 November 2011.

Mr S Crowther was appointed as a director on 1 November 2011.

Mr B Rosser resigned as a Director on 12 August 2011

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

B - Number of meetings attended.

Remuneration Report (Audited)

This Remuneration Report outlines the remuneration arrangements in place for directors and key management personnel of ipernica Ltd (the Company) and the consolidated entity (the Group).

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.

Voting and comments made at the company's 2011 Annual General Meeting

The Company received more than 90.5% "yes" votes on its remuneration report for the 2011 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

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
 - o Short Term Incentive (STI); and
 - o 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 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.

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, the only STI incentive paid has been the \$50,000 cash bonus that has been accrued to Mr S Crowther as at the reporting date. This bonus relates to the half year ended 31 December 2011 and was resolved to be paid to Mr Crowther in consideration for his accepting the position of Group Managing Director (formerly he was the CEO of the Nearmap subsidiary only) and the smooth transition that the company subsequently received. Mr Crowther did not receive any increase in his base salary or any other component when he accepted and was duly appointed Group Managing Director on 1 November 2011.

*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.

Group Performance

The overall level of executive reward takes into account the nature of the technology commercialisation business and realistic timeframes for generating profits. In particular, executive rewards recognise the commercialisation of the Nearmap business and future shareholder wealth contained therein and progress in unlocking the value created to date. Executive performance of the Group has been reviewed over the past 5 years taking into account 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.

	2012	2011	2010	2009	2008
Net (loss)/ profit after tax attributable to members	(\$10,403,335)	\$1,604,572	(\$7,389,080)	(\$4,677,502)	\$15,200,611
Dividends paid	-	-	-	1 cent	-
Change in share price	(\$0.03)	(\$0.007)	\$0.013	(\$0.007)	(\$0.091)
Return on capital employed	(88%)	7%	(37%)	(18%)	54%

B Details of Remuneration**Directors**

The following persons were directors of the Company during the financial year:

R Norgard	Non-Executive Chairman
S Crowther	Managing Director (appointed 1 November 2011)
R Newman	Non-Executive Director
KC Agerup	Non-Executive Director (resigned 3 July 2012)
B Rosser	Non-Executive Director (resigned 12 August 2011)
G Griffiths	Managing Director (resigned 1 November 2011)

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:

M Maitland	Group Chief Financial Officer and Company Secretary
J Lawe Davies	General Counsel

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):

2012	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	-
R Newman	50,000	-	-	-	-	31,877	81,877	38.9
KC Agerup	45,872	-	-	-	4,128	25,490	75,490	33.8
B Rosser	7,645	-	-	-	688	-	8,333	-
Subtotal	195,260	-	-	-	13,073	57,367	265,700	-
Executive directors								
S Crowther	334,801	-	50,000	2,035	15,439	89,858	492,133	18.3
G Griffiths *	400,006	-	-	3,791	16,315	(156,583)	263,529	(37.9)
Other key management personnel (Group)								
J Lawe Davies	275,229	-	-	(20,832)	24,772	10,824	289,993	3.7
M Maitland	229,358	-	-	2,650	20,641	29,691	282,340	10.5
Total key management personnel	1,434,654	-	50,000	(12,356)	90,240	31,157	1,593,695	1.8

* The value for G Griffiths reflects reversal of previously expensed unvested options following his resignation. Mr Griffiths salary & fees includes a termination payment of \$172,500.

Remuneration Report (cont.)

B Details of Remuneration (cont.)

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	-
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	-
C Crisafulli	16,922	-	-	-	578	-	17,500	-
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	-
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	

* As part of Mr Agerup's and Dr Newman's incentive package, the Board and shareholders approved the issue of 2 million options each, 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.

Remuneration Report (cont.)

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	
	2012	2011	2012	2011	2012	2011
Non – executive directors						
R Norgard	100.0%	100.0%	-	-	-	-
R Newman	61.0%	43.5%	-	-	39.0%	56.5%
KC Agerup	66.2%	43.5%	-	-	33.9%	56.5%
Executive director						
S Crowther	71.5%	51.7%	10.2%	-	18.3%	48.3%
G Griffiths	151.8%	76.9%	-	-	(51.8%)	23.1%
Other key management personnel						
S Cope	-	88.8%	-	-	-	11.2%
J Lawe Davies	96.3%	88.6%	-	-	3.7%	11.4%
M Maitland	89.5%	81.5%	-	-	10.5%	18.5%

C Employment Contracts

All executive employees are employed under contract. All executives have ongoing contracts and as such only have commencement dates and no expiry dates. Under the terms of all executive contracts:

- Executives may resign from their position and thus terminate their contract by giving 3 months written notice except in the case of Mr Crowther for whom a 4 month notice period has been agreed. 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) except in the case of Mr Crowther for whom a 4 month notice period has been agreed. 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 of executives contracts are as follows:

Name	Commencement Date
S Crowther	15 Sep 2010
J Lawe Davies	7 Sep 2009
M Maitland	7 Sep 2009

- There are no formal contracts between the Company and non-executive directors in relation to Remuneration other than the letter of appointment that stipulates the remuneration as at the commencement date.

D Share Based Compensation**Options**

A share option incentive scheme has been established whereby directors and certain employees of the Group may be issued with options over the ordinary shares of the Company. 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 the Company. 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 Company's 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.

No options were issued during the year ended 30 June 2012.

Remuneration Report (cont.)**D Share Based Compensation (cont.)****Compensation Options:**

In the past 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.

As noted previously on 29 June 2012 the Company announced certain options issued to Directors and other Key Management Personnel were cancelled pursuant to the Board's request to reset the Employee Share Option Plan.

