# 2013 nearmap Limited Annual Report

nearmap

current : clear : change

# 2013 nearmap Limited Annual Report

ABN 37 083 702 907

# Contents



Image: Barangaroo – July 2013

# Chairman's Letter

Dear Shareholders,

It is a pleasure to present the nearmap 2013 Annual Report.

This was a year of significant transformation. The Group successfully transitioned its focus to the nearmap business. The change in the Company's name from ipernica to nearmap during the year affirmed the Board's commitment to this new strategic direction, and laid the groundwork for sustainable growth.

The Managing Director and his management team led the commercialisation of nearmap.com by the implementation of a subscription-based business model. The success of this model is clear. nearmap achieved a 93% growth in its revenues, an increase underpinned by continued new customer take-up, as well as high renewal rates from existing customers. The result has been a year of net positive operating cashflows driven primarily by the nearmap business.

The hosting of online content with Amazon Web Services in this year not only allows for a cost effective, yet scalable structure but provides additional assurance to our user community of high uptime percentages. In addition, the relocation of the corporate head office from Perth to Sydney positions the Company closer to its customer base and gives it access to a broader range of employee talent.

The Group remains in a sound financial position with $13.4 million in cash, no debt and with no requirement for a dilutive capital raising during the year.

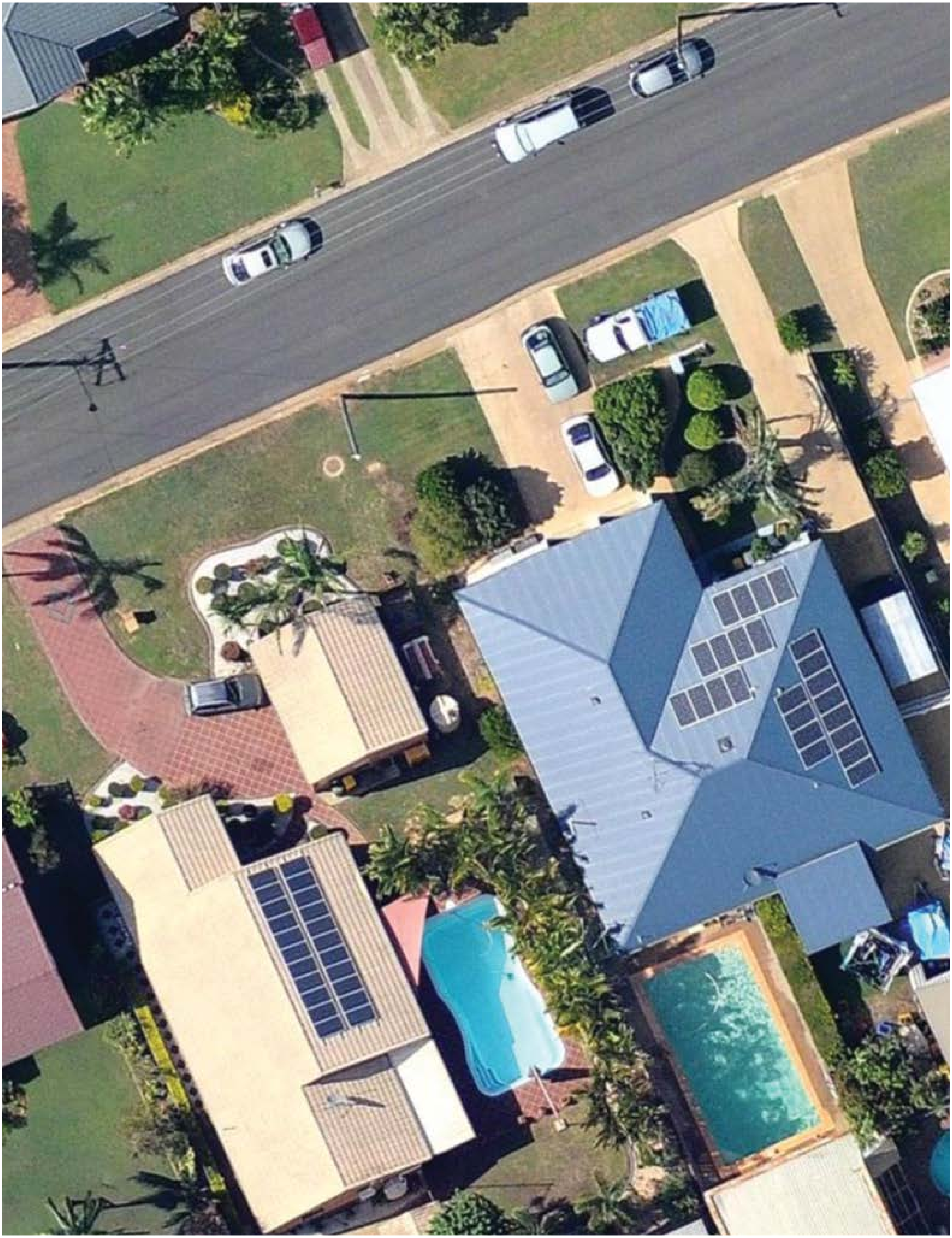
Further detail on our performance for the year and our prospects for the future are contained in the sections that follow and I encourage you to read them.

In conclusion, I would like to thank my fellow Directors, the management team, our staff and our strategic partners for their contributions during the 2013 financial year. The Company is now well placed to start evaluating new market opportunities. I look forward to a rewarding year ahead.

**Ross Norgard**
Chairman

Sydney
15 October 2013

Image: Barangaroo – August 2013



# Managing Director's Report

## This past year has been one of massive change for nearmap. We completed a major restructure, generated positive cash flows and set the company up for future growth opportunities.

Mr Simon Crowther
Managing Director & CEO
@nearmapCEO

**We successfully relocated the entire Company to Sydney to be closer to our customers and key talent.**

**We launched a number of key products and platform enhancements.**

**We completed our transition to Amazon Web Services and closed down our datacentres.**

**We successfully activated a new customer segment – targeting the SME market.**

The 2013 financial year was focused on completing the transformation we started in the previous financial year and setting the business up for future growth opportunities and success.

I am pleased that we completed our mission effectively, restructuring the former Group in order to focus exclusively on nearmap, eliminating non-core activities to reduce organisational complexity and building a sustainable subscription business. A key objective was to ensure we fully participated in any legacy assertion cases and we saw the benefit of that final one-off cash during the year.

We no longer have any active or pending assertion cases or interests.

nearmap has a clear and focused direction – to build an international data business that leverages our unique intellectual property and maximises shareholder value in the long term.

Change is never easy and I think it is fair to observe that nearmap has undertaken and completed as much change as one comparatively small organisation can manage in a year. The restructuring I implemented was difficult but very necessary in order to set nearmap up for future growth.

I would like to thank my team for their support, energy and commitment throughout this period. Growing an early stage business is challenging but we have some world-class talent throughout the Company and a solid base on which to build.

Image: Solar Panels, Terrigal – April 2013

# Group Highlights

## Highlights from the 12 months ended 30 June 2013

**Group Executives**

Left to Right: Gerhard Beukes (General Manager – Finance), Simon Crowther (Chief Executive Officer), Paul Peterson (Senior Vice President – Product & Engineering), Paul Laptsun (Chief Technology Officer)

## Transition

Transition from 'free' to user pay business model

## Cash

Achieved cash positive position for 3 consecutive quarters

## Growing

Growing cash of $13m + at year end

## Strong

Strong balance sheet with no debt

## Renewals

Low churn and healthy subscription renewal rates

## Offering

Broadening of product offering

## Customers

Increasing number of customers opting for multi year subscriptions

## Digital

Introduction of digital subscription products

# What Success Looks Like in Australia

**We are at the early stages of growing the nearmap business and the outlook is positive. We have unique and compelling intellectual property that we continue to improve and enhance and a growing customer base.**

**My goal for nearmap is for us to achieve 30,000–50,000 subscribers in Australia paying on average $1,000 per seat. We have a clear understanding of our market opportunity and the sectors and verticals that are available to us.**

**We have proven the business model and gone from hundreds of customers to thousands.**

**Our maps are compelling but they become even more useful when combined with big data.**

### International opportunities

A big goal for us is to expand our coverage internationally – we are evaluating our options and potential markets and the aviation compliance requirements for our mapping technology.

### Big data and future growth

Our unique mapping capability enables us to deliver compelling content to our customers enabling them to save time and money by minimising costly and time consuming site visits. This notion of 'telepresence' underpins the evolving nearmap proposition to our business customers and we continue to develop and invest in providing new data sets that help customers maximise their return from a nearmap subscription.

### Commercial development

A key objective this year was to build the capability to effectively manage access to our content. This was a significant engineering effort that was successfully completed. We can now offer a wide range of products, price points and features and effectively track consumption of our data.

We are also experimenting with new ways to sell the product and have successfully deployed direct sales and telesales teams supported by e-commerce transactions. Our aim is to go wide and deep within each of our target sectors. We are now reducing our reliance on large contracts, broadening our customer base and increasing the speed of closing subscription seat sales.

**We can now offer access to our content to a single user on a Postcode, City, State or National basis supporting a wider range of products and price points.**

Images from top to bottom:
Bundaberg Flood Area, Before & After

# Research & Development

**Maintaining our competitive advantage is very important and we have increased our investment in key engineers to enhance the underlying nearmap IP. During the year we have successfully tested and deployed software updates to HyperVision™ to improve performance as well as the deployment of a new generation of camera hardware in HyperPod™ that offers significant performance and cost enhancements.**

A key aspect is the scalability of our technology, and our efforts this year have been focused on ensuring the business can scale internationally. The completion of our migration to Amazon Web Services was an important milestone. The business also commenced the evaluation of international aviation certification requirements for key markets. The granting of our United States patent shortly after year-end was an important achievement.

### Clear focus on the customer

Key to continued growth is ensuring our customers are satisfied thereby driving retention, minimising churn and growing the value of those customers over time. To achieve this we continued to invest in expanding our 'Customer Success' team and ensure we work closely with our customers and align our product development with their needs.

Our customers have proved to be enthusiastic about our service and have regularly contributed their feedback to our surveys during the year. Architects, Roofers, Solar Installers, Insurance Companies, Surveyors, and Real Estate Agents are all using nearmap for a myriad of uses and new case studies are emerging all the time.

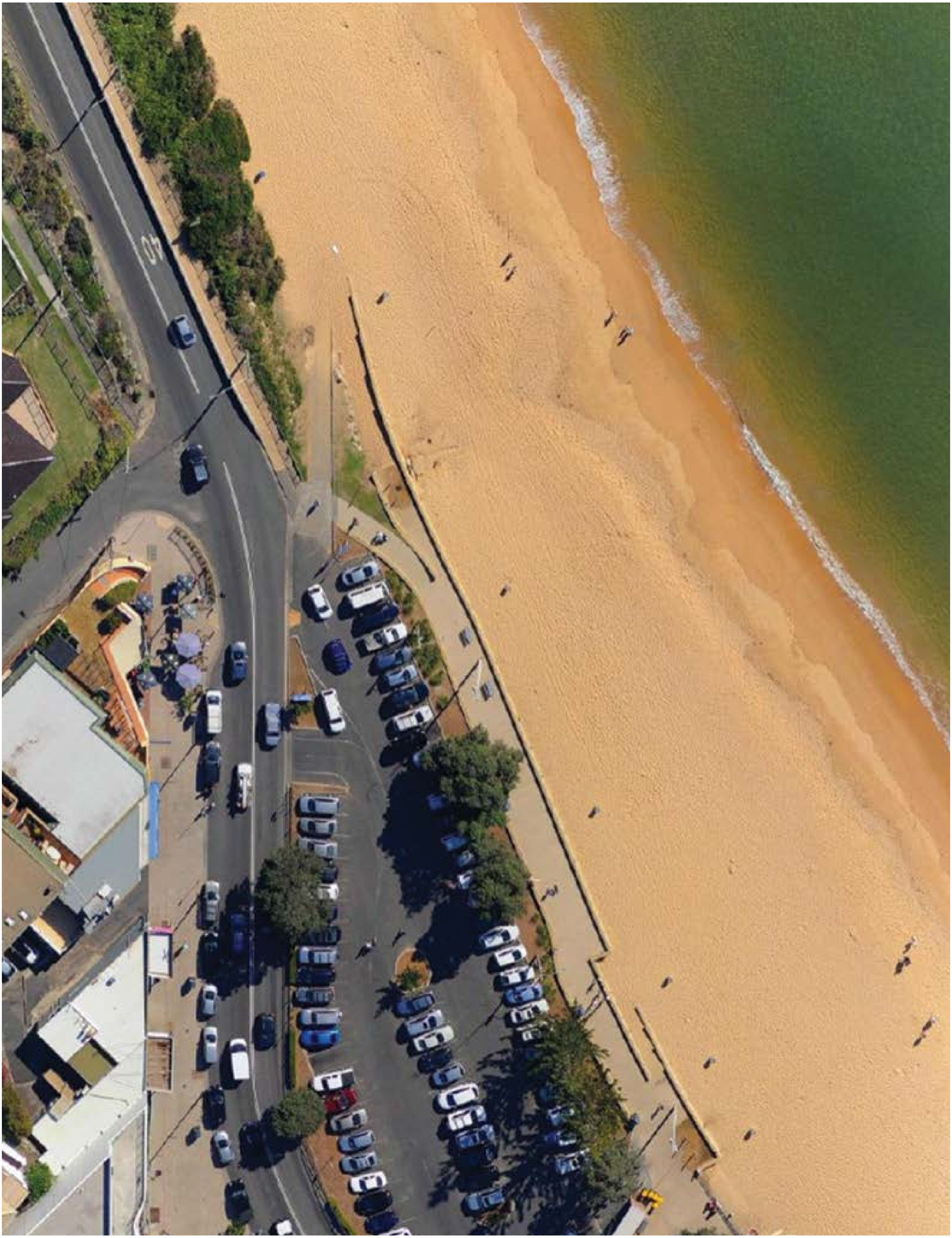
### Lean structure

Cost management is important and another way I intend for nearmap to be able to maintain competitive advantage. We are focused on automating systems and processes, buying rather than building wherever possible, and standardising our products and reporting. This supports our ability to be disruptive within some appealing target sectors and verticals and challenge incumbents. Our low cost operation and relentless focus on efficiency, standardisation and scalable systems will put us in a good position as we grow.

