

notes to the financial statements

1. CORPORATE INFORMATION

The financial report of ipernica ltd (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 27 September 2009.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial report has been prepared in accordance with the historical cost convention.

The financial report is in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ending 30 June 2009 are:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 123 (revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group.	1 July 2009
AASB 101 (revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	The Standard introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 8 and AASB 2007-3	Operating Segments and Consequential Amendments to Other Australian Accounting Standards	New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition the amendments may have an impact on the Group's segment disclosures.	1 July 2009

* designates the beginning of the applicable annual reporting period

notes to the financial statements continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(b) Statement of compliance continued

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-1	Amendments to AASB 2 Share Based Payments – Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied	1 January 2009	Initial application of the amendment is not expected to have any material impact on the financial report of the Group and the Company.	1 July 2009
AASB 3 (revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (revised) and AASB 127 (revised) above.	1 July 2009
AASB 2008-5 and AASB 2008-6	Amendments to Australian Accounting Standards arising from the annual improvements project.	Amending standard issued as a consequence of revisions to 26 standards as part of the annual improvement project.	1 January 2009	Initial application of the amendment is not expected to have any material impact on the financial report of the Group and the Company.	1 July 2009

* designates the beginning of the applicable annual reporting period

notes to the financial statements continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**(b) Statement of compliance continued**

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-7	Amendments to Australian Standards – Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate	Amending standard issued as a consequence of revisions to AASB 1, AASB 118, AASB 121, AASB 127 and AASB 136.	1 January 2009	Initial application of the amendment is not expected to have any material impact on the financial report of the Group and the Company.	1 July 2009
AASB 2009-2	Amendments to Australian Standards – Improving Disclosures about Financial Instruments	Amending standard issued as a consequence of revisions to AASB 7, AASB 7, AASB 1023 and AASB 1038.	1 January 2009	Initial application of the amendment is not expected to have any material impact on the financial report of the Group and the Company.	1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the annual improvements project.	Amending standard issued as a consequence of revisions to standards AASB 5, AASB 8, AASB 101, AASB 107, AASB 117, AASB 118, AASB 136 and AASB 139 as part of the annual improvement project.	1 January 2010	Initial application of the amendment is not expected to have any material impact on the financial report of the Group and the Company.	1 January 2010

* designates the beginning of the applicable annual reporting period

(c) Basis of consolidation

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

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

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

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

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

(d) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group’s share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group’s share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the 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.

notes to the financial statements continued

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

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

Revenue recognition

The directors have assessed the value of intangibles (Patents) received as part of the settlement of actions or claims in 2009. Where there is no history of successful claims or current enforceable royalty agreements or no likely indication of deriving future revenue relating to the Patents received, the intangibles are valued at nil in the annual report and no revenue is recorded within the income statement.

Expenditure recognition

The Company has entered into a number of profit share agreements relating to its programs. Sums payable by ipernica under such agreements are generally calculated as a percentage of income after deduction of certain company expenses. The identification of applicable expenses, and the method used to calculate the amount payable under each profit share agreement, depend on an interpretation of the relevant terms of the agreements. The calculation of amounts payable by ipernica under these agreements (which the Company ultimately recognises as an expense in the income statement) is subject to review by the receiving parties. This review process may result in adjustments to the expense recognised in future reporting periods relating to the agreements. The directors believe this will not have a material effect on the position disclosed in the 30 June 2009 annual report.

Licensing program costs

The Group's accounting policy for capitalised licensing program costs is set out in Note 2 (u). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether future licensing programs will be successful and quantities involved. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, we conclude that we are unlikely to recover the expenditure through future licensing programs or sale, then the relevant capitalised amount will be written off to the income statement. Refer to Note 11 for further details.

Impairment

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

Share-based payment transactions

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

Estimated impairment of goodwill and development costs

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

(f) Revenue recognition

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

Litigation/settlement revenue

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

Services

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

Interest

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

Royalties received

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

notes to the financial statements continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**(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 income statement 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 Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 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 income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

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

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

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

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

(ii) Financial liabilities

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

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

notes to the financial statements continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**(m) Impairment of financial assets**

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

(i) Financial assets carried at amortised cost

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

(ii) Financial assets carried at cost

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

(iii) Available-for-sale investments

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

(n) Foreign currencies

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

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

All exchange differences in the consolidated financial report 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 balance sheet date.