30 June 2012	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												
S Crowther												
- Cancelled	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	
	1,500,000					100%	Jul 10	0.073	0.20	Sep 12	Jul 14	
R Newman												
- Cancelled	666,666			100%		100%	Nov 09	0.071	0.20	Nov 10	Nov 13	
	666,667		100%			100%	Nov 09	0.071	0.20	Nov 11	Nov 13	
	666,667					100%	Nov 09	0.071	0.20	Nov 12	Nov 13	
G Griffiths												
- Cancelled	733,333			100%		100%	Nov 07	0.102	0.20	Nov 08	Nov 11	
	733,333			100%		100%	Nov 07	0.102	0.20	Nov 09	Nov 11	
	733,334			100%		100%	Nov 07	0.102	0.20	Nov 10	Nov 11	
	1,466,666			100%		100%	Nov 08	0.050	0.16	Nov 09	Nov 12	
	1,466,667			100%		100%	Nov 08	0.050	0.16	Nov 10	Nov 12	
	1,466,667		100%			100%	Nov 08	0.050	0.16	Nov 11	Nov 12	
	833,333			100%		100%	Nov 09	0.071	0.20	Nov 10	Nov 13	
	833,333		100%			100%	Nov 09	0.071	0.20	Nov 11	Nov 13	
	833,334					100%	Nov 09	0.071	0.20	Nov 12	Nov 13	
	300,000		100%			100%	Nov 10	0.042	0.20	Nov 11	Nov 14	
	300,000					100%	Nov 10	0.042	0.20	Nov 12	Nov 14	
	300,000					100%	Nov 10	0.042	0.20	Nov 13	Nov 14	
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	
	666,667				100%		Nov 09	0.071	0.20	Nov 12	Nov 13	47,333

Remuneration Report (cont.)

Other key management personnel												
30 June 2012	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 \$
J Lawe Davies												
- Cancelled	300,000			100%		100%	Jul 07	0.133	0.20	Jul 08	Jul 11	
	300,000			100%		100%	Jul 07	0.133	0.20	Jul 09	Jul 11	
	300,000			100%		100%	Jul 07	0.133	0.20	Jul 10	Jul 11	
- Current	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	
	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	
	183,334				100%		Aug 09	0.050	0.20	Aug 12	Aug 13	9,167
	166,666		100%				Jul 10	0.049	0.20	Jul 11	Jul 14	
	166,667				100%		Jul 10	0.049	0.20	Jul 12	Jul 14	8,167
	166,667				100%		Jul 10	0.049	0.20	Jul 13	Jul 14	8,167
M Maitland												
- Cancelled	100,000			100%		100%	Aug 09	0.050	0.20	Aug 10	Aug 13	
	100,000		100%			100%	Aug 09	0.050	0.20	Aug 11	Aug 13	
	100,000					100%	Aug 09	0.050	0.20	Aug 12	Aug 13	
	566,666		100%			100%	Jul 10	0.042	0.20	Jul 11	Jul 14	
	566,667					100%	Jul 10	0.042	0.20	Jul 12	Jul 14	
	566,667					100%	Jul 10	0.042	0.20	Jul 13	Jul 14	

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

The Company has applied fair value measurement provisions of AASB 2 "Share-based Payment" for all options granted to directors and key management personnel. 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. 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.

There were no new options granted as part of remuneration for the year ended 30 June 2012. Refer to note 25 for details of share based payments.

There were no shares issued on the exercise of options during the 2012.

F Shares Under Option

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

Date options granted	Expiry date	Issue price of shares	Number under option
6 August 2009	6 August 2013	\$0.20	1,399,997
24 November 2009	24 November 2013	\$0.20	1,333,333
2 July 2010	2 July 2014	\$0.20	866,666
2 June 2011	2 June 2014	\$0.20	1,500,000
			5,099,996

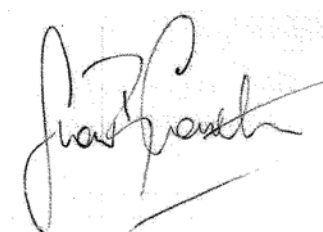
This is the end of the Audited Remuneration Report.

Non-Audit Services

No non-audit services were provided by the entity's auditor, BDO Audit (WA) Pty Ltd ("BDO").

Signed in accordance with a resolution of the Directors:

On behalf of the Board



S Crowther
Managing Director

Perth
30 August 2012

30 August 2012

Ipernica Limited
The Board of Directors
Suite 8, 281 Hay Street
Subiaco WA 6008

Dear Sirs,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF IPERNICA LIMITED

As lead auditor of ipernica limited for the year ended 30 June 2012, 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.



Brad McVeigh
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Statement of comprehensive income for the year ended 30 June 2012

	Notes	Consolidated 2012 \$	2011 \$
Revenue from continuing operations	3	5,687,099	10,797,448
Other income	4	418,842	6,255,508
Total income		6,105,941	17,052,956
Expenses:			
Employee benefits expenses	5	(6,396,785)	(5,637,619)
Amortisation and depreciation	6	(2,313,722)	(2,053,679)
Impairment of fixed assets/ investments	6	(2,304,727)	(191,810)
Litigation/ profit share costs		(961,713)	(3,796,610)
Capture costs		(867,330)	(916,859)
Research and development costs		(375,644)	(62,783)
Finance costs	7	(218,822)	(37,781)
Other operational expenses	8	(3,066,848)	(2,652,909)
Total expenses		(16,505,591)	(15,350,050)
(Loss) / profit before income tax expense		(10,399,650)	1,702,906
Income tax expense	9	(3,685)	(98,334)
Total comprehensive income for the year after tax		(10,403,335)	1,604,572
(Loss) / profit after income tax expense and total comprehensive income attributable to members of the Company		(10,403,335)	1,604,572
Earnings per share attributable to the ordinary equity shareholders of the company:			
Basic earnings per share (cents)	28	(3.22)	0.50
Diluted earnings per share (cents)	28	(3.22)	0.50