### People

We completed a difficult restructure during the year and now have a core world-class team of people in Sydney. The relocation of the business has proved very successful and we can now select talent from a larger pool of candidates. We intend to keep investing in training and creating opportunities for personal growth and promoting wherever possible from within. The success of the business means we are able to be more selective during the recruitment process and have set high standards for new hires.

Image: Terrigal @ 10 metre zoom – April 2013



# The Signs are Encouraging

**Customers renewing their annual subscriptions are vital for any subscription business; new customer subscription sales are equally vital for continued growth. I am satisfied we have put the foundation in place to achieve both of these operational goals. Subscription renewals are tracking consistently above 80% + whilst our expansion of our sales activities means we are signing up hundreds of new customers each week.**

### The nearmap difference

There are literally thousands of aerial mapping businesses big and small as well as large consumer focused platforms using maps to drive search and advertising revenue.

### Our model is unique

We are a publisher and our model is based on understanding the areas of most interest to our customers and highest population density in a market. We then offer the most current and clear mapping content available updated regularly. We cover 85% of the Australian population but only fly a relatively small amount of area to achieve this. Our ability to publish updates is now measured in hours as opposed to the weeks or months required by traditional systems.

Images from left to right:
Terrigal @ 50 metre zoom – April 2013
Terrigal @ 4 metre zoom – April 2013

The financial track record of the Group over the last five years is shown below:

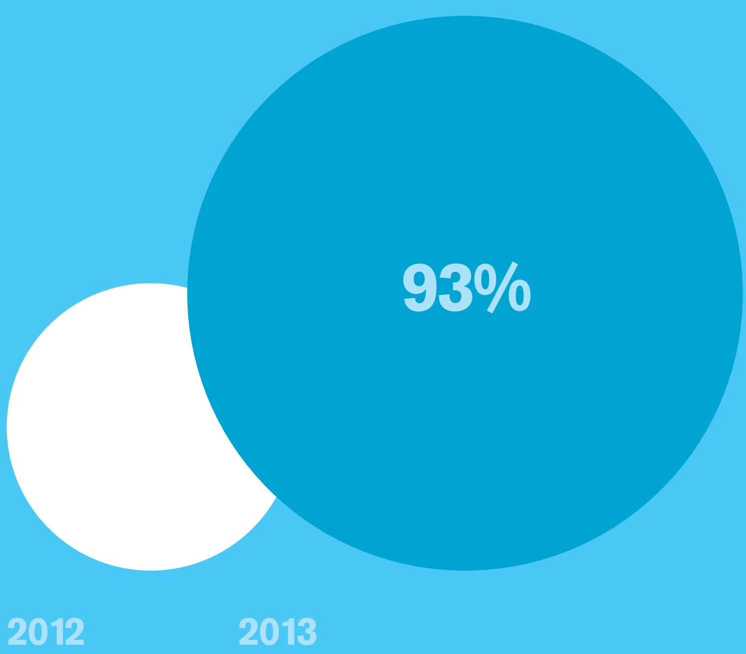
| | FY2013 | FY2012 | FY2011 | FY2010 | FY2009 |
|---|---|---|---|---|---|
| Total income | $12.8m | $6.1m | $17.1m | $1.5m | $3.1m |
| (Loss) / profit before tax | ($0.9m) | ($10.4m) | $1.7m | ($7.8m) | ($4.7m) |
| (Loss) / profit after tax | ($1.0m) | ($10.4m) | $1.6m | ($7.4m) | ($4.7m) |
| Earnings per share | (0.32c) | (3.22c) | 0.50c | (2.29c) | (1.56c) |
| Net equity | $10.9m | $11.7m | $22.1m | $19.7m | $26.5m |
| Dividend per share | – | – | – | – | – |
| Operating cash flow | $8.1m | ($3.1m) | $2.1m | ($5.6m) | ($9.3m) |

# Summary of FY2013 Results

nearmap reported a $1.0m loss
for the 2013 financial year reflecting:

**IP licensing outcomes totalling $0.5m (2012: $0.1m) – The final IP licensing outcome was settled in the period, with the close out of the final case signalling the Group's exit from the IP licensing business.**

**nearmap segment revenue increased by 86% to $10.5m (2012: $5.6m) – The growth in revenue streams affirms the transition to the nearmap business model. The successful commercialisation of nearmap.com in November 2012 has laid the groundwork for future sustainable growth.**




**The Group grew its revenues over the past 12 months by 93%.**

# nearmap has an Exciting Future

**nearmap has evolved quickly from a loss making start up to a business that is generating cash and looking forward to moving into profitability.**

**The next stage of our growth is to scale. Our strategy is focused on developing our platform horizontally and expanding our customer base vertically - we believe we offer significant value to a wide range of businesses that are interested in current clear change.**

We have achieved all of our key goals over the last 12 months and put ourselves in a good position. We have a very reliable platform that delivers a consistent service and product quality to our users. We plan to significantly enhance our users' experience in the coming months and add additional features that will help our customers save time and money.

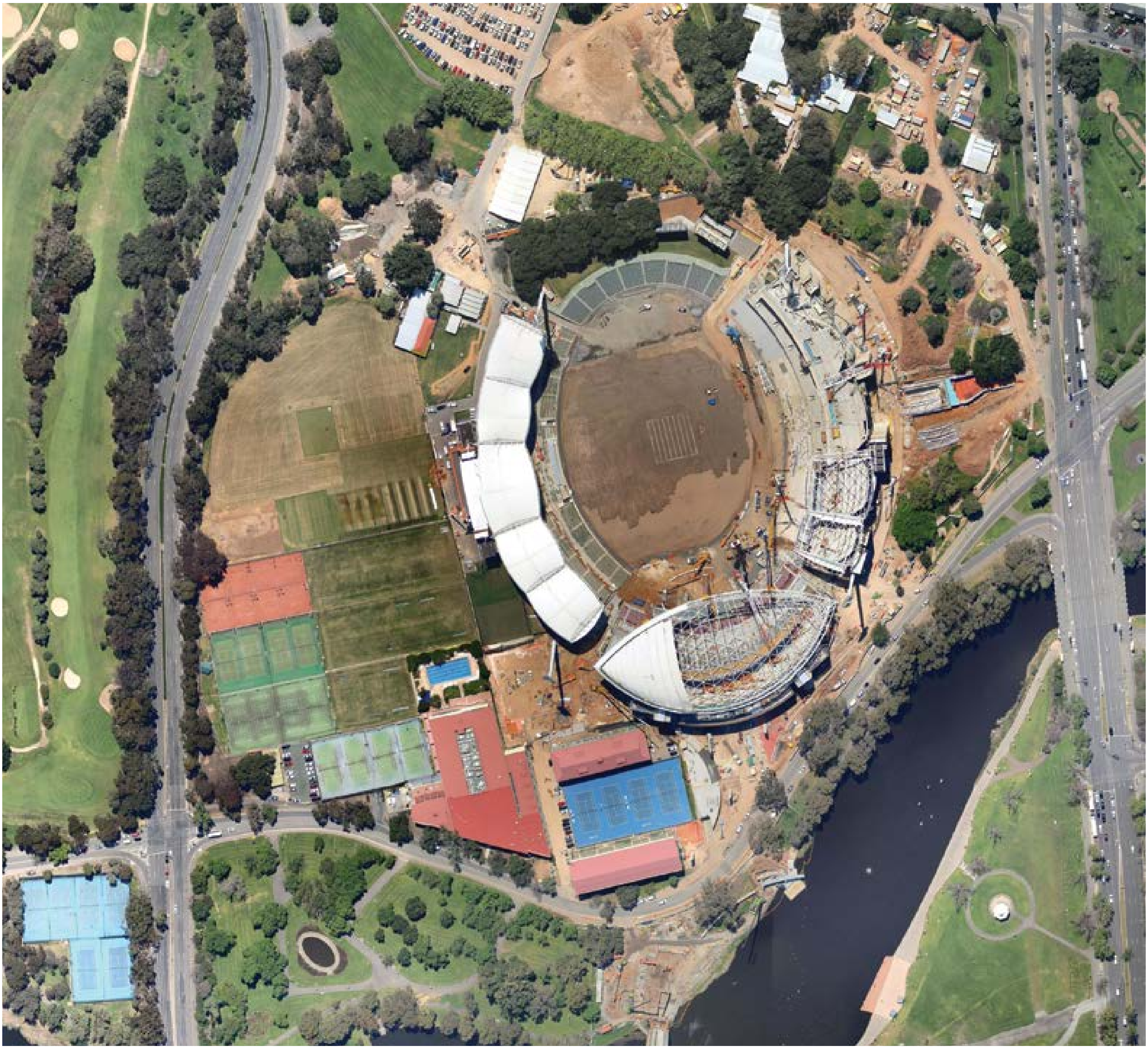
I am particularly excited about the potential for nearmap to grow internationally, integrate big data into our maps and leverage vertical integration opportunities.

I would like to take the opportunity on behalf of the management team and staff to say thank you to our shareholders for your continued support. The 2013 financial year was a transformational one in terms of nearmap's development. However the 2014 financial year promises to be even more rewarding as we look to build on the solid foundations laid over the past 12 months.

**S. Crowther**
Managing Director & CEO
15 October 2013

**We believe we offer significant value to a wide range of businesses that are interested in current clear change.**

Images anticlockwise:
Adelaide Oval Redevelopment –
September 2013, March 2013, April 2013



Gorgon Project, Barrow Island – July 2013

# Corporate Governance Statement

## nearmap's objective is to achieve best practice in corporate governance and the Company's Board, senior executives and employees are committed to achieving this goal.

nearmap's Board of Directors is responsible for establishing the corporate governance framework of the Company and its related bodies corporate. In establishing this framework, the Board has considered the 2010 edition of the "Principles of Corporate Governance and Best Practice Recommendations" published by the ASX Corporate Governance Council (**"ASX Corporate Governance Principles"**).

This Corporate Governance Statement summarises the corporate governance practices and procedures that were in place throughout the financial year ended 30 June 2013. In addition to the information contained in this statement, the Company's website at www.nearmap.com contains additional details of its corporate governance practices and procedures.

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX Corporate Governance Principles in the reporting period. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to adopt it. Where nearmap considered it was not appropriate to presently comply with a particular recommendation, the reasons are set out in the relevant section of this Corporate Governance Statement.

With the exception of the departures detailed in this Corporate Governance Statement, the corporate governance practices of the Company during the reporting period were compliant with the ASX Corporate Governance Principles.