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

Statement of financial position as at 30 June 2012

	Notes	Consolidated	
		2012	2011
		\$	\$
Current Assets			
Cash and cash equivalents	24	5,353,623	11,131,679
Trade receivables	11	2,506,322	2,216,826
Other current receivables	11	2,049,567	7,299,494
Total Current Assets		9,909,512	20,647,999
Non-Current Assets			
Receivables		-	37,887
Available for sale financial assets	12	-	191,810
Plant and equipment	13	1,815,722	2,485,075
Intangible assets and goodwill	14	6,808,989	8,610,587
Licensing program costs	15	1,609,558	1,706,126
Total Non-Current Assets		10,234,269	13,031,485
Total Assets		20,143,781	33,679,484
Current Liabilities			
Trade and other payables	16	3,412,589	7,301,681
Unearned income	17	4,987,595	3,788,164
Employee benefits	18	-	158,777
Finance lease liability	19	-	100,959
Current tax liability		-	125,185
Total Current Liabilities		8,400,184	11,474,766
Non-Current Liabilities			
Employee benefits	18	25,087	62,963
Total Non-Current Liabilities		25,087	62,963
Total Liabilities		8,425,271	11,537,729
Net Assets		11,718,510	22,141,755
Equity			
Contributed equity	20	26,535,948	26,610,948
Reserves	21	3,967,732	3,912,642
Accumulated losses	22	(18,785,170)	(8,381,835)
Total Equity		11,718,510	22,141,755

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

Statement of changes in equity

For the Year Ended 30 June 2012

Consolidated	Contributed Equity \$	Accumulated Losses \$	Share Based Payment Reserve \$	Total Equity \$
At 1 July 2011	26,610,948	(8,381,835)	3,912,642	22,141,755
Loss for the period / total comprehensive income for the period	-	(10,403,335)	-	(10,403,335)
Treasury shares	(75,000)	-	-	(75,000)
Cost of share-based payments to employees	-	-	55,090	55,090
At 30 June 2012	26,535,948	(18,785,170)	3,967,732	11,718,510

For the Year Ended 30 June 2011

Consolidated	Contributed Equity \$	Accumulated Losses \$	Share Based Payment Reserve \$	Total Equity \$
At 1 July 2010	26,610,948	(9,986,407)	3,136,962	19,761,503
Profit for the period / total comprehensive income for the period	-	1,604,572	-	1,604,572
Cost of share-based payments to employees	-	-	775,680	775,680
At 30 June 2011	26,610,948	(8,381,835)	3,912,642	22,141,755

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

Statement of cash flows

	Notes	Consolidated	
		2012	2011
		\$	\$
Cash Flows From Operating Activities			
Receipts from customers		12,968,282	11,776,283
Payments to suppliers and employees		(16,349,756)	(10,177,404)
Interest received		422,957	523,654
Interest paid		(3,125)	(16,488)
Withholding taxes paid/ (tax refund)		(128,870)	30,067
Net Cash (Outflows) / Inflows from Operating Activities	24	(3,090,512)	2,136,112
Cash Flows From Investing Activities			
Purchase of plant and equipment		(320,545)	(949,115)
Purchase of intangibles		(544,172)	(441,406)
Proceeds from sale of plant and equipment		2,727	-
Proceeds from sale of equity investments		-	147,395
Loans to other entities		-	(3,262)
Payment to the administrator of QPSX Europe		(1,693,246)	-
Net Cash Outflows from Investing Activities		(2,555,236)	(1,246,388)
Cash Flows From Financing Activities			
Repayments of borrowings		(100,959)	(161,271)
Net Cash Outflows from Financing Activities		(100,959)	(161,271)
Net (Decrease) / Increase in Cash and Cash Equivalents		(5,746,707)	728,453
Cash and cash equivalents at beginning of year		11,131,679	10,462,743
Net foreign exchange differences		(31,349)	(59,517)
Cash and Cash Equivalents at End of Year	24	5,353,623	11,131,679

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

Notes to the consolidated financial statements

1. CORPORATE INFORMATION

The consolidated financial statements for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 30 August 2012.

The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred as "the Group" and individually as "Group entities").

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

The address of the Company's registered office is Suite 8 281 Hay Street Subiaco WA 6008.

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

Certain comparative amounts have been reclassified to conform to the current year's presentation.

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).

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 *Financial Instruments* which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial instruments. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

(c) Basis of Consolidation

The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred as "the Group" and individually as "Group entities").

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.

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

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

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

The 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(d) Business Combinations (cont.)

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. Where there is no history of successful claims or current enforceable royalty agreements or no likely indication of deriving future revenue relating to the Patents received, the intangibles are valued at nil in the financial statements and no revenue is recorded within the profit or loss.

Expenditure recognition

The Group has entered into a number of profit share agreements relating to its programs. Sums payable by the Group 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 the Group under these agreements (which the Group 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 2012 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 15 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.

Notes to the consolidated financial statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Significant Accounting Judgements, Estimates and Assumptions (cont.)

Estimated impairment of goodwill

The Group tests annually whether goodwill has 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. Refer to note 14 for further details.

(f) Revenue Recognition

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

Litigation/settlement revenue

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

Services

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

Licence revenue

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

Interest

Income 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(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 - 90 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(l) De-recognition 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 de-recognition 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.

Notes to the consolidated financial statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(m) Impairment of Financial Assets (cont.)

(i) Financial assets carried at amortised cost

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

(ii) Financial assets carried at cost

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

(iii) Available-for-sale investments

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

(n) Foreign Currencies

Both the functional and presentation currency of the Company 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:

Notes to the consolidated financial statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(o) Income Tax (cont.)

- 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.

The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, ipernica Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, the Company 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 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.

Notes to the consolidated financial statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(q) Plant and Equipment (cont.)

(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.

(ii) De-recognition 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 de-recognition 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 11).

(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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(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.

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 the Group 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 de-recognition 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. the Group 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(t) Intangibles – Licensing Program Costs (cont.)

Successful Licensing Program:

Where the licensing program has resulted in a licence agreement or judgement in favour of the third party being assisted by the Group (and there is no subsequent appeal) and which results in the payment of fees to the Group, this constitutes a de-recognition 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 the Group, 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 the Group appeals against the judgement, then future costs incurred by the Group on the appeal process are expensed as incurred.

(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.

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.

The amortisation period and method for intangible assets 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 are tested for impairment where an indicator of impairment exists, and in the case of 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 de-recognition 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, Patents and Licences

- | | |
|---------------------------------------|---|
| i. Useful lives | Finite (generally for a period of 5 – 20 years). |
| ii. Amortisation method used | Amortised over the period of expected future benefit from the related project. The expected useful life is reviewed annually. |
| iii. Internally generated or acquired | Acquired and internally generated |
| iv. Impairment testing | Annually as at 30 June for assets not yet available for use and more frequently when an indication of impairment exists. |

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(u) Intangibles – Research and Development Costs (cont.)

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

(v) Impairment of Assets

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

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

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

(w) Trade and Other Payables

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

(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.

Notes to the consolidated financial statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

y) Provisions

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

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(z) Employee Benefits

Wages, salaries and annual leave

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

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(aa) Share-Based Payment Transactions

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

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

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('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.

Notes to the consolidated financial statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(ab) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(ac) Earnings per Share

Basic earnings per share is calculated as net profit attributable to shareholders, 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 shareholders, 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. Reportable segments comprise nearmap.com the online photomap operations and the IP licensing operations that offers diversified portfolio of IP litigation and licensing cases.

(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	
	2012	2011
	\$	\$
3. REVENUE FROM CONTINUING OPERATIONS		
Licensing revenues	5,613,396	3,741,469
Settlement of litigation programs	73,703	7,055,979
Revenue from continuing operations	5,687,099	10,797,448
4. OTHER INCOME		
Interest	380,169	529,037
Other income	38,673	94,619
Gain on disposal of investment	-	163,764
Other income before gain from disposal of intangible asset /litigation contract	418,842	787,420
Litigation contracts – settlement	-	6,677,914
Litigation contracts – expenses	-	(1,209,826)
Net gain from disposal of intangible asset/ litigation contract	-	5,468,088
Other income	418,842	6,255,508
5 EMPLOYEE BENEFIT EXPENSE		
Share-based payments expense	55,090	775,680
Defined contribution plan expense	395,697	346,878
(Decrease)/ increase in liability for long service leave	(196,653)	15,177
Other employee benefit expenses	6,142,651	4,499,884
Employee benefit expense	6,396,785	5,637,619

Notes to the consolidated financial statements

	2012 \$	Consolidated 2011 \$
6. AMORTISATION, DEPRECIATION AND IMPAIRMENT		
Amortisation of intangible assets	(1,264,558)	(908,980)
Depreciation	(1,049,164)	(1,144,699)
Total amortisation and depreciation	(2,313,722)	(2,053,679)
Impairment of intangibles	(1,125,613)	-
Impairment of licensing program	(987,304)	-
Impairment of financial assets	(191,810)	(191,810)
Total impairment	(2,304,727)	(191,810)
7. FINANCE COSTS		
Finance charges payable under hire purchase contracts	(3,125)	(16,488)
Foreign exchange loss	(215,697)	(21,293)
Total finance cost	(218,822)	(37,781)
8. OTHER OPERATIONAL EXPENSES		
Serving and processing costs	(772,989)	(686,147)
Operating lease expenses	(572,662)	(684,540)
Audit and consulting fees	(568,067)	(292,259)
Travel and office costs	(375,503)	(233,096)
Legal fees	(227,704)	(192,356)
Loss on disposal of assets	(24,416)	-
All other operating expenses	(525,507)	(564,511)
Total other operational expenses	(3,066,848)	(2,652,909)
9. INCOME TAX		
(a) Income tax expense		
Current tax expense / (benefit)	-	(352,410)
Deferred tax expense / (benefit)	-	-
Over/(under) provision in prior year	(3,685)	254,076
	(3,685)	(98,334)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit / (loss) from continuing operations before income tax	(10,399,650)	1,702,906
Tax at the Australian tax rate of 30% (2011:30%)	3,119,895	(510,872)
Tax effect of amounts which are not deductible(taxable) in calculating taxable income:		
Capitalised litigation costs	-	(192,495)
Entertainment	(4,322)	(3,743)
Excess foreign income tax withheld not claimable	-	(352,410)
Impairment of assets	(43,787)	(57,543)
Patent costs	(1,588)	(6,474)
Provision for non recovery of loan	-	(3,256)
Shared based expenses	(16,527)	(232,704)
	3,053,671	(1,359,497)
Deferred tax asset not recognised arising from temporary differences	(1,125,943)	(314,850)
Prior years losses previously not recognised now brought into account	-	1,321,937
Current year tax losses not brought to account	(1,927,728)	-
Over/(under) provision in prior year	(3,685)	254,076
Income tax expense	(3,685)	(98,334)
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	16,515,385	8,079,842
Potential tax benefit @ 30%	4,954,615	2,423,953

Notes to the consolidated financial statements

	Consolidated	
	2012	2011
	\$	\$
9. INCOME TAX (cont.)		
(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	1,125,943	314,850
Net recognised deferred tax asset relating to the above temporary difference	-	-
(e) Non-current assets – deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit and loss		
Employee benefits	80,011	135,787
Accrued expenses	113,334	49,225
Intangible assets	674,863	-
Unearned revenue	1,496,279	1,136,449
Tax loss carry forward	4,954,615	2,423,953
	7,319,103	3,745,414
Set-off deferred tax liabilities pursuant to set-off provisions	(1,064,984)	(1,556,336)
Unrecognised deferred tax asset	(6,254,119)	(2,189,078)
Net deferred tax assets	-	-
(f) Non-current liabilities – deferred tax liabilities		
Amounts recognised in profit and loss		
Accrued income	5,572	18,128
Fixed assets	-	3,167
Intangible assets	992,265	1,105,205
Unrealised foreign exchange gain	67,147	127,211
Prepaid litigation costs	-	302,625
	1,064,984	1,556,336
Set-off deferred tax assets pursuant to set-off provisions	(1,064,984)	(1,556,336)
Net deferred tax liabilities	-	-
Management recognised deferred tax assets to the extent that taxable temporary differences are available. Management considers that the recoverability of the balance of losses of \$6,254,119 (2011: \$2,189,078) or part thereof will be recognised once a trend of profitable growth is established and the utilisation of those losses (or part thereof) is probable in the following financial year.		
10. DIVIDENDS PAID ON ORDINARY SHARES		
No dividends were paid or proposed for the year ending 30 June 2012 (2011: nil).		
(a) Franking credit balance		
The amount of franking credits available for the subsequent financial year is:		
Franking account balance as at the end of the financial year at 30% (2011: 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	-	-
	907,913	907,213