# Corporate Governance Statement

The table below provides a summary of the Company's compliance with each of the eight ASX Corporate Governance Principles:

| | Recommendation | Comply Yes/No/Partly | Reference |
|---|---|---|---|
| **Principle 1.** Lay solid foundations for management and oversight | | | |
| 1.1 | Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions. | Yes | Page 27 |
| 1.2 | Companies should disclose the process for evaluating the performance of senior executives. | Yes | Page 28 |
| 1.3 | Companies should provide the information indicated in the guide to reporting on Principle 1. | Yes | |
| **Principle 2.** Structure the Board to add value | | | |
| 2.1 | A majority of the Board should be independent Directors. | No | Page 29 |
| 2.2 | The chair should be an independent Director. | No | Page 29 |
| 2.3 | The roles of chair and Managing Director should not be exercised by the same individual. | Yes | Page 29 |
| 2.4 | The Board should establish a nomination committee.<br>The nomination committee should be structured so that it:<br>–Consists of a majority of independent Directors.<br>–Is chaired by an independent chairman.<br>–Has at least 3 members. | Partly | Page 29 |
| 2.5 | Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors. | Yes | Page 30 |
| 2.6 | Companies should provide the information indicated in the guide for reporting on Principle 2. | Yes | |
| **Principle 3.** Promote ethical and responsible decision making | | | |
| 3.1 | Companies should establish a code of conduct and disclose the code or a summary of the code as to:<br>–The practices necessary to maintain confidence in the Company's integrity.<br>–The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.<br>–The responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | Yes | Website |
| 3.2 | Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them. | Yes | Page 31 |
| 3.3 | Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them. | No | Page 31 |
| 3.4 | Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board. | Yes | Page 31 |
| 3.5 | Companies should provide the information indicated in the guide to reporting on Principle 3. | Yes | |

# Corporate Governance Statement

| Recommendation | | Comply Yes/No/Partly | Reference |
|---|---|---|---|
| **Principle 4.** Safeguard integrity in financial reporting | | | |
| 4.1 | The Board should establish an audit committee. | Yes | Page 30 |
| 4.2 | The audit committee should be structured so that it:<br>–Consists only of Non-executive Directors.<br>–Consists of a majority of independent Directors.<br>–Is chaired by an independent chair, who is not chair of the Board.<br>–Has at least three members. | Yes | Page 30 |
| 4.3 | The audit committee should have a formal charter. | Yes | Page 30 |
| 4.4 | Companies should provide the information indicated in the Guide to reporting on Principle 4. | Yes | |
| **Principle 5.** Make timely and balanced disclosure | | | |
| 5.1 | Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. | Yes | Website |
| 5.2 | Companies should provide the information indicated in the guide to reporting on Principle 5. | Yes | |
| **Principle 6.** Respect the rights of shareholders | | | |
| 6.1 | Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. | Yes | Page 31 |
| 6.2 | Companies should provide the information indicated in the guide to reporting on Principle 6. | Yes | |
| **Principle 7.** Recognise and manage risk | | | |
| 7.1 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | Yes | Page 32 |
| 7.2 | The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. | Yes | Page 32 |
| 7.3 | The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | Yes | Page 32 |
| 7.4 | Companies should provide the information indicated in the guide to reporting on Principle 7. | Yes | |
| **Principle 8.** Remunerate fairly and responsibly | | | |
| 8.1 | The Board should establish a remuneration committee. | Yes | Page 29 |
| 8.2 | The remuneration committee should be structured so that it:<br>–Consists of a majority of independent Directors.<br>–Is chaired by an independent chairman.<br>–Has at least 3 members. | Yes | |
| 8.3 | Companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of executive Directors and senior executives. | Partly | Refer to Remuneration Report |
| 8.4 | Companies should provide the information indicated in the Guide to reporting on Principle 8. | Yes | |

# Corporate Governance Statement

## Board responsibilities

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

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

– Determining the vision and objectives of the Company;

– Identifying all areas where written Board policy is required, determination of those policies, and overseeing the implementation and monitoring of compliance, including policy in relation to code of conduct, related party transactions, and trading in the Company's securities;

– Formulating short term and long term strategies to enable the Company to achieve its objectives, and ensuring adequate resources are available to meet strategic objectives;

– Monitoring senior executives' performance and implementation of strategy;

– Approving the annual operating and capital budgets, and variations thereto, ensuring they are aligned with the Company's strategic objectives;

– Authorising expenditure approval limits for the Managing Director, and authorising expenditure in excess of these discretionary limits;

– Authorising the issue of securities and instruments of the Company;

– Approving the Half Yearly and Annual Financial Reports, notice of general meeting, and profit and dividend announcements.

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

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

– Approval of a dynamic document referred to as the strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;

– Ongoing review and development of the strategic plan to approve initiatives and strategies designed to ensure the continued growth and success of the entity;

– Implementation of operating plans and budgets by management and Board monitoring of progress against budget for all significant business processes; and

– Managing the organisation's financial risk which entails such matters as the entity's insurance arrangements, liquidity, currency, interest rate and credit policies and exposures and the monitoring of management's actions to ensure they are in line with Company policy.

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

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

– Audit and risk committee
– Remuneration committee
– Nomination committee

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

# Corporate Governance Statement

## Responsibilities of senior executives

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

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

– Formulating with the Board, the vision, strategies, business plans and budgets of the Company and, to the extent approved by the Board, implementing these plans, budgets and strategies;

– Operating the Company's businesses within the parameters and having regard to the policies set by the Board from time to time, and keeping the Board informed of material developments in relation to those businesses;

– Identifying material business risks, formulating strategies in conjunction with the Board or the audit and risk committee to manage the risks, and monitoring effectiveness of the management process and reporting to the Board and audit and risk committee;

– Implementing and monitoring compliance with the policies, processes and codes of conduct approved by the Board;

– Providing strong leadership to, and effective management of, the Company.

For a complete list of the functions delegated to the Managing Director and the executive team, please refer to the Corporate Governance section of the Company's website at www.nearmap.com.

## Evaluation of senior executives

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

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

## Structure of the Board

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

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

– The Board should comprise at least four Directors of whom at least two should be Non-executive Directors;

– The chairperson should be a Non-executive Director;

– The Board should comprise Directors with an appropriate range of qualifications and expertise; and

– The Board should meet at least six times per annum and ensure all Directors are made aware of, and have available, all necessary information to participate in an informed discussion of all agenda items.

# Corporate Governance Statement

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

| Name | Position | Date of Appointment |
|---|---|---|
| R Norgard | Chairman, Non-executive Director | 01/01/1999 |
| S Crowther | Managing Director | 01/11/2011 |
| R Newman | Non-executive Director | 17/02/2011 |
| CJ Rosenberg | Non-executive Director | 03/07/2012 |

The skills, experience and expertise relevant to the position of Director held by each Director at the date of the annual report are included in the Directors' Report on pages 34 to 48. There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

Recommendation 2.1 requires a majority of the Board to be independent Directors. The ASX defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, the following Directors are not considered to be independent:

| Name | Position |
|---|---|
| R Norgard | Chairperson, Non-executive Director |
| S Crowther | Managing Director |

The Chairperson, Mr Ross Norgard, is not considered to be independent using the ASX's definition of independence as he is a substantial shareholder of nearmap. Mr Simon Crowther is not considered independent as he is employed in an executive capacity by the Company.

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

## Nomination committee

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

All members of the nomination committee are Non-executive Directors and a majority is independent.

For details of Directors on the committee and attendance at meetings of the nomination committee, refer to page 39 of the Directors' Report.

## Remuneration committee

The Board is responsible for determining and reviewing compensation arrangements for the Directors and senior executives. The Company has established a remuneration committee. All members of the remuneration committee are Non-executive Directors and a majority, is independent.

For details of membership and attendance at meetings of the remuneration committee, refer to page 39 of the Directors' Report.

For further details on the remuneration policy of the Company, including a description of the structure of Non-executive Directors' remuneration and Executive Directors' and senior executives' remuneration, see pages 40 to 48 of the Directors' Report.

# Corporate Governance Statement

### Remuneration committee (cont.)

The only long term incentives that the Company offers to Directors and employees are 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 typically only vest under certain conditions, principally centred on the employee still being employed at the time of vesting. The options cannot be transferred without the approval of the 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.

The Company acknowledges that the guidelines to ASX Principle 8 recommend that Non-executive Directors do not receive options. However, in the Company's current circumstances, the Directors consider options to be a cost effective and efficient means for the Company to provide a reward and incentive, as opposed to alternative forms of incentive, such as the payment of additional cash consideration that would be necessary for someone with the experience of the Directors.

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

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

### Audit and risk committee

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

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

All members of the audit and risk committee are Non-executive Directors, a majority of which, is independent.

For details of membership and attendance at meetings of the audit and risk committee, refer to page 39 of the Directors' Report.

### Monitoring of performance

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

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

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

# Corporate Governance Statement

## Communication to shareholders

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

Information is communicated to the shareholders through:

– The annual report which is made available to all shareholders;

– Announcements made through the ASX companies announcements platform;

– The Company's website (www.nearmap.com) which has a dedicated Investor Relations section for the purpose of publishing all important Company information and relevant announcements made to the market; and

– The annual general meeting and any other meetings called to obtain approval for Board action as appropriate.

In addition, shareholders are encouraged to make their views known or to seek clarification on information available in the public arena by contacting the Company or attending the annual general meeting. The external auditors also attend, and are available to answer queries on the preparation and content of the independent Audit Report, the accounting policies adopted by the Company in relation to the preparation of accounts and the independence of the Auditor in relation to the conduct of the audit at the Company's annual general meetings.

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

## Diversity policy

nearmap is committed to promoting equality and diversity in the workplace and aims to be an organisation where diversity is valued, respected and celebrated. All decisions relating to employees will be based strictly on merit, without regard to gender, ethnicity, age, relationship status or any other irrelevant factor not applicable to the position.

Pursuant to Recommendation 3.2, the Company has established a Diversity Policy. To assist in fostering diversity within the organisation, nearmap has committed to develop and introduce initiatives which may include:

– Identifying training programs tailored specifically for women which will assist them in preparing for senior management positions;

– Supporting promotion of talented women into management positions; and

– Networking opportunities.

Due to the size of the organisation, the introduction of specific measurable objectives at this stage has not been fully implemented. Whilst the Board of the Company strongly endorses the concept of gender diversity, until the Company's human resource base has grown to a point where fully implementing specific measurable objectives will become more meaningful, the Company will, in accordance with its Diversity Policy, continue to recruit the best person for each role, regardless of gender, ethnicity, age, relationship status or any other irrelevant factor not applicable to the position.

The Board has actively sought out potential female Board members throughout the year and will continue to do so until an appropriately qualified and suitable Board member is found.

In accordance with Recommendation 3.4, the table below shows the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board:

| | |
|---|---|
| Board | 0% |
| Senior Executive | 29% |
| Employees | 28% |

# Corporate Governance Statement

## Share trading

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

In accordance with the provisions of the Corporations Act 2001 and the listing Rules of the ASX, Directors must advise the Company and the ASX of any transactions they conducted in securities of the Company.

The Company has established a policy concerning trading in the entity's securities by Directors, senior executives and employees. The Securities Dealing Policy prohibits the buying or selling of Company securities at any time by any Director, officer, executive, contractor, consultant or employee ("insiders") who possesses price-sensitive information about the Company that is not available to investors and the securities market generally and during "Closed Periods" and periods of "block-out" as stipulated in the policy.

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

– Must not trade in any securities of the Company;

– Must not engage any other person or entity to trade in the Company's securities;

– Must not allow the price sensitive information to be disclosed to another person who may use the information for improper trading purposes; and

– Must not communicate inside information to any other individual who works within the consolidated entity except on a "needs to know" basis.

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

## Integrity of financial reporting and risk management policies

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

Under section 295A of the *Corporations Act 2001*, the Managing Director and the person who performs the Chief Financial Officer function are each required to provide a written statement that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and that they are in accordance with the relevant accounting standards. In addition the Managing Director and the person who performs the Chief Financial Officer function must also confirm that this statement is founded on a sound system of risk management and internal compliance which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating effectively in all material respects. The Board confirms that it has received written statements to this effect from the Managing Director and the General Manager of Finance.

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

# Corporate Governance Statement

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

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

The Risk Management Policy provides a framework for systematically understanding and identifying the types of business risks threatening the Group as a whole or specific business activities within the Company and includes risk mitigation strategies.

The categories of risk covered in the Risk Management Policy include but are not limited to:

- Operational risk;
- Environmental risk;
- Sustainability risk;
- Compliance risk;
- Strategic risk;
- Ethical conduct risk;
- Reputation or brand risk;
- Technological risk;
- Product or service quality risk;
- Human capital risk;
- Financial reporting risk; and
- Market related risk.

For a summary of the Company's Risk Management Policy, please refer to the Corporate Governance section of the Company's website at www.nearmap.com.

## Director and executive code of conduct, continuous disclosure policy and company code of conduct

The Company's Code of Conduct and Continuous Disclosure Policy are contained within its Corporate Governance Policy which can be found in the Corporate Governance section of the Company's website at www.nearmap.com.

# Directors' Report

Your Directors submit their report on the consolidated entity consisting of nearmap ltd and the entities it controlled at the end of, or during, the year ended 30 June 2013.

## 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

In 1987, Ross became the founding Chairman of nearmap ltd (formerly ipernica Ltd).

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

Ross is also Founding Chairman of Brockman Resources Limited, now Non-executive Director of Hong Kong listed Brockman Mining Limited.

Current directorships
Brockman Resources Limited (since 2004) – Founding Chairman, now Deputy Chairman
nearmap ltd (since 1999)

Former directorships in the last 3 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

**Mr Simon Crowther** (47)
Managing Director & CEO

Simon has a broad international digital media background. In addition to being very commercially focused, Simon drives the strategic direction for nearmap and the evolution from aerial surveying start up to a data and digital services subscription business.

Simon has extensive knowledge and experience managing diverse content and data related businesses, 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.

# Directors' Report

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

Simon has both a Bachelor's and a Master's Degree in Business.

Current directorships:
nearmap ltd (since November 2011)

Former directorships in the last 3 years
None

Special duties
None

**Dr Rob Newman** (49)
Non-executive Director

Rob has established a unique track record as a successful Australian high technology entrepreneur in both Australia and Silicon Valley. He has twice founded and built businesses based on Australian technology and both times successfully entered overseas markets. One of those companies, Atmosphere Networks, was established by Rob with US Venture Capital backing of US$34m and he ran it until it was acquired for US$123m.

Rob is now a venture capitalist and is co-founder of Stone Ridge Ventures, and was previously an investment Director for Foundation Capital. As a venture capitalist, Rob has extensive experience in identifying and helping grow companies with significant commercial potential, especially those addressing overseas markets.

In the 1980's, Rob was the inventor and co-founder of QPSX Communications Pty Ltd. After founding the company, Rob provided the technical leadership and product strategy. Rob was instrumental in establishing QPSX as a worldwide standard for Metropolitan Area Networks and the company successfully sold products to Telecommunication Carriers in Australia, Europe, Asia and the US.