Notes to the consolidated financial statements

	Consolidated	
	2012	2011
	\$	\$
11. TRADE AND OTHER RECEIVABLES		
Trade receivables	2,506,322	2,216,826
Amounts held by the administrator of QPSX Europe GmbH	1,508,898	-
Amounts receivable – assertion related	240,601	6,773,006
All other receivables	300,068	526,488
Total other receivables	2,049,567	7,299,494
Australian dollar equivalents of amounts receivable in foreign currencies not effectively hedged:		
United States Dollars	240,601	6,141,565
Euros	1,508,898	569,386

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.

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 \$314,904 of receivables which were past due but not impaired (2011: \$638,025). 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:

Up to 3 months	125,491	107,250
3 to 6 months	189,413	530,775
Total receivables past due	314,904	638,025

Risk Exposure

Information about the Group and the parent entity's exposure to credit risk and exchange risk is discussed further in Note 32 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.

12. 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	(712,359)	(520,549)
Total available for sale financial assets	-	191,810

Risk Exposure:

Information about the Group's exposure to credit risk is discussed further in Note 32 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.

Notes to the consolidated financial statements

	Consolidated	
	2012	2011
	\$	\$
13. PLANT AND EQUIPMENT		
Plant and equipment		
At cost	5,250,379	4,977,846
Accumulated depreciation and impairment	(3,434,657)	(2,492,771)
Plant and equipment	1,815,722	2,485,075

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	2,485,075	2,678,510
Additions (at cost)	406,954	951,264
Disposals (at net book value)	(27,143)	-
Depreciation	(1,049,164)	(1,144,699)
At 30 June, net of accumulated depreciation and impairment	1,815,722	2,485,075

Plant and equipment with a carrying amount of \$nil (2011: \$120,729) for the Group are pledged as securities for finance lease liabilities as disclosed in Note 19.

14. INTANGIBLE ASSETS AND GOODWILL

Goodwill	134,866	134,866
Development costs *	6,674,123	8,475,721
Total intangible assets	6,808,989	8,610,587

* Certain development costs previously assessed as having an indefinite useful life have been reassessed as having a useful life of five years. Amortisation on a straight line basis over its expected useful life for the current financial year amounted to \$ 331,080 (2011: nil).

(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	8,475,721	8,954,153
Additions	588,573	430,548
Amortisation	(1,264,558)	(908,980)
Impairment of development cost*	(1,125,613)	-
Closing balance at the end of the year	6,674,123	8,475,721

*Certain components of a development project were discontinued during the year and have been impaired.

(b) Impairment tests for goodwill

All goodwill acquired through business combinations has 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 Board approved financial budgets for two years and an extended forecast covering a four year period approved by senior management.

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:

- 1) Pre taxation discount rate was assessed at 25%
- 2) A conservative perpetuity growth rate of 2% was used

Assumptions and cash flows were subjected to stress tests by applying (a) reduction in revenue from the base model by 20% to 15%; (b) an increase of costs over the expected cost structure of 20%; and (c) an increase in the discount rate from 25% to 35%. The results of all of those scenarios showed no impairment was warranted.

Notes to the consolidated financial statements

	Consolidated	
	2012	2011
	\$	\$
15. LICENSING PROGRAM COSTS		
Licensing program costs incurred assisting third parties to enforce their intellectual property rights	1,609,558	1,706,126

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

Beginning of financial year	1,706,126	2,156,003
Licensing program costs incurred during the period	890,736	759,949
Licensing programs expensed during the period	-	(1,029,826)
Licensing programs impaired during the period	(987,304)	-
End of financial year	1,609,558	1,706,126

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 with the assistance of legal advisors, and 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 32.

16. TRADE AND OTHER PAYABLES

Trade creditors (refer Note 16(a) and 16(b))	3,376,499	3,238,685
Amounts due to profit share partners (refer Note 16(a) and 16(c))	36,090	4,062,996
Total trade and other payables	3,412,589	7,301,681

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

- United States dollars	96,127	4,111,933
- Euro	1,508,898	2,269,499

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

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

Included in trade creditors is an amount of \$1,508,898 (2011:\$nil) representing the amount of costs orders the Group is expected to pay in respect of the patent nullity proceedings brought by Deutsche Telekom in the German Federal Patent Court. An equivalent amount has already been paid and is currently being held (refer Note 11) pending the return of control of QPSX Europe to the Group.

The Plan was formally approved by the Court on 26 July 2012 and the funds will be distributed in satisfaction of this liability in due course.

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

17. UNEARNED INCOME

Unearned subscription income	4,987,595	3,788,164
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Unearned income comprises photo mapping subscription licence service fees charged, the revenue for which is primarily recognised in the profit or loss over the subscription period.

Notes to the consolidated financial statements

18. EMPLOYEE BENEFITS

	Consolidated	
	2012	2011
	\$	\$
Current:		
Employee benefits – Long service leave	-	158,777
Non-current:		
Employee benefits provision – Long service leave	25,087	62,963
Employee benefits – Long service leave		
Beginning of financial year	221,740	201,327
Amount recognised through income for the year	(196,653)	20,413
Total employee benefit accrual	25,087	221,740

19. FINANCE LEASE LIABILITY

Obligations under finance lease and hire purchase contracts (Note 23)	-	100,959
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Plant and equipment with a carrying amount of \$nil (2011: \$120,729) 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 32.

20. CONTRIBUTED EQUITY

(a) Issued and paid up capital

323,056,101 ordinary shares fully paid (2010: 323,056,101)	26,535,948	26,610,948
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	2012		2011	
	Number of shares	\$	Number of shares	\$
(b) Movement in shares on issue				
Beginning of the financial year	323,056,101	26,610,948	323,056,101	26,610,948
Treasury shares	-	(75,000)	-	-
Total share capital	323,056,101	26,535,948	323,056,101	26,610,948

(i) No shares were issued during the 2012 year pursuant to the exercise of employee share options.