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

Current directorships
nearmap ltd (since February 2011)

Former directorships in the last 3 years
None

Special duties
Chairman of the audit and risk committee
Member of the remuneration committee
Member of the nomination committee

From top to bottom:
**Mr Ross S Norgard** Non-executive Chairman
**Mr Simon Crowther** Managing Director & CEO
**Dr Rob Newman** Non-executive Director

# Directors' Report

**Mr Cliff Rosenberg** (49)
B.Bus.Sci. , M.Sc. Management
Non-executive Director
(Appointed 3 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 238 million members around the globe of which over 4 million are in Australia.

In this role, Cliff's focus is driving awareness and uptake of LinkedIn's products, including talents solutions, marketing solutions and sales solutions. Since January 2010, Cliff has set up offices in Sydney, Melbourne and Perth, growing the local team to more than 120 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 is also a Non-executive Director of Australia's leading online restaurant booking platform, dimmi.com.au.

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 a Bachelor's Degree of Business Science in Economics and Marketing.

Current directorships
nearmap ltd (since July 2012)
dimmi.com.au

Former directorships in the last 3 years
Sound Alliance

Special duties
Chairman of the remuneration committee
Member of the audit and risk committee
Member of the nomination committee

**Mr Cliff Rosenberg**
Management Non-executive Director

# Directors' Report

## 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 nearmap ltd were, as follows:

| | Ordinary shares | Options over ordinary shares |
|---|---|---|
| R Norgard | 58,576,295 | - |
| S Crowther | - | 10,000,000 |
| C Rosenberg | 775,000 | 2,000,000 |
| R Newman | 2,693,500 | 2,000,000 |

## Corporate Structure

nearmap ltd (formerly known as 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 Australia Pty Ltd.

## Business Model

nearmap is an innovative online PhotoMap™ content provider that creates high quality current and changing maps. The Company generates revenues through licensing its content to a broad range of customers such as government agencies and the commercial sector as well as small to medium enterprises.

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

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

The pivotal features underpinning the success of the nearmap business model are:

– The frequency with which this data is updated;

– The clarity (resolution) of the PhotoMap™;

– The availability of previous surveys on the same platform, allowing users to track changes of locations over time.

## Consolidated Result

The consolidated entity's result after provision for income tax was a loss of $1,019,819 (2012: loss of $10,403,335).

## Review and Results of Operations

For the year ended 30 June 2013, the nearmap Group reported revenue of $10.99m, up 93.2% on corresponding prior year revenue from continuing operations of $5.69m, primarily due to new digital subscriptions to the nearmap.com website.

Total customer revenue of nearmap products and services was $10.46m for the year, an increase of 86.4% over the prior year nearmap revenue of $5.61m. Since the introduction of the subscription model on the nearmap.com website in late November 2012, in addition to existing government and commercial revenue streams, nearmap has broadened its customer base to include small to medium enterprises.

The 2013 financial year saw the completion and closure of the IP assertion programme, with the receipt of $2.32m from its business associate Financials System Technology (Intellectual Property) Pty Ltd (FST) for the Company's services related to FST's database patents. There are no further claims or liabilities associated with the previous IP assertion programme, and the Company's future strategic direction and cashflows are now solely focused on nearmap.

nearmap's balance sheet remains strong with no debt and a growing cash balance. During the year ended 30 June 2013, nearmap generated positive cashflows of $8.02m with the cash balance increasing to $13.39m, compared to $5.35m at 30 June 2012.

Cash receipts from customers for the year for the nearmap business were $18.58m compared to $12.97m for the previous year, an increase of $5.61m (43%). Operating cashflows significantly improved from an outflow of $3.09m in the prior year ended 30 June 2012 to an inflow of $8.14m in the year to 30 June 2013.

## 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 FY2013, a report was not required to be submitted to the Greenhouse and Energy Data Officer. The Group will continue to determine, on an annual basis, the activities and associated greenhouse gas emissions and energy consumption and production for which they are responsible, and assess whether they have met the required reporting threshold.

## Significant Changes in the State of Affairs

a) On 20 November 2012, the Group introduced a subscription model on the nearmap.com website. The launch of this website provides a better monetisation of nearmap's high quality, current and changing PhotoMap™ content.

b) On 29 November 2012, the Company announced that it had changed its name from ipernica Ltd to nearmap ltd.

c) On 29 November 2012, nearmap announced that it had relocated its corporate head office to Sydney to be closer to its customer base, expand its East coast presence, and access a broader range of employee talent.

d) In December 2012, nearmap completed the transition of the hosting of nearmap infrastruture from proprietary servers to Amazon Web Services, thereby providing nearmap with system robustness and scalability whilst at the same time providing operational savings through conversion of fixed costs to variable costs.

e) On 20 February 2013, nearmap confirmed that its business associate, FST, entered into an agreement with a third party for a licence to FST's database patents. The Company received US$2.20m from FST for its services relating to FST's database patents.

f) On 15 April 2013, nearmap announced a $1.51m cash refund from the ATO for eligible research and development activities.

## Significant Events Subsequent to Balance Date

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

# Directors' Report

### Prospects for Future Years

The Directors believe that the business strategies put in place will ensure that the Company continues on its growth trajectory in the foreseeable future. nearmap is primed to continue generating value to its shareholders in future years, subject to a stable macro-economic environment. The Company will continue to seek new opportunities to build, scale, and broaden its customer base.

The Company faces a number of risks including inability to achieve volume growth targets, availability and cost of funds and deterioration of credit quality / impairments, which may impact on its ability to achieve its targets.

### Indemnification and Insurance of Directors

During the financial year, the Group paid a premium of $56,310 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 2013 there were 36,700,000 unissued ordinary shares under options. Refer to Note 24 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 reset the Company's option plan and strategy. This review was conducted during FY2013 and new share options were issued.

### 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 were as follows:

| | Full Board Meetings | | Audit and Risk Committee Meetings | | Remuneration Committee Meetings | | Nomination Committee Meetings | |
|---|---|---|---|---|---|---|---|---|
| | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** |
| R Norgard | 9 | 8 | 1 | - | - | - | - | - |
| S Crowther | 9 | 9 | - | 1 | - | - | - | - |
| KC Agerup | - | - | - | - | - | - | - | - |
| R Newman | 9 | 9 | 1 | 1 | - | - | - | - |
| C Rosenberg | 9 | 9 | 1 | 1 | - | - | - | - |

Mr KC Agerup resigned as a Director on 3 July 2012.
Mr C Rosenberg was appointed as a Director on 3 July 2012.

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

# Directors' Report
# Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for Directors and key management personnel of nearmap 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.

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.

### Voting and comments made at the Company's 2012 Annual General Meeting

The Company received only 2.6% "no" votes on its remuneration report for the 2012 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

### 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;

– Ensure total remuneration is competitive by market standards.

# Directors' Report
## Remuneration Report (Audited)

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

*Structure* Remuneration typically consists of the following key elements:

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

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

#### Fixed remuneration

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

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

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

#### Variable remuneration – Short Term Incentive (STI)

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

*Structure* Actual STI payments granted to each employee depend on the extent to which specific operating targets set 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.

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 year ended 30 June 2013, the only STI incentive paid has been the $100,000 cash bonus that has been paid to Mr S Crowther (FY2012 $50,000).

#### 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.

# Remuneration Report (Audited)

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

### 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.

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Net (loss) / profit after tax attributable to members | ($1,019,819) | ($10,403,335) | $1,604,572 | ($7,389,080) | ($4,677,502) |
| Dividends paid | - | - | - | - | 1 cent |
| Change in share price | $0.22 | ($0.03) | ($0.01) | $0.01 | ($0.01) |
| Return on capital employed | (9%) | (88%) | 7% | (37%) | (18%) |

## 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 |
| R Newman | Non-executive Director |
| KC Agerup | Non-executive Director (resigned 3 July 2012) |
| C Rosenberg | Non-executive Director (appointed 3 July 2012) |

### 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 (resigned 30 November 2012) |
| J Lawe Davies | General Counsel (resigned 24 August 2012) |
| G Beukes | General Manager of Finance (Appointed 15 June 2013) |
| P Lapstun | Chief Technology Officer (Appointed 25 February 2013) |
| P Peterson | Vice President of Engineering (Appointed 27 August 2012) |

## Remuneration Report (Audited)

### 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):

| 2013 | Salary & Fees | Non monetary | Cash Bonus (Short Term) | Long Service Leave (Long Term) | Post employment Super-annuation | Share-Based Payment Options | Total | Options Issues as a Proportion of Remuneration (%) |
|---|---|---|---|---|---|---|---|---|
| Non-executive Directors | | | | | | | | |
| R Norgard | 91,746 | - | - | - | 8,254 | - | 100,000 | - |
| R Newman | 50,000 | - | - | - | - | 12,663 | 62,663 | 20.2 |
| KC Agerup* | 3,823 | - | - | - | 344 | - | 4,167 | - |
| C Rosenberg* | 45,695 | - | - | - | 4,113 | 12,663 | 62,471 | 20.3 |
| **Subtotal** | **191,264** | **-** | **-** | **-** | **12,711** | **25,326** | **229,301** | **11.0** |
| Executive Directors | | | | | | | | |
| S Crowther | 417,654 | 20,121 | 100,000 | 1,190 | 15,775 | 63,315 | 618,055 | 10.2 |
| Other key management personnel (Group) | | | | | | | | |
| J Lawe Davies** | 106,200 | - | - | - | 4,128 | - | 110,328 | - |
| M Maitland* | 125,529 | - | - | (4,325) | 7,558 | - | 128,762 | - |
| G Beukes* | 163,054 | - | - | 771 | 14,719 | 42,244 | 220,788 | 19.1 |
| P Lapstun* | 80,205 | - | - | 179 | 6,161 | 53,313 | 139,858 | 38.1 |
| P Peterson* | 178,009 | - | - | 176 | 14,071 | 38,675 | 230,931 | 16.7 |
| **Total key management personnel** | **1,261,915** | **20,121** | **100,000** | **(2,009)** | **75,123** | **222,873** | **1,678,023** | **13.3** |

* KC Agerup resigned 3 July 2012
C Rosenberg appointed 2 July 2012
J Lawe Davis resigned 24 August 2012
M Maitland resigned 30 November 2012
G Beukes appointed 15 June 2013 (^)
P Lapstun appointed 25 February 2013
P Peterson appointed 27 August 2012

(^) Amounts shown above include G Beukes remuneration during the entire reporting period. Amounts received in his position as a KMP from 15 June 2013 until year end amounted to $9,854 made up of Salary & Fees of $7,396, Long Service Leave of $32, Superannuation of $666 and Share-Based Payment Options of $1,760.

** Included in Mr Davies' salary and fees is a termination benefit of $63,462.

# Directors' Report
# Remuneration Report (Audited)

## B. Details of remuneration (cont.)

| 2012 | Salary & Fees | Non monetary | Short-term Cash Bonus | Long-term Long Service Leave | Post employment Super-annuation | Share-Based Payment Options* | Total | Options Issues as a Proportion of Remuneration (%) |
|---|---|---|---|---|---|---|---|---|
| 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.

## Remuneration Report (Audited)

### B. Details of remuneration (cont.)

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

| | Fixed Remuneration | | At risk – STI | | At risk- LTI | |
|---|---|---|---|---|---|---|
| **Name** | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| Non-executive Directors | | | | | | |
| R Norgard | 100.0% | 100.0% | - | - | - | - |
| R Newman | 79.8% | 61.0% | - | - | 20.2% | 39.0% |
| KC Agerup | 100.0% | 66.2% | - | - | - | 33.9% |
| C Rosenberg | 79.7% | - | - | - | 20.3% | - |
| Executive Director | | | | | | |
| S Crowther | 73.4% | 71.5% | 16.2% | 10.2% | 10.4% | 18.3% |
| Other key management personnel | | | | | | |
| J Lawe Davies | 100.0% | 96.3% | - | - | - | 3.7% |
| M Maitland | 100.0% | 89.5% | - | - | - | 10.5% |
| G Beukes | 80.5% | - | - | - | 19.5% | - |
| P Lapstun | 61.8% | - | - | - | 38.2% | - |
| P Peterson | 83.2% | - | - | - | 16.8% | - |

### 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. As at 30 June, there is only one executive, Mr Crowther. There has been no change to his remuneration during the year. The terms of his contract are:

–Mr Crowther may resign from his position and thus terminate his contract by giving 4 months written notice. On resignation any unvested options will be forfeited.

–The Company may terminate the employment agreement by providing 4 months written notice or provide payment in lieu of the notice period (based on the fixed component of remuneration). On such termination by the Company, any LTI options that have vested, or will vest during the notice period will be required to be exercised within 180 days from termination date (unless agreed otherwise by the Company) or their options expiry date if earlier. LTI options that have not yet vested will be forfeited.

–The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the employee is 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 the executive contract is as follows:

| Name | Commencement Date |
|---|---|
| S Crowther | 15 Sep 2010 |

–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 of the commencement date.

# Remuneration Report (Audited)

## 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 2 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, or the Director still engaged, 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.

Options were issued during the year ended 30 June 2013, refer to notes for details.

### Compensation options

On 29 June 2012 the Company announced that 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. New options were then issued during the year ended 30 June 2013. 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.

# Directors' Report

# Remuneration Report (Audited)

## D. Share based compensation (cont.)

### Compensation options (cont.)

| 30 June 2013 | 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 | Value of cancelled/ expired/ exercised during the period at date of forfeiture | Maximum total value of grant yet to vest $ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Directors | | | | | | | | | | | | | |
| S Crowther | | | | | | | | | | | | | |
| - Current | 5,000,000 | 100% | | | 100% | | Nov 12 | 0.0145 | 0.075 | Nov 13 | Nov 16 | | 72,360 |
| | 5,000,000 | 100% | | | 100% | | Nov 12 | 0.0145 | 0.075 | Nov 14 | Nov 16 | | 72,360 |
| | | | | | | | | | | | | | |
| R Newman | | | | | | | | | | | | | |
| - Current | 1,000,000 | 100% | | | 100% | | Nov 12 | 0.0145 | 0.075 | Nov 13 | Nov 16 | | 14,472 |
| | 1,000,000 | 100% | | | 100% | | Nov 12 | 0.0145 | 0.075 | Nov 14 | Nov 16 | | 14,472 |
| | | | | | | | | | | | | | |
| KC Agerup | | | | | | | | | | | | | |
| - Cancelled | 666,666 | | | 100% | | 100% | Nov 09 | 0.071 | 0.20 | Nov 10 | Nov 13 | 47,617 | |
| | 666,667 | | | 100% | | 100% | Nov 09 | 0.071 | 0.20 | Nov 11 | Nov 13 | 47,617 | |
| | 666,667 | | | | | 100% | Nov 09 | 0.071 | 0.20 | Nov 12 | Nov 13 | 47,617 | |
| | | | | | | | | | | | | | |
| C Rosenberg | | | | | | | | | | | | | |
| - Current | 1,000,000 | 100% | | | 100% | | Nov 12 | 0.0145 | 0.075 | Nov 13 | Nov 16 | | 14,472 |
| | 1,000,000 | 100% | | | 100% | | Nov 12 | 0.0145 | 0.075 | Nov 14 | Nov 16 | | 14,472 |
| Other key management personnel | | | | | | | | | | | | | |
| J Lawe Davies | | | | | | | | | | | | | |
| - Cancelled | 966,666 | | | 100% | | 100% | Jul 08 | 0.042 | 0.16 | Jul 09 | Jul 12 | 40,310 | |
| | 966,667 | | | 100% | | 100% | Jul 08 | 0.042 | 0.16 | Jul 10 | Jul 12 | 40,310 | |
| | 966,667 | | | 100% | | 100% | Jul 08 | 0.042 | 0.16 | Jul 11 | Jul 12 | 40,310 | |
| | 183,333 | | | 100% | | 100% | Aug 09 | 0.050 | 0.20 | Aug 10 | Aug 13 | 9,104 | |
| | 183,333 | | | 100% | | 100% | Aug 09 | 0.050 | 0.20 | Aug 11 | Aug 13 | 9,104 | |
| | 183,334 | | 100% | | | 100% | Aug 09 | 0.050 | 0.20 | Aug 12 | Aug 13 | 9,104 | |
| | 166,666 | | | 100% | | 100% | Jul 10 | 0.049 | 0.20 | Jul 11 | Jul 14 | 8,183 | |
| | 166,667 | | 100% | | | 100% | Jul 10 | 0.049 | 0.20 | Jul 12 | Jul 14 | 8,183 | |
| | 166,667 | | | | | 100% | Jul 10 | 0.049 | 0.20 | Jul 13 | Jul 14 | 8,183 | |
| | | | | | | | | | | | | | |
| P Lapstun | | | | | | | | | | | | | |
| - Current | 2,500,000 | 100% | | | 100% | | Mar 13 | 0.0427 | 0.150 | Mar 14 | Mar 17 | | 106,626 |
| | 2,500,000 | 100% | | | 100% | | Mar 13 | 0.0427 | 0.150 | Mar 15 | Mar 17 | | 106,626 |
| | | | | | | | | | | | | | |
| P Peterson | | | | | | | | | | | | | |
| - Current | 2,500,000 | 100% | | | 100% | | Nov 12 | 0.0177 | 0.075 | Nov 13 | Nov 16 | | 44,200 |
| | 2,500,000 | 100% | | | 100% | | Nov 12 | 0.0177 | 0.075 | Nov 14 | Nov 16 | | 44,200 |
| | | | | | | | | | | | | | |
| G Beukes | | | | | | | | | | | | | |
| - Current | 1,000,000 | 100% | | | 100% | | Dec 12 | 0.0191 | 0.075 | Dec 13 | Dec 16 | | 19,149 |
| | 1,000,000 | 100% | | | 100% | | Dec 12 | 0.0191 | 0.075 | Dec 14 | Dec 16 | | 19,149 |
| | 750,000 | 100% | | | 100% | | Jun 13 | 0.1546 | 0.415 | Dec 13 | Jun 17 | | 115,973 |
| | 750,000 | 100% | | | 100% | | Jun 13 | 0.1546 | 0.415 | Jun 14 | Jun 17 | | 115,973 |

## Remuneration Report (Audited)

### E. Additional information

The Company has applied fair value measurement provisions of AASB 2 "Share-based Payment" for all options granted to Directors and employees. The fair value of such grants is being amortised and disclosed as part of Director and employee emoluments on a straight-line basis over the vesting period. Options granted as part of Director and employee 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.

Refer to Note 24 for details of share based payments and all new options granted during the year ended 30 June 2013.

There were no shares issued on the exercise of options during the year ended 30 June 2013.

### 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 |
|---|---|---|---|
| 23-Nov-12 | 23-Nov-16 | $0.075 | 14,000,000 |
| 30-Nov-12 | 30-Nov-16 | $0.075 | 10,000,000 |
| 7-Dec-12 | 7-Dec-16 | $0.075 | 2,000,000 |
| 14-Dec-12 | 14-Dec-16 | $0.075 | 2,000,000 |
| 31-Jan-13 | 31-Jan-17 | $0.103 | 1,200,000 |
| 8-Mar-13 | 8-Mar-17 | $0.150 | 5,000,000 |
| 8-Apr-13 | 9-Apr-17 | $0.172 | 500,000 |
| 12-Apr-13 | 15-Apr-17 | $0.179 | 500,000 |
| 17-Jun-13 | 19-Jun-17 | $0.415 | 1,500,000 |
| 22-Jul-13 | 25-Jul-17 | $0.444 | 200,000 |
| | | | **36,900,000** |

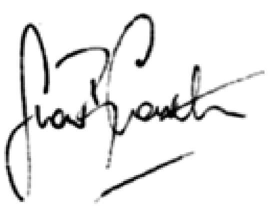
This is the end of the Audited Remuneration Report.

### Auditor Independence and Non-Audit Services

### 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 & CEO
28 August 2013

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

28 August 2013

The Board of Directors
nearmap ltd
Level 6, 6 - 8 Underwood Street
Sydney NSW 2000

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF NEARMAP LTD**

As lead auditor of nearmap ltd for the year ended 30 June 2013, 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 nearmap ltd and the entities it controlled during the year.

**Brad McVeigh**
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Bundaberg Floods – January 2013

# Consolidated statement of comprehensive income for the year ended 30 June 2013

| | Notes | Consolidated 2013 $ | 2012 $ |
|---|---|---|---|
| Revenue | 3 | 10,986,718 | 5,687,099 |
| Other income | 4 | 1,778,908 | 418,842 |
| **Total income** | | **12,765,626** | **6,105,941** |

**Expenses**

| | | | |
|---|---|---|---|
| Employee benefits expenses | 5 | (6,775,357) | (6,396,785) |
| Amortisation and depreciation | 6 | (2,309,852) | (2,313,722) |
| Reversal / (impairment) of intangible assets | 7 | 308,361 | (2,304,727) |
| Litigation / profit share costs | | (32,790) | (961,713) |
| Capture costs | | (964,272) | (867,330) |
| Research and development costs | | (423,784) | (375,644) |
| Net finance income / (costs) | 8 | 8,596 | (218,822) |
| Other operational expenses | 9 | (3,556,117) | (3,066,848) |
| **Total expenses** | | **(13,745,215)** | **(16,505,591)** |
| **Loss before income tax expense** | | **(979,589)** | **(10,399,650)** |

| | | | |
|---|---|---|---|
| **Income tax expense** | **10** | **(40,230)** | **(3,685)** |
| **Total comprehensive income for the year after tax** | | **(1,019,819)** | **(10,403,335)** |
| **Loss after income tax expense and total comprehensive income attributable to members of the Company** | | **(1,019,819)** | **(10,403,335)** |

Earnings per share attributable to the ordinary equity shareholders of the Company:

| | | | |
|---|---|---|---|
| Basic earnings per share (cents) | 27 | (0.32)c | (3.22)c |
| Diluted earnings per share (cents) | 27 | (0.32)c | (3.22)c |

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

# Consolidated statement of financial position as at 30 June 2013

| | Notes | Consolidated 2013 $ | 2012 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 23 | 13,387,274 | 5,353,623 |
| Trade receivables | 12 | 2,597,976 | 2,506,322 |
| Other current receivables | 12 | 380,594 | 2,049,567 |
| **Total current assets** | | **16,365,844** | **9,909,512** |
| **Non-current assets** | | | |
| Plant and equipment | 13 | 1,121,111 | 1,815,722 |
| Intangible assets | 14 | 5,225,016 | 6,808,989 |
| Licensing program costs | 15 | - | 1,609,558 |
| **Total non-current assets** | | **6,346,127** | **10,234,269** |
| **Total assets** | | **22,711,971** | **20,143,781** |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 1,613,465 | 3,412,589 |
| Unearned income | 17 | 10,071,786 | 4,987,595 |
| **Total current liabilities** | | **11,685,251** | **8,400,184** |
| **Non-current liabilities** | | | |
| Employee benefits | 18 | 37,693 | 25,087 |
| Other payables | | 35,970 | - |
| **Total non-current liabilities** | | **73,663** | **25,087** |
| **Total liabilities** | | **11,758,914** | **8,425,271** |
| **Net assets** | | **10,953,057** | **11,718,510** |
| **Equity** | | | |
| Contributed equity | 19 | 26,535,948 | 26,535,948 |
| Reserves | 20 | 4,222,098 | 3,967,732 |
| Accumulated losses | 21 | (19,804,989) | (18,785,170) |
| **Total equity** | | **10,953,057** | **11,718,510** |

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

# Consolidated statement of changes in equity

### For the year ended 30 June 2013

| Consolidated | Contributed equity $ | Accumulated losses $ | Share based payment reserve $ | Total equity $ |
|---|---|---|---|---|
| At 1 July 2012 | 26,535,948 | (18,785,170) | 3,967,732 | 11,718,510 |
| Loss for the period / total comprehensive income for the period | - | (1,019,819) | - | (1,019,819) |
| Cost of share-based payments to employees | - | - | 254,366 | 254,366 |
| At 30 June 2013 | 26,535,948 | (19,804,989) | 4,222,098 | 10,953,057 |

### 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) |
| Cost of share-based payments to employees | - | - | 55,090 | 55,090 |
| **Transactions with owners in their capacity as owners** | | | | |
| Treasury shares | (75,000) | - | - | (75,000) |
| At 30 June 2012 | 26,535,948 | (18,785,170) | 3,967,732 | 11,718,510 |

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

# Consolidated statement of cash flows

| | Notes | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 18,576,552 | 12,968,282 |
| Payments to suppliers and employees | | (12,170,787) | (16,349,756) |
| Interest received | | 260,104 | 422,957 |
| Interest paid | | (3,278) | (3,125) |
| R&D refund received | | 1,516,925 | - |
| Taxes paid | | (40,230) | (128,870) |
| **Net cash inflows / (outflows) from operating activities** | 23 | **8,139,286** | **(3,090,512)** |
| **Cash flows from investing activities** | | | |
| Purchase of plant and equipment | | (133,597) | (320,545) |
| Purchase of intangibles | | - | (544,172) |
| Proceeds from sale of plant and equipment | | 16,088 | 2,727 |
| Payment to the administrator of QPSX Europe | | - | (1,693,246) |
| **Net cash outflows from investing activities** | | **(117,509)** | **(2,555,236)** |
| **Cash flows from financing activities** | | | |
| Repayments of borrowings | | - | (100,959) |
| **Net cash outflows from financing activities** | | **-** | **(100,959)** |
| **Net increase / (decrease) in cash and cash equivalents** | | **8,021,777** | **(5,746,707)** |
| Cash and cash equivalents at beginning of year | | 5,353,623 | 11,131,679 |
| Net foreign exchange differences | | 11,874 | (31,349) |
| **Cash and cash equivalents at end of year** | 23 | **13,387,274** | **5,353,623** |

The above consolidated statement of cash flow 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 2013 were authorised for issue in accordance with a resolution of the Directors on 28 August 2013.

The consolidated financial statements of the Company as at and for the year ended 30 June 2013 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 Securities Exchange.

The address of the Company's registered office is Level 6, 6–8 Underwood Street Sydney NSW 2000.

The nature of the operations and principal activities of the Group are described in the Directors' report. The Company is a for profit entity primarily involved in the provision of online PhotoMap™ content.

## 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. No rounding has been applied.

### (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 2013, 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 2013 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.

# Notes to the consolidated financial statements

## 2. Summary of significant accounting policies (cont.)

### (d) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

### (e) Significant accounting judgements, estimates and assumptions

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

#### Impairment

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

#### Share-based payment transactions

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

#### Estimated impairment of goodwill

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.

# Notes to the consolidated financial statements

## 2. Summary of significant accounting policies (cont.)

### (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.

Licences 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.