(c) Share Options

Options over ordinary shares:

<i>Number of options outstanding over ordinary shares</i>	2012	2011
Opening balance	49,185,000	41,274,999
Granted during the year	-	13,400,000
Expired/ cancelled during the year	(39,075,003)	(5,489,999)
Options outstanding at the end of the year	10,109,997	49,185,000

Further details in relation to the employee share incentive scheme are contained in Note 25.

Notes to the consolidated financial statements

20. CONTRIBUTED EQUITY (cont.)

(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 of 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 the shares held.

	Consolidated	
	2012	2011
	\$	\$
21. RESERVES		
Share-based payments reserve		
Balance at beginning of the year	3,912,642	3,136,962
Share based option expense	55,090	775,680
Balance at end of year	3,967,732	3,912,642

22. ACCUMULATED LOSSES

Balance at beginning of the year	(8,381,835)	(9,986,407)
(Loss)/ profit for the year	(10,403,335)	1,604,572
Accumulated loss at the end of the year	(18,785,170)	(8,381,835)

23. EXPENDITURE COMMITMENTS

(a) Capital expenditure commitments

There are no capital expenditure commitments contracted as at the at 30 June 2012 (2011: nil)

(b) Expenditure commitments

Hire purchase commitments

Minimum lease payments		
not later than one year	-	104,048
later than one year and no later than five years	-	-
later than five years	-	-
Less amounts representing financing charge	-	(3,089)
Aggregate lease expenditure contracted for at balance date	-	100,959

Operating lease commitments

Minimum lease payments		
not later than one year	762,808	935,990
later than one year and no later than five years	438,419	500,600
later than five years	-	-
Aggregate lease expenditure contracted for at balance date	1,201,227	1,436,590

Operating lease commitments above relate primarily to commercial office premises and IT related leases. These leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Notes to the consolidated financial statements

Consolidated
2012 **2011**
\$ **\$**

24. CASH FLOW STATEMENT

(a) Reconciliation of the net (loss) / profit after tax to the net cash flows from operations

(Loss)/ profit after tax	(10,403,335)	1,604,572
Non-cash items		
Amortisation and depreciation	2,313,722	2,053,679
Impairment of non-current assets	2,304,727	191,810
Net exchange differences	215,697	59,516
Share options expensed	55,090	775,680
Other provisions	-	10,852
Loss/ (gain) on disposal of non-current assets	24,416	(163,764)
Changes in assets and liabilities		
Payables	(2,883,727)	5,974,926
Receivables	5,479,551	(8,158,409)
Provision long service leave	(196,653)	20,413
Provision for income tax payable	-	125,185
Other non-current assets	-	(358,348)
Net cash flow (used in) / from operating activities	(3,090,512)	2,136,112

(b) Reconciliation of cash

Cash equivalents comprises:

Cash at banks and on hand	853,623	964,367
Short term deposits at call	4,500,000	10,167,312
Closing cash balance *	5,353,623	11,131,679

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

*\$86,946 (2011:nil) of cash is secured against a guarantee issued by the group's bankers for performance under a property lease.

(c) Financing facilities available

Lloyd's of London ("Lloyd's") (through a syndicate) has provided a funding facility of up to USD 4 million for up to 80% of litigation expenses incurred in relation to certain litigations authorised by Lloyd's in Germany and the UK. The term of the insurance policy under which the facility is provided remains in effect for the now completed German actions. On return of control of QPSX Europe GmbH to the Group and settlement of applicable claims the Group expects to receive \$240,601 (USD 245,196) and a release from the obligation to repay amounts previously advanced by Lloyds. Following the expected settlement the facility will be extinguished.

	\$AUD		\$USD	
	2012	2011	2012	2011
At balance date, the following financing facility from Lloyd's had been negotiated and was available:				
Total facility	3,925,031	3,724,742	4,000,000	4,000,000
Facility used at balance date	(2,687,988)	(2,550,823)	(2,739,329)	(2,739,329)
Facility unused at balance date	1,237,043	1,173,919	1,260,671	1,260,671

24. CASH FLOW STATEMENT (cont.)

(d) Non-cash financing and investing activities

During the 2012 year, no additional fixed assets were acquired by the consolidated entity on hire purchase finance lease (2011: nil).

25. 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 the Company. 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 the Company. 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 Company's Board and are not quoted on the ASX.

The following table lists the inputs to the model used for the years ended 30 June 2012 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
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For the year ended 30 June 2012:

No options were issued during 2012

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

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 payment transactions is \$ 55,090 (2011: 775,680).

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

Notes to the consolidated financial statements

25. SHARE-BASED PAYMENT PLANS (cont.)

	2012		2011	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance at beginning of year	35,935,000	0.18	28,024,999	0.18
Issued	-		13,400,000	0.20
Cancelled	(23,075,003)	0.18	(1,300,000)	0.20
Expired	(3,500,000)	0.20	(4,189,999)	0.17
Exercised	-		-	-
Balance at end of year	9,359,997	0.18	35,935,000	0.19
Vested and exercisable at end of year	7,643,328	0.18	15,551,662	0.18

Notes to the consolidated financial statements

2012

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
30-Jul-07	31-Jul-11	\$0.20	1,300,000	-	-	(1,300,000)	-	-	-
30-Nov-07	30-Nov-11	\$0.20	2,200,000	-	-	(2,200,000)	-	-	-
11-Jul-08	11-Jul-12	\$0.16	3,360,000	-	-	-	-	3,360,000	3,360,000
21-Nov-08	21-Nov-12	\$0.15	4,400,000	-	(4,400,000)	-	-	-	-
24-Nov-08	24-Nov-12	\$0.20	1,000,000	-	(1,000,000)	-	-	-	-
6-Aug-09	6-Aug-13	\$0.20	4,575,000	-	(3,075,002)	-	-	1,499,998	916,664
24-Nov-09	24-Nov-13	\$0.20	6,500,000	-	(4,500,000)	-	-	2,000,000	1,333,333
16-Jun-11	2-Jun-14	\$0.20	2,000,000	-	(500,000)	-	-	1,500,000	1,200,000
1-Jul-10	1-Jul-14	\$0.20	1,700,000	-	(1,700,000)	-	-	-	-
5-Jul-10	5-Jul-14	\$0.20	3,000,000	-	(2,000,001)	-	-	999,999	533,331
29-Jul-10	29-Jul-14	\$0.20	5,000,000	-	(5,000,000)	-	-	-	-
29-Nov-10	29-Nov-14	\$0.20	900,000	-	(900,000)	-	-	-	-
Total			35,935,000		(23,075,003)	(3,500,000)		9,359,997	7,643,328
Weighted Average Price			\$0.17		\$0.20	\$0.20		\$0.19	\$0.18

Notes to the consolidated financial statements

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
29-Nov-10	29-Nov-14	\$0.20	-	900,000	-	-	-	900,000	-
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
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

26. 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.

27. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

On 15 June 2012 a formal plan was submitted to the Munich District Court under which the Group will fund a percentage of QPSX Europe GmbH's (a former subsidiary) liabilities. On 26 July 2012 the plan was approved by the Court and the agreement became binding. Included in the results for the year ending 30 June 2012 is the impact of a liability of \$1,508,898 that was partly offset by an insurance claim amounting to \$1,190,601 relating to the settlement of the liability and other amounts paid previously.

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

28. 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	
	2012	2011
	\$	\$
Net (loss)/ profit attributable to ordinary equity holders	(10,403,335)	1,604,572
Net (loss)/ profit used in calculating diluted earnings per share	(10,403,335)	1,604,572
	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	323,056,101
Weighted average number of ordinary shares on issue used in the calculation of diluted profit/(loss) per share	323,056,101	323,056,101

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.

As at 30 June 2012 10,109,997 (2011: 49,185,000) options on issue during the year and at balance date which represent potential ordinary shares were excluded from the diluted weighted average number of shares calculation as their effect would have been anti-dilutive.

Notes to the consolidated financial statements

Consolidated
2012 **2011**
\$ **\$**

29. 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	69,706	59,019
- other services in relation to the entity and any other entity in the consolidated group – BDO Corporate Tax (WA) Pty Ltd	-	-
	69,706	59,019

30. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

Short-term employee benefits	1,434,654	2,193,266
Short-term employee bonus	50,000	-
Long-term employee benefits	(12,356)	5,236
Post-employment benefits	90,240	187,243
Share-based payments	31,157	668,721
	1,593,695	3,054,466

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

30 June 2012	Balance at beginning of year 1 July 2011	Granted as Remuneration	Options Exercise d	Net Other Changes #	Balance at end of year 30 June 2012	Vested and exercisable at 30 June 2012
Directors						
S Crowther	10,000,000	-	-	(10,000,000)	-	-
R Newman	2,000,000	-	-	(2,000,000)	-	-
G Griffiths	10,000,000	-	-	(10,000,000)	-	-
KC Agerup	2,000,000	-	-		2,000,000	1,333,333
Other key management personnel						
J Lawe Davies	4,850,000	-	-	(900,000)	3,950,000	3,433,332
M Maitland	2,000,000	-	-	(2,000,000)	-	-

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

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

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 Pty Ltd 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, Mr Nixon agreed to transfer 5,000,000 of his options to Mr Crowther for no consideration.

Notes to the consolidated financial statements

(c) Shareholdings of Key Management Personnel

Shares held in the Company.

30 June 2012	Balance at 1 July 2011	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2012	Balance held nominally
Directors						
R Norgard	49,645,773	-	-	2,838,500	52,484,273	52,444,273
S Crowther	-	-	-	-	-	-
G Griffiths*	6,433,059	-	-	-	-	-
B Rosser *	-	-	-	-	-	-
KC Agerup	-	-	-	-	-	-
R Newman	-	-	-	1,838,500	1,838,500	1,838,500
Other key management personnel						
J Lawe Davies	1,257,150	-	-	-	1,257,150	-
M Maitland	150,000	-	-	-	150,000	150,000

*resigned during the year.

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	-

* S Nixon was issued 39,026,609 Shares as one of the vendors of the nearmap 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.

Notes to the consolidated financial statements

31. SEGMENT INFORMATION

2012	IP Licensing	nearmap.com	Corporate / Unallocated	Group
Revenue	73,703	5,613,396	-	5,687,099
Interest	-	-	380,169	380,169
Other income	-	38,673	-	38,673
Income for the year	73,703	5,652,069	380,169	6,105,941
Earnings before depreciation / amortization/ impairments & foreign exchange and tax	(2,494,756)	(2,863,110)	(207,638)	(5,565,504)
Depreciation and amortisation				(2,313,722)
Impairments				(2,304,727)
Loss before foreign exchange and tax				(10,183,953)
Net foreign exchange				(215,697)
Taxation				(3,685)
Loss after taxation				(10,403,335)

2011	IP Licensing	nearmap.com	Corporate / Unallocated	Group
Revenue	7,055,979	3,741,469	-	10,797,448
Interest	-	-	529,037	529,037
Other income	5,631,852	94,355	264	5,726,471
Income for the year	12,687,831	3,835,824	529,301	17,052,956
Earnings before depreciation / amortisation foreign exchange and tax	7,187,226	(3,482,890)	73,542	3,777,878
Depreciation and amortisation				(2,053,679)
Profit before foreign exchange and tax				1,724,199
Net foreign exchange				(21,293)
Taxation				(98,334)
Profit after taxation				1,604,572

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short-term deposits. 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. 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 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:

Notes to the consolidated financial statements

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont.)