### (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 Consolidated Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

# Notes to the consolidated financial statements

## 2. Summary of significant accounting policies (cont.)

### (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 7–60 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 reporting date whether a financial asset or Group of financial assets is impaired.

#### i. Financial assets carried at amortised cost

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

#### ii. Financial assets carried at cost

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

## 2. Summary of significant accounting policies (cont.)

### (m) Impairment of financial assets (cont.)

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:

- 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.

# Notes to the consolidated financial statements

## 2. Summary of significant accounting policies (cont.)

### (o) Income tax (cont.)

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, nearmap 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) Goods and services 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 Consolidated Statement of Financial Position.

Consolidated cash flows are included in the consolidated statement of cash flows 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.

#### i. Impairment

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

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

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

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

The cash generating units identified as a consequence of management's assessment of Intangibles are nearmap.com and the Company's IP Licensing activities.

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

### 2. Summary of significant accounting policies (cont.)

#### (q) Plant and equipment (cont.)

ii. 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 12).

ii. Available-for-sale investments

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

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

iii. Investments in subsidiaries

Investments in subsidiaries are held at cost.

#### (s) Goodwill

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

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

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

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

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment determined in accordance with AASB 8 Segment Reporting.

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.

# Notes to the consolidated financial statements

## 2. Summary of significant accounting policies (cont.)

### (s) Goodwill (cont.)

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.

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.

# Notes to the consolidated financial statements

### 2. Summary of significant accounting policies (cont.)

#### (u) Intangibles – Research and development costs (cont.)

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.

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).

# Notes to the consolidated financial statements

## 2. Summary of significant accounting policies (cont.)

### (v) Impairment of assets (cont.)

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

### (w) Trade and other payables

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

### (x) Interest bearing borrowings

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

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

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

### (y) Provisions

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

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

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

### (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.

# Notes to the consolidated financial statements

## 2. Summary of significant accounting policies (cont.)

### (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.

### (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 offer a 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.

# Notes to the consolidated financial statements

| | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| **3. Revenue** | | |
| Licensing revenues | 10,462,628 | 5,613,396 |
| Settlement of litigation programs | 524,090 | 73,703 |
| **Revenue** | **10,986,718** | **5,687,099** |

| | | |
|---|---|---|
| **4. Other income** | | |
| Interest | 261,483 | 380,169 |
| Other income | 1,517,425 | 38,673 |
| **Other income** | **1,778,908** | **418,842** |

| | | |
|---|---|---|
| **5. Employee benefit expense** | | |
| Share-based payments expense | 254,366 | 55,090 |
| Defined contribution plan expense | 320,807 | 395,697 |
| Increase / (decrease) in liability for long service leave | 12,607 | (196,653) |
| Other employee benefit expenses | 6,187,577 | 6,142,651 |
| **Employee benefit expense** | **6,775,357** | **6,396,785** |

| | | |
|---|---|---|
| **6. Amortisation and depreciation** | | |
| Amortisation of intangible assets | (1,583,973) | (1,264,558) |
| Depreciation | (725,879) | (1,049,164) |
| **Total amortisation and depreciation** | **(2,309,852)** | **(2,313,722)** |

| | | |
|---|---|---|
| **7. Impairment** | | |
| Impairment of intangibles | - | (1,125,613) |
| Reversal / (impairment) of licensing program | 308,361 | (987,304) |
| Impairment of financial assets | - | (191,810) |
| **Total reversal / (impairment)** | **308,361** | **(2,304,727)** |

| | | |
|---|---|---|
| **8. Net finance income / costs** | | |
| Interest expense | (3,278) | (3,125) |
| Foreign exchange gain / (loss) | 11,874 | (215,697) |
| **Total finance income / (costs)** | **8,596** | **(218,822)** |

| | | |
|---|---|---|
| **9. Other operational expenses** | | |
| Serving and processing costs | (1,089,382) | (772,989) |
| Operating lease expenses | (441,416) | (572,662) |
| Audit and consulting fees | (778,742) | (568,067) |
| Travel and office costs | (387,239) | (375,503) |
| Legal fees | (319,270) | (227,704) |
| Loss on disposal of assets | (86,243) | (24,416) |
| All other operating expenses | (453,825) | (525,507) |
| **Total other operational expenses** | **(3,556,117)** | **(3,066,848)** |

# Notes to the consolidated financial statements

| 10. Income tax | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| **(a) Income tax expense** | | |
| Current tax expense | (40,230) | (3,685) |
| | **(40,230)** | **(3,685)** |

**(b) Numerical reconciliation of income tax expense to prima facie tax payable**

| | 2013 $ | 2012 $ |
|---|---|---|
| Loss from continuing operations before income tax | (979,589) | (10,399,650) |
| Tax at the Australian tax rate of 30% (2012:30%) | 293,877 | 3,119,895 |

Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:

| | 2013 $ | 2012 $ |
|---|---|---|
| Entertainment | (4,201) | (4,322) |
| Impairment of assets | - | (43,787) |
| Patent costs | - | (1,588) |
| R&D income (prior year claim) | 455,078 | - |
| Shared based expenses | (76,310) | (16,527) |
| | 668,444 | 3,053,671 |

| | 2013 $ | 2012 $ |
|---|---|---|
| Deferred tax asset not recognised arising from temporary differences | (2,188,797) | (1,125,943) |
| Prior years losses previously not recognised now brought into account | 1,520,353 | - |
| Current year tax losses not brought to account | - | (1,927,728) |
| Over / (under) provision in prior year | (40,230) | (3,685) |
| **Income tax expense** | **(40,230)** | **(3,685)** |

**(c) Tax losses**

| | 2013 $ | 2012 $ |
|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised | 8,982,751 | 16,515,385 |
| Potential tax benefit @ 30% | 2,694,825 | 4,954,615 |

**(d) Unrecognised temporary differences**

Temporary differences for which deferred tax balances have not been recognised:

| | 2013 $ | 2012 $ |
|---|---|---|
| Deferred tax assets for which future utilisation is not probable | 2,188,797 | 1,125,943 |
| | | |
| Net recognised deferred tax asset relating to the above temporary difference | - | - |

| (e) Non-current assets – deferred tax assets | Consolidated 2013 $ | 2012 $ |
|---|---|---|
| The balance comprises temporary differences attributable to: | | |
| Amounts recognised in profit and loss | | |
| Employee benefits | 274,979 | 80,011 |
| Accrued expenses | - | 113,335 |
| Intangible assets | - | 674,863 |
| Unearned revenue | 3,021,536 | 1,496,279 |
| Tax loss carry forward | 2,694,825 | 4,954,615 |
| | 5,991,340 | 7,319,103 |
| Set-off deferred tax liabilities pursuant to set-off provisions | (717,366) | (1,064,984) |
| Unrecognised deferred tax asset | (5,273,974) | (6,254,119) |
| Net deferred tax assets | - | - |

| (f) Non-current liabilities – deferred tax liabilities | | |
|---|---|---|
| Accrued income | - | 5,572 |
| Fixed assets | 60,463 | - |
| Intangible assets | 656,903 | 992,265 |
| Unrealised foreign exchange gain | - | 67,147 |
| | 717,366 | 1,064,984 |
| Set-off deferred tax assets pursuant to set-off provisions | (717,366) | (1,064,984) |
| 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 $5,273,974 (2012: $6,254,119) or part thereof will be recognised once a trend of the profitable growth is established and that the utilisation of those losses (or part thereof) is probable in the following financial year.

## 11. Dividends paid on ordinary shares

No dividends were paid or proposed for the year ending 30 June 2013 (2012: nil).

**(a) Franking credit balance**

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

| | | |
|---|---|---|
| Franking account balance as at the end of the financial year at 30% (2012: 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 | - | - |
| | **907,213** | **907,213** |

# Notes to the consolidated financial statements

| 12. Trade and other receivables | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| Trade receivables | 2,626,112 | 2,506,322 |
| Provision for doubtful debts | (28,136) | - |
| **Net trade receivables** | **2,597,976** | **2,506,322** |

| | | |
|---|---|---|
| Amounts held by the administrator of QPSX Europe GmbH | - | 1,508,898 |
| Amounts receivable – assertion related | - | 240,601 |
| All other receivables | 380,594 | 300,068 |
| **Total other receivables** | **380,594** | **2,049,567** |

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

| | | |
|---|---|---|
| United States Dollars | - | 240,601 |
| Euros | - | 1,508,898 |

Terms and conditions relating to the above financial instruments:

Trade and other receivables are non-interest bearing and are generally on 7–60 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.

### Past due but not impaired

At reporting date there was $25,069 of receivables which were past due but not impaired (2012: $314,904). 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 | 18,375 | 125,491 |
| 3 to 6 months | 6,694 | 189,413 |
| **Total receivables past due** | **25,069** | **314,904** |

### Risk Exposure

Information about the Group and the parent entity's exposure to credit risk and exchange risk is discussed further in Note 31 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.

| 13. Plant and equipment | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| **Plant and equipment** | | |
| At cost | 5,281,647 | 5,250,379 |
| Accumulated depreciation and impairment | (4,160,536) | (3,434,657) |
| **Plant and equipment** | **1,121,111** | **1,815,722** |

**Reconciliation**

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

| | 2013 $ | 2012 $ |
|---|---|---|
| At 1 July, net of accumulated depreciation and impairment | 1,815,722 | 2,485,075 |
| Additions (at cost) | 133,597 | 406,954 |
| Disposals (at net book value) | (102,329) | (27,143) |
| Depreciation | (725,879) | (1,049,164) |
| **At 30 June, net of accumulated depreciation and impairment** | **1,121,111** | **1,815,722** |

## 14. Intangible assets

| | 2013 $ | 2012 $ |
|---|---|---|
| Goodwill | 134,866 | 134,866 |
| Development costs | 5,090,150 | 6,674,123 |
| **Total intangible assets** | **5,225,016** | **6,808,989** |

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

Reconciliation of movement in Goodwill (i):

| | 2013 $ | 2012 $ |
|---|---|---|
| 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):

| | 2013 $ | 2012 $ |
|---|---|---|
| Balance at the beginning of the year | 6,674,123 | 8,475,721 |
| Additions | - | 588,573 |
| Amortisation | (1,583,973) | (1,264,558) |
| Impairment | - | (1,125,613) |
| **Closing balance at the end of the year** | **5,090,150** | **6,674,123** |

**(b) Impairment tests for goodwill**

All goodwill acquired through business combinations have been allocated to the nearmap.com cash generating unit. The recoverable amount of the nearmap.com unit has been determined based on a value-in-use calculation using cash flow projections as at 30 June based on Board approved financial budgets and an extended forecast covering a 4 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 20% (2012: 25%)
2) A perpetuity growth rate of 2% was used (2012: 2%)

Sensitivity analysis performed indicates that any reasonable possible change in any of the key assumptions would not result in impairment.

# Notes to the consolidated financial statements

| 15. Licensing program costs | Consolidated 2013 $ | 2012 $ |
|---|---|---|
| Licensing program costs incurred assisting third parties to enforce their intellectual property rights | - | **1,609,558** |

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

| | | |
|---|---|---|
| Beginning of financial year | 1,609,558 | 1,706,126 |
| Licensing program costs incurred during the period | - | 890,736 |
| Licensing programs expensed during the period | (1,917,919) | - |
| Licensing programs impaired during the period | 308,361 | (987,304) |
| **End of financial year** | **-** | **1,609,558** |

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.

## 16. Trade and other payables

| | | |
|---|---|---|
| Trade and other creditors (refer Note 16(a) and 16(b)) | 1,613,465 | 3,376,499 |
| Amounts due to profit share partners (refer Note 16(a) and 16(c)) | - | 36,090 |
| **Total trade and other payables** | **1,613,465** | **3,412,589** |

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

| | | |
|---|---|---|
| United States dollars | 43,233 | 96,127 |
| Euro | - | 1,508,898 |

(b) Terms and conditions relating to the above financial instruments:
Trade payables are generally non-interest bearing and are normally settled on 7–60 day terms.

(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 | 10,071,786 | 4,987,595 |

Unearned income comprises photo mapping subscription licence service fees charged, the revenue for which is recognised in profit or loss over the subscription period.

## 18. Employee benefits

Non-current

| | | |
|---|---|---|
| Employee benefits provision – Long service leave | 37,693 | 25,087 |

| | | |
|---|---|---|
| Beginning of financial year | 25,087 | 221,740 |
| Amount recognised through profit or loss for the year | 12,606 | (196,653) |
| **Total employee benefit provision** | **37,693** | **25,087** |

## 19. Contributed equity

| (a) Issued and paid up capital | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| 323,056,101 ordinary shares fully paid (2012: 323,056,101) | **26,535,948** | **26,535,948** |

| (b) Movement in shares on issue | 2013 Number of Shares | 2013 $ | 2012 Number of Shares | 2012 $ |
|---|---|---|---|---|
| Beginning of the financial year | 323,056,101 | 26,535,948 | 323,056,101 | 26,610,948 |
| Treasury shares | - | - | - | (75,000) |
| **Total share capital** | **323,056,101** | **26,535,948** | **323,056,101** | **26,535,948** |

i. No shares were issued during the 2013 year pursuant to the exercise of employee share options.