Consolidated 2012

	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	4.0%	738,317	4,500,000	-	85,306	5,353,623
Trade and other receivables	0%	-	-	-	4,555,889	4,555,889
		738,317	4,500,000	-	4,641,195	9,909,512
Financial Liabilities						
Trade and other payables	0%	-	-	-	3,412,589	3,412,589
Net Financial Assets / (Liabilities)		738,317	4,500,000	-	1,228,606	6,496,923

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		1,016,825	9,475,235	-	2,753,299	13,245,359

	Consolidated	
	2012	2011
	\$	\$
Judgements of reasonably possible movements:		
Post tax profit – higher / (lower)		
+0.5%	15,889	3,667
-0.5%	(15,889)	(3,667)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont.)

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. This foreign exchange exposure is naturally hedged by the deposit held in Escrow.

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 2012, 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 2012		30 June 2011	
	USD	EUR	USD	EUR
Cash and cash equivalents	83,334	-	134,190	-
Trade and other receivables	240,601	1,508,898	6,141,565	569,386
Trade and other payables	96,127	1,508,898	(4,111,933)	(2,269,499)
Gross exposure	420,062	1,508,898	2,163,822	(1,700,113)

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2012	2011	2012	2011
USD	1.0319	0.9881	1.0191	1.0739
EUR	0.7707	0.7245	0.8792	0.7405

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 2011.

	30 June 2012		30 June 2011	
	Equity	Profit	Equity	Profit
USD	(17,719)	(17,719)	(151,468)	(151,468)
EUR	-	-	119,008	119,008

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.

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.

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.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont.)

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 11 Trade and Other Receivables and Note 24 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	
	2012	2011
	\$	\$
Trade receivables – without external credit rating		
Existing Customers (more than 6 months) with no defaults in the past	189,413	2,212,240
Cash at bank and short-term bank deposits		
AA rated	5,353,623	11,131,679
Available-for-sale share investments – without external credit rating		
Investments in unlisted entities	-	191,810

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.

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 12 are unlisted equity securities that are included in "level 3" of the fair value hierarchy. During the year there were no additions or disposals in level 3 fair value equity securities. There are no other financial assets or liabilities that require disclosure under AASB 7.

Notes to the consolidated financial statements

33. PARENT ENTITY INFORMATION

Information relating to the Company:

	Company	
	2012	2011
	\$	\$
Current assets	21,188,225	10,598,945
Total assets	21,401,800	27,402,681
Current liabilities	29,685	47,431
Total liabilities	29,685	47,431
Net assets	21,372,115	27,355,250
Contributed equity	26,535,948	26,610,948
Reserves	3,967,732	3,912,642
Accumulated losses	(9,131,565)	(3,168,340)
Total shareholder equity	21,372,115	27,355,250
Loss and total comprehensive income of the parent entity	(5,963,225)	(711,573)

The parent entity has not entered into any guarantees with its subsidiaries other than guaranteeing the funding performance of a subsidiary under a licensing program.

Details of the contingent liabilities of the Group are contained in Note 26. There are no contingent liabilities of the parent entity.

Details of the contractual commitments of the Group are contained in Note 23. The contractual commitments of the parent entity are as outlined below:

Lease expenditure commitments

Operating leases (non-cancellable) (refer Note 23)

Minimum lease payments		
not later than one year	-	37,722
later than one year and no later than five years	-	-
later than five years	-	-
Aggregate lease expenditure contracted for at balance date	-	37,722
Aggregate expenditure commitments comprise:		
Amounts not provided for:		
Rental commitments	-	37,722
Total not provided for	-	37,722

Wholly-owned Group transactions

Loans made by the Company to and from wholly-owned subsidiaries are repayable on demand. No interest is charged on the loans (2011: Nil).

Loans to wholly-owned subsidiaries

Beginning of the year	15,726,465	16,927,883
Loans advanced	8,138,648	5,869,712
Loan repayments and impairments	(7,812,733)	(7,071,130)
End of the year	16,034,380	15,726,465

Notes to the consolidated financial statements

34. GROUP ENTITIES

The consolidated financial statements incorporate the assets, liabilities of the following subsidiaries in accordance with the accounting policy described in note 2:

Name of entity	Country of incorporation	Equity holding	
		2012	2011
QPSX Communications Pty Ltd	Australia	100	100
Nearmap Pty Ltd	Australia	100	100
IPR 1 Pty Ltd	Australia	100	100
IPR 2 Pty Ltd	Australia	100	100
IPR 3 Pty Ltd	Australia	100	100
IPR 4 Pty Ltd	Australia	100	100
IPR 5 Pty Ltd	Australia	100	100
IPR 6 Pty Ltd	Australia	100	100
IPR 7 Pty Ltd	Australia	100	100
IPR 8 Pty Ltd	Australia	100	100
QPSX Developments 5 Pty Ltd	Australia	100	100
ipernica ventures Pty Ltd	Australia	100	100
ipernica holdings Pty Ltd	Australia	100	100

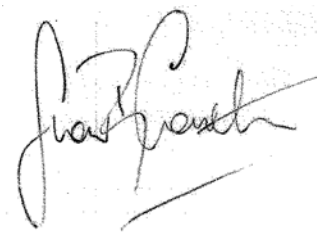
In accordance with a resolution of the directors of the Company, I state that:

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 2012 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 10 to 18 of the directors' report (as part of audited Remuneration Report) for the year ended 30 June 2012, 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 2012.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'S Crowther', with a long horizontal stroke extending to the right.

S Crowther
Managing Director

Perth
30 August 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IPERNICA LIMITED

We have audited the accompanying financial report of ipernica limited, which comprises the consolidated statement of financial position as at 30 June 2012, 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 gives a true and fair view and 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 company'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 company'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 2012 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 pages 10 to 18 of the directors' report for the year ended 30 June 2012. 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 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Brad McVeigh
Director

Perth, Western Australia
Dated this 30th August 2012

ipernica Ltd

ABN 37 083 702 907

Directors

R Norgard (Non-Executive Chairman)
S Crowther (Managing Director)
R Newman (Non-Executive Director)
CJ Rosenberg (Non-Executive Director)

Company Secretary

M Maitland

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Commonwealth Bank of Australia

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