**(c) Share options**

**Options over ordinary shares**

| Number of options outstanding over ordinary shares | 2013 | 2012 |
|---|---|---|
| Opening balance | 10,109,997 | 49,185,000 |
| Granted during the year | 53,700,000 | - |
| Expired / cancelled during the year | (27,109,997) | (39,075,003) |
| **Options outstanding at the end of the year** | **36,700,000** | **10,109,997** |

Further details in relation to the employee share incentive scheme are contained in Note 24.

**(d) Terms and conditions of contributed equity**

Ordinary shares

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

## 20. Reserves

| Share-based payments reserve | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| Balance at beginning of the year | 3,967,732 | 3,912,642 |
| Share based option expense | 254,366 | 55,090 |
| **Balance at end of year** | **4,222,098** | **3,967,732** |

Nature and purpose of reserves

i. Share-based payment reserve

The Share-based payments reserve is used to recognise the grant date fair value of options issued to Directors and employees but not exercised.

| 21. Accumulated losses | Consolidated 2013 $ | 2012 $ |
|---|---|---|
| Balance at beginning of the year | (18,785,170) | (8,381,835) |
| Loss for the year | (1,019,819) | (10,403,335) |
| **Accumulated loss at the end of the year** | **(19,804,989)** | **(18,785,170)** |

## 22. Expenditure commitments

**(a) Capital expenditure commitments**

There are no capital expenditure commitments contracted as at 30 June 2013 (2012: nil).

**(b) Expenditure commitments**

There are no hire purchase commitments contracted as at 30 June 2013 (2012: nil).

### Operating lease commitments

| Minimum lease payments | | |
|---|---|---|
| Not later than one year | 459,024 | 762,808 |
| Later than one year and no later than five years | 93,713 | 438,419 |
| **Aggregate lease expenditure contracted for at reporting date** | **525,237** | **1,201,227** |

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.

## 23. Cash flow statement

| | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| **(a) Reconciliation of the net loss after tax to the net cash flows from operations** | | |
| Loss after tax | (1,019,819) | (10,403,335) |
| Non-cash items | | |
| Amortisation and depreciation | 2,309,852 | 2,313,722 |
| (Reversal) / impairment of non-current assets | (308,361) | 2,304,727 |
| Net exchange differences | (11,874) | 215,697 |
| Share options expensed | 254,366 | 55,090 |
| Loss on disposal of non-current assets | 86,243 | 24,416 |
| Changes in assets and liabilities | | |
| Payables | 3,321,035 | (2,883,727) |
| Receivables | 1,577,319 | 5,479,551 |
| Provision long service leave | 12,606 | (196,653) |
| Other non-current assets | 1,917,919 | - |
| **Net cash flow from / (used in) operating activities** | **8,139,286** | **(3,090,512)** |

### (b) Reconciliation of cash

| Cash equivalents comprises: | 2013 $ | 2012 $ |
|---|---|---|
| Cash at banks and on hand | 1,633,837 | 853,623 |
| Short term deposits at call | 11,753,437 | 4,500,000 |
| **Closing cash balance** | **13,387,274** | **5,353,623** |

Cash at banks and short term deposits earn interest at floating rates based on daily bank deposits rates.
Refer to sensitivity analysis performed at Note 31.

### (c) Financing facilities available

The Company had no financing facilities as of 30 June 2013.
The facilities that were available to the Company from Lloyd's at 30 June 2012 are detailed below:

| | $AUD | | $USD | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Total facility | - | 3,925,031 | - | 4,000,000 |
| Facility used at reporting date | - | (2,687,988) | - | (2,739,329) |
| **Facility unused at reporting date** | **-** | **1,237,043** | **-** | **1,260,671** |

## 24. 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 2 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 2013 and 30 June 2012:

For the year ended 30 June 2013

| Grant Date | Fair Value of Option at Grant Date $ | Expected Price Volatility % | Risk Free Interest Rate % | Expected Life of Option Years | Option Exercise Price $ | Expiry Date |
|---|---|---|---|---|---|---|
| 23-Nov-12 | 0.0145 | 81.17 | 2.86 | 2.75 | $0.075 | 23-Nov-16 |
| 30-Nov-12 | 0.0177 | 81.67 | 2.74 | 2.75 | $0.075 | 30-Nov-16 |
| 7-Dec-12 | 0.0191 | 77.91 | 2.73 | 2.75 | $0.075 | 7-Dec-16 |
| 14-Dec-12 | 0.0176 | 78.86 | 2.94 | 2.75 | $0.075 | 14-Dec-16 |
| 31-Jan-13 | 0.0285 | 77.10 | 2.94 | 2.75 | $0.103 | 31-Jan-17 |
| 8-Mar-13 | 0.0427 | 77.09 | 3.12 | 2.75 | $0.150 | 8-Mar-17 |
| 8-Apr-13 | 0.0500 | 79.15 | 2.91 | 2.75 | $0.172 | 9-Apr-17 |
| 12-Apr-13 | 0.0522 | 79.33 | 2.91 | 2.75 | $0.179 | 15-Apr-17 |
| 15-May-13 | 0.1428 | 98.96 | 2.91 | 2.75 | $0.387 | 15-May-17 |
| 17-Jun-13 | 0.1546 | 99.61 | 2.96 | 2.75 | $0.415 | 19-Jun-17 |

For the year ended 30 June 2012

No options were issued during 2012. On 29 June 2012 the Company announced that certain options issued to employees were cancelled pursuant to the Board's request to reset the Employee Share Option Plan. New options were then issued during the year ended 30 June 2013 (as detailed above).

## 24. Share-based payment plans (cont.)

**Employee share option incentive scheme** (cont.)

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. The fair value is determined using the Black-Scholes model.

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

Expenses arising from share based payment transactions are $ 254,366 (2012: $55,090).

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

| | 2013 Number of Options | Weighted Average Exercise Price $ | 2012 Number of Options | Weighted Average Exercise Price $ |
|---|---|---|---|---|
| Balance at beginning of year | 9,359,997 | 0.18 | 35,935,000 | 0.18 |
| Issued | 53,700,000 | 0.12 | - | |
| Cancelled | (22,999,997) | 0.20 | (23,075,003) | 0.18 |
| Expired | (3,360,000) | 0.16 | (3,500,000) | 0.20 |
| **Balance at end of year** | **36,700,000** | **0.10** | **9,359,997** | **0.18** |
| **Vested and exercisable at end of year** | **-** | **-** | **7,643,328** | **0.18** |

2013

| Grant Date | Expiry Date | Exercise Price | Balance at Beginning of the Year | Granted During the Year | Forfeited During the Year | Exercised During the Year | Balance at the End of the Year | Vested & Exercisable at the End of the Year |
|---|---|---|---|---|---|---|---|---|
| 11-Jul-08 | 11-Jul-12 | $0.16 | 3,360,000 | - | (3,360,000) | - | - | - |
| 6-Aug-09 | 6-Aug-13 | $0.20 | 1,499,998 | - | (1,499,998) | - | - | - |
| 24-Nov-09 | 24-Nov-13 | $0.20 | 2,000,000 | - | (2,000,000) | - | - | - |
| 16-Jun-11 | 2-Jun-14 | $0.20 | 1,500,000 | - | (1,500,000) | - | - | - |
| 5-Jul-10 | 5-Jul-14 | $0.20 | 999,999 | - | (999,999) | - | - | - |
| 23-Nov-12 | 23-Nov-16 | $0.075 | - | 14,000,000 | - | - | 14,000,000 | - |
| 30-Nov-12 | 30-Nov-16 | $0.075 | - | 20,000,000 | (10,000,000) | - | 10,000,000 | - |
| 7-Dec-12 | 7-Dec-16 | $0.075 | - | 4,000,000 | (2,000,000) | - | 2,000,000 | - |
| 14-Dec-12 | 14-Dec-16 | $0.075 | - | 2,000,000 | - | - | 2,000,000 | - |
| 31-Jan-13 | 31-Jan-17 | $0.103 | - | 1,200,000 | - | - | 1,200,000 | - |
| 8-Mar-13 | 8-Mar-17 | $0.150 | - | 5,000,000 | - | - | 5,000,000 | - |
| 8-Apr-13 | 9-Apr-17 | $0.172 | - | 500,000 | - | - | 500,000 | - |
| 12-Apr-13 | 15-Apr-17 | $0.179 | - | 500,000 | - | - | 500,000 | - |
| 15-May-13 | 15-May-17 | $0.387 | - | 5,000,000 | (5,000,000) | - | - | - |
| 17-Jun-13 | 19-Jun-17 | $0.415 | - | 1,500,000 | - | - | 1,500,000 | - |
| **Total** | | | **9,359,997** | **53,700,000** | **(26,359,997)** | **-** | **36,700,000** | **-** |
| **Weighted Average Price** | | | **$0.19** | **$0.12** | **$0.17** | **-** | **$0.10** | **-** |

## 24. Share-based payment plans (cont.)

**Employee share option incentive scheme** (cont.)

2012

| Grant Date | Expiry Date | Exercise Price | Balance at Beginning of the Year | Granted During the Year | Forfeited During the Year | Exercised During the Year | Balance at the End of the Year | Vested & 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** | **-** | **(26,575,003)** | **-** | **9,359,997** | **7,643,328** |
| **Weighted Average Price** | | | **$0.17** | **-** | **$0.20** | **-** | **$0.19** | **$0.18** |

## 25. Contingent assets and liabilities

**(a) Contingent liabilities**

No 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.

## 26. Significant events after reporting date

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

## 27. 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:

| 27. Earnings per share (cont.) | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| Net loss attributable to ordinary equity holders | (1,019,819) | (10,403,335) |
| Net loss used in calculating diluted earnings per share | (1,019,819) | (10,403,335) |

| | Number of Shares | Number of 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 | 326,392,401 | 323,056,101 |

Earnings per share attributable to the ordinary equity shareholders of the Company:

| | | |
|---|---|---|
| Basic earnings per share (cents) | (0.32)c | (3.22)c |
| Diluted earnings per share (cents) | (0.32)c | (3.22)c |

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 2013 36,700,000 (2012: 10,109,997) options on issue during the year and at reporting date which represented potential ordinary shares were excluded from the diluted weighted average number of shares calculation as their effect would have been anti-dilutive.

| 28. Auditors' remuneration | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| 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 | 78,544 | 69,706 |
| Other services in relation to the entity and any other entity in the consolidated Group – BDO Corporate Tax (WA) Pty Ltd | - | - |
| | 78,544 | 69,706 |

## 29. Key management personnel disclosures

### (a) Key management personnel compensation

| | | |
|---|---|---|
| Short-term employee benefits | 1,282,036 | 1,434,654 |
| Short-term employee bonus | 100,000 | 50,000 |
| Long-term employee benefits | (2,009) | (12,356) |
| Post-employment benefits | 75,123 | 90,240 |
| Share-based payments | 222,873 | 31,157 |
| | 1,678,023 | 1,593,695 |

# Notes to the consolidated financial statements

## 29. Key management personnel disclosures (cont.)

### (b) Option holdings of Directors and other key management personnel

| 30 June 2013 | Balance at beginning of year 1 July 2012 | Granted as Remuneration | Options Exercised | Net Other Changes # | Balance at end of year 30 June 2013 | Vested & exercisable at 30 June 2013 |
|---|---|---|---|---|---|---|
| Directors | | | | | | |
| S Crowther | - | 10,000,000 | - | - | 10,000,000 | - |
| R Newman | - | 2,000,000 | - | - | 2,000,000 | - |
| KC Agerup | 2,000,000 | - | - | (2,000,000) | - | - |
| C Rosenberg | - | 2,000,000 | - | - | 2,000,000 | - |
| Other key management personnel | | | | | | |
| J Lawe Davies | 3,950,000 | - | - | (3,950,000) | - | - |
| M Maitland | - | - | - | - | - | - |
| G Beukes | - | 3,500,000 | - | - | 3,500,000 | - |
| P Lapstun | - | 5,000,000 | - | - | 5,000,000 | - |
| P Peterson | - | 5,000,000 | - | - | 5,000,000 | - |

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

| 30 June 2012 | Balance at beginning of year 1 July 2011 | Granted as Remuneration | Options Exercised | Net Other Changes # | Balance at end of year 30 June 2012 | Vested & 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 | - | - | (11,000,000) | - | - |
| 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.

# Notes to the consolidated financial statements

## 29. Key management personnel disclosures (cont.)

**(c) Shareholdings of key management personnel**

Shares held in the company.

| 30 June 2013 | Balance at 1 July 2012 | Granted as Remuneration | Exercise of Options | Net Other Change | Balance 30 June 2013 | Balance held nominally |
|---|---|---|---|---|---|---|
| Directors | | | | | | |
| R Norgard | 52,484,273 | - | - | 6,092,022 | 58,576,295 | 58,536,295 |
| S Crowther | - | - | - | - | - | - |
| C Rosenberg | - | - | - | 775,000 | 775,000 | - |
| KC Agerup* | - | - | - | - | - | - |
| R Newman | 1,838,500 | - | - | 855,000 | 2,693,500 | 2,693,500 |
| Other key management personnel | | | | | | |
| J Lawe Davies* | 1,257,150 | - | - | (1,257,150) | - | - |
| M Maitland* | 150,000 | - | - | (150,000) | - | - |
| G Beukes | - | - | - | 920,000 | 920,000 | 920,000 |
| P Lapstun | - | - | - | - | - | - |
| P Peterson | - | - | - | - | - | - |

*resigned during the year.

| 30 June 2012 | Balance at 1 July 2011 | Granted as Remuneration | Exercise of Options | Net Other Change | 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 | - | - | (6,433,059) | - | - |
| S Nixon | - | - | - | - | - | - |
| 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.

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.

## 30. Segment information

| 2013 | IP Licensing | nearmap.com | Corporate / Unallocated | Group |
|---|---|---|---|---|
| Revenue | 524,090 | 10,462,627 | - | 10,986,717 |
| Interest | - | - | 261,483 | 261,483 |
| Other income | - | 1,517,425 | - | 1,517,425 |
| **Income for the year** | **524,090** | **11,980,052** | **261,483** | **12,765,625** |
| **Earnings before depreciation / amortisation / impairments & foreign exchange and tax** | **62,179** | **1,496,831** | **(548,982)** | **1,010,028** |
| Depreciation and amortisation | | | | (2,309,852) |
| Reversal of impairments | | | | 308,361 |
| **Loss before foreign exchange and tax** | | | | **(991,463)** |
| Net foreign exchange | | | | 11,874 |
| Taxation | | | | (40,230) |
| **Loss after taxation** | | | | **(1,019,819)** |
| **2012** | | | | |
| 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 / amortisation / 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) |
| **Profit before foreign exchange and tax** | | | | **(10,183,953)** |
| Net foreign exchange | | | | (215,697) |
| Taxation | | | | (3,685) |
| **Loss after taxation** | | | | **(10,403,335)** |

## 31. 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.

## 31. Financial risk management objectives and policies (cont.)

### 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.

| Consolidated 2013 | Weighted Average Interest Rate | Floating Interest Rate < 1 year $ | Fixed Interest Rate < 1 year $ | Fixed Interest Rate >2–<3 years $ | Non-Interest Bearing $ | Total $ |
|---|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Cash and cash equivalents | 3.91% | 1,633,837 | 11,753,437 | - | - | 13,387,274 |
| Trade and other receivables | 0% | - | - | - | 2,978,570 | 2,978,570 |
| | | 1,633,837 | 11,753,437 | - | 2,978,570 | 16,365,844 |
| Financial Liabilities | | - | | | | |
| Trade and other payables | 0% | - | - | - | 1,613,465 | 1,613,465 |
| **Net Financial Assets / (Liabilities)** | | **1,633,837** | **11,753,437** | **-** | **1,329,135** | **14,716,409** |

| 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** |

| 31. Financial risk management objectives and policies (cont.) | Consolidated 2013 $ | 2012 $ |
|---|---|---|
| Judgements of reasonably possible movements: Post tax profit – higher / (lower) | | |
| +0.5% | 43,427 | 15,889 |
| -0.5% | (43,427) | (15,889) |

### Foreign Currency Risk

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

At 30 June, 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):

| | 30 June 2013 | | 30 June 2012 | |
|---|---|---|---|---|
| **Consolidated** | **USD** | **EUR** | **USD** | **EUR** |
| Cash and cash equivalents | 853,206 | - | 83,334 | - |
| Trade and other receivables | - | - | 240,601 | 1,508,898 |
| Trade and other payables | 43,233 | - | 96,127 | 1,508,898 |
| **Gross exposure** | **896,439** | **-** | **420,062** | **1,508,898** |

The following significant exchange rates applied during the year:

| | Average Rate | | Reporting Date Spot Rate | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| USD | 1.0271 | 1.0319 | 0.9275 | 1.0191 |
| EUR | 0.7949 | 0.7707 | 0.7095 | 0.8792 |

## 31. Financial risk management objectives and policies (cont.)

### 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 2012.

| | 30 June 2013 | | 30 June 2012 | |
|---|---|---|---|---|
| | Equity | Profit | Equity | Profit |
| USD | (62,998) | (62,998) | (17,719) | (17,719) |
| EUR | - | - | - | - |

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.

### Capital Risk Management

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

### Credit Risk

The Group trades primarily with recognised, creditworthy third parties.

In addition, receivable balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not significant. The maximum exposure of credit risk relating to the Group and parent is equal to the carrying amount of the balances disclosed in Note 12 Trade and other receivables and Note 23 Cash flow statement.

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.

# Notes to the consolidated financial statements

| **31. Financial risk management objectives and policies** (cont.) | **Consolidated** 2013 $ | 2012 $ |
|---|---|---|
| Credit Risk (cont.) | | |
| **Trade receivables – without external credit rating** | | |
| Existing Customers (more than 6 months) with no defaults in the past | 6,694 | 189,413 |
| **Cash at bank and short-term bank deposits** | | |
| AA rated | 13,387,274 | 5,353,623 |

### 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).

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.

| 32. Parent entity information | Company 2013 $ | 2012 $ |
|---|---|---|
| Information relating to the Company: | | |
| Current assets | 20,765,144 | 21,188,225 |
| Total assets | 20,978,718 | 21,401,800 |
| Current liabilities | (50,942) | (29,685) |
| Total liabilities | (50,942) | (29,685) |
| **Net assets** | **20,927,776** | **21,372,115** |
| Contributed equity | 26,535,948 | 26,535,948 |
| Reserves | 4,222,100 | 3,967,732 |
| Accumulated losses | (9,830,272) | (9,131,565) |
| **Total shareholder equity** | **20,927,776** | **21,372,115** |
| **Loss and total comprehensive income of the parent entity** | **(697,559)** | **(5,963,225)** |

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 25. There are no contingent liabilities of the parent entity.

Details of the contractual commitments of the Group are contained in Note 22. There are no contractual commitments of the parent entity.

### 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 (2012: Nil).

| Loans to wholly-owned subsidiaries | 2013 $ | 2012 $ |
|---|---|---|
| Beginning of the year | 16,034,380 | 15,726,465 |
| Loans advanced | 1,731,077 | 8,138,648 |
| Loan repayments and impairments | (8,865,023) | (7,812,733) |
| **End of the year** | **8,900,434** | **16,034,380** |

## 33. 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 2013 | Equity holding 2012 |
|---|---|---|---|
| QPSX Communications Pty Ltd | Australia | 100 | 100 |
| nearmap Australia 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 |
| IPR 5 Pty Ltd | Australia | - | 100 |
| IPR 6 Pty Ltd | Australia | - | 100 |
| IPR 7 Pty Ltd | Australia | - | 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 |

## 34. Related parties

**(a) Key management personnel (KMP)**

Details relating to KMP, including remuneration paid are included in Note 29 and the remuneration section of the Director's report.

**(b) Transactions with related parties**

There have been no sales, purchases or other transactions with related parties during the year ended 30 June 2013 (year ended 30 June 2012: nil).

**(c) Subsidiaries**

Interests in subsidiaries are set out in Note 33.

**(d) Financial assistance under the employee option plan**

nearmap's Employee Share Option plan includes an Employee Loan Scheme that permits nearmap to grant financial assistance to employees by way of loan to enable them to exercise options and acquire shares.

Mr Crowther, as a salaried Director is eligible to apply for a loan to exercise any Options granted to Mr Crowther under the terms of the Employee Option Plan once the vesting conditions of the eligible options are satisfied.

# Directors' Declaration

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 2013 and of its performance for the year ended on that date; and

ii. complying with Accounting Standards and Corporations Regulations 2001 and other mandatory professional reporting standards; 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 in the Directors' report (as part of audited Remuneration Report) for the year ended 30 June 2013, 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 2013.

On behalf of the Board

**S. Crowther**
Managing Director & CEO

Sydney
28 August 2013

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF NEARMAP LTD

## Report on the Financial Report

We have audited the accompanying financial report of nearmap ltd, which comprises the consolidated statement of financial position as at 30 June 2013, 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 nearmap ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

**Opinion**

In our opinion:

(a) the financial report of nearmap ltd 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

2013 and of its performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

and

(b) the financial report also complies with International *Financial Reporting Standards* as disclosed

in Note 2.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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 nearmap ltd for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd**

BDO

**Brad McVeigh**
Director

Perth, Western Australia
Dated this 28th day of August 2013

# Shareholder Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 10 September 2013.

**(a) Distribution of ordinary shares**

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

| Range | No of holders | No of shares |
|---|---|---|
| 1–1,000 | 80 | 33,253 |
| 1,001–5,000 | 348 | 1,103,228 |
| 5,001–10,000 | 386 | 3,276,049 |
| 10,001–100,000 | 1,088 | 44,670,439 |
| 100,001 and over | 295 | 274,263,132 |
| **Total** | **2,197** | **323,346,101** |

| | | |
|---|---|---|
| The number of shareholders holding less than a marketable parcel of ordinary shares is: | 94 | 50,780 |

**(b) Distribution of unquoted options**

Director options exercisable at $0.075 on or before 23 November 2016

| Range | No of holders | No of options |
|---|---|---|
| 1–1,000 | - | - |
| 1,001–5,000 | - | - |
| 5,001–10,000 | - | - |
| 10,001–100,000 | - | - |
| 100,001 and over | 3 | 14,000,000 |
| **Total** | **3**[1] | **14,000,000** |

1. Simon Benedict Crowther & Fiona Kyla Crowther <Wisebuddha A/C> holds 10,000,000 options comprising 71.42% of this class.

ESOP options exercisable at a range of prices between $0.075 and $0.444 expiring on various dates between 30 November 2016 and 25 July 2017.

| Range | No of holders | No of options |
|---|---|---|
| 1–1,000 | - | - |
| 1,001–5,000 | - | - |
| 5,001–10,000 | - | - |
| 10,001–100,000 | - | - |
| 100,001 and over | 12 | 38,700,000 |
| **Total** | **12** | **38,700,000** |

Consultant Options exercisable at $0.103 on or before 31 January 2017

| Range | No of holders | No of options |
|---|---|---|
| 1–1,000 | - | - |
| 1,001–5,000 | - | - |
| 5,001–10,000 | - | - |
| 10,001–100,000 | - | - |
| 100,001 and over | 1 | 1,200,000 |
| **Total** | **1**[1] | **1,200,000** |

1. Ketom Pty Ltd <The Bechler Family A/C> holds 1,200,000 options comprising 100.00% of this class.

# Shareholder Information

**(c) Twenty largest shareholders**

The names of the twenty largest holders of quoted ordinary shares are:

| | Name | No of shares | % of shares |
|---|---|---|---|
| 1 | National Nominees Limited | 51,611,146 | 15.96 |
| 2 | Longfellow Nominees Pty Ltd <Aeolus A/C> | 36,689,394 | 11.80 |
| 3 | RBC Investor Services Australia Nominees Pty Limited | 25,621,761 | 7.92 |
| 4 | Longfellow Nominees Pty Ltd <Norgard Super Fund A/C> | 20,381,128 | 6.30 |
| 5 | JP Morgan Nominees Australia Limited <Cash Income A/C> | 4,734,551 | 1.46 |
| 6 | Mr Graham Griffiths | 4,571,155 | 1.41 |
| 7 | Oaktel Investments Pty Ltd <Satsf A/C> | 4,000,000 | 1.24 |
| 8 | Mrs Alison Farrelly | 3,500,020 | 1.08 |
| 9 | BNP Paribas Noms Pty Ltd <DRP> | 3,372,414 | 1.04 |
| 10 | Brincliff Pty Ltd <Brincliff Super Fund A/C> | 3,228,448 | 1.00 |
| 11 | HSBC Custody Nominees (Australia) Limited | 2,939,127 | 0.91 |
| 12 | Alimter Pty Ltd <Ashley Zimpel Family A/C> | 2,800,000 | 0.87 |
| 13 | Australian Executor Trustees Limited <No 1 Account> | 2,563,000 | 0.79 |
| 14 | Damplin Investments Pty Ltd | 2,300,000 | 0.71 |
| 15 | Mr Paul Farrelly | 2,100,000 | 0.65 |
| 16 | Mr George Adrian Clark-Walker | 2,000,000 | 0.62 |
| 17 | Maptek Pty Limited <Maptek Investment A/C> | 1,850,000 | 0.57 |
| 18 | Roan Industries Pty Limited <Robinson Super Fund A/C> | 1,800,000 | 0.56 |
| 19 | Mr Graham John Griffiths + Mrs Jillian Griffiths <Griffiths Private S/F A/C> | 1,755,004 | 0.54 |
| 20 | Strategic Consulting Group Pty Ltd <Super Fund A/C> | 1,700,000 | 0.53 |
| **Total** | | **180,982,921** | **55.97** |

**(d) Substantial Shareholders**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

| Name | No of shares | % of shares |
|---|---|---|
| Ross Norgard | 57,884,273 | 17.92 |
| Paradice Investment Management Pty Ltd | 29,000,000 | 8.97 |
| Wilson Asset Management Group | 25,881,575 | 8.01 |

**(e) Voting rights**

All ordinary shares carry one vote per share without restriction. No voting rights are attached to options.

**(f) Stock Exchange Quotation**

The Company's ordinary shares are listed on the Australian Securities Exchange (Code: NEA). The Home Exchange is Perth.

# Corporate Information

**nearmap 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)
R Noon (Non-executive Director)

**Company Secretary**
S Coates

**Registered Office**
Level 6, 6–8 Underwood Street
Sydney NSW 2000

**Website**
www.nearmap.com

**Solicitors**
Kemp Strang
Level 17, 175 Pitt Street
Sydney NSW 2000

**Bankers**
Commonwealth Bank of Australia

**Share Register**
Computershare Registry Services Pty Ltd
45 St Georges Terrace
Perth WA 6000

**Auditors**
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

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