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

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

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

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

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

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

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

notes to the financial statements continued

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

ipernica ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, ipernica ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right. In addition to its own current and deferred tax amounts, ipernica ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

(p) Other taxes

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

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

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

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

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

(q) Plant and equipment

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

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

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

(i) Impairment

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

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

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

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

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

For plant and equipment, impairment losses are recognised in the income statement.

(ii) Derecognition and disposal

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

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

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

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Loans and receivables are included in Trade and other receivables (note 6) and Receivables (note 7).

(ii) Available-for-sale investments

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

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

(iii) Investments in subsidiaries

Investments in subsidiaries are held at cost.

(s) Goodwill

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

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

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 Segment Reporting.

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

Impairment losses recognised for goodwill are not subsequently reversed.

(t) Intangibles

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

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where the intangible is in the final stages of development and has not yet been given a useful life the intangible is classified as under development.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets with finite life are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles and intangibles under development impairment is tested annually, at the cash-generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

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

notes to the financial statements continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**(u) Intangibles – licensing program costs**

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

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

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

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

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

Action still outstanding

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

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

Successful licensing program

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

Successful program - appeal by defendant

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

Unsuccessful licensing program

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

notes to the financial statements continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**(v) Intangibles – research and development costs**

Research costs 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:

Patents and licences	
Useful lives	Indefinite
Amortisation method used	No amortisation
Internally generated or acquired	Acquired
Impairment testing	Annually as at 30 June and more frequently when an indication of impairment exists
Development costs	
Useful lives	Finite
Amortisation method used	Amortised over the period of expected future benefit from the related project on a straight-line basis
Internally generated or acquired	Internally generated
Impairment testing	Annually as at 30 June for assets not yet available for use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end

The patents and licences have been granted for a minimum of 10 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. The fact that patents and licences have previously been renewed and that the evidence supports the meeting of these targets has allowed the Group to determine that there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group. Thus, the assets have indefinite useful lives.

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

notes to the financial statements continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**(w) Impairment of assets**

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

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

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

(x) 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.

(y) 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.

(z) 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.

(aa) 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 financial statements continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**(ab) Share-based payment transactions**

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

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

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

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

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

(ac) 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.

(ad) Earnings per share

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

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

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

(ae) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(af) 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 financial statements continued

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
3. REVENUE AND EXPENSES				
(a) Revenue from continuing operations				
Rendering of services / settlement of litigation programs	1,573,591	43,914,154	-	-
Royalties	13,500	-	-	-
Other revenue	2,479	450	-	-
Finance revenue – interest	1,499,938	1,278,499	1,492,900	1,270,780
	3,089,508	45,193,103	1,492,900	1,270,780
(b) Other income				
Net gain from foreign currency translation	153,471	-	164,324	-
(c) Amortisation and depreciation				
Amortisation of development costs	(1,794)	-	-	-
Depreciation	(256,381)	(43,482)	-	-
	(258,175)	(43,482)	-	-
(d) Employee benefits expense				
Share-based payments expense	(430,903)	(482,842)	(430,903)	(482,842)
Defined contribution plan expense	(325,330)	(285,254)	(73,629)	(57,431)
(e) Finance costs				
Finance charges payable under hire purchase contracts	(12,436)	-	-	-
(f) Impairments				
Impairment of intangibles	-	(2,606,280)	-	-
Impairment of fixed assets	(48,676)	-	-	-
Reversal of impairment of loans to controlled entities / (Provision for impairment of loans to controlled entities)	-	-	(9,935,292)	15,514,655
(g) Lease payments				
Minimum lease payments – operating lease	(385,366)	(166,299)	-	-
Contingent rentals	(104,706)	-	-	-
	(490,072)	(166,299)	-	-
(h) Foreign exchange differences				
Net loss from foreign currency translation	-	(139,704)	-	(213,950)
(i) Research and development costs				
Research and development costs	(374,513)	-	-	-

notes to the financial statements continued

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
4. INCOME TAX				
(a) Income tax expense				
Current tax expense / (benefit)	19,493	2,748,312	(204,412)	(2,832,717)
Deferred tax expense / (benefit)	-	-	(278,623)	65,050
	19,493	2,748,312	(483,035)	(2,767,667)
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit / (loss) from continuing operations before income tax	(4,658,009)	17,948,923	(9,218,981)	15,665,580
Tax at the Australian tax rate of 30% (2008: 30%)	(1,397,402)	5,384,677	(2,765,694)	4,699,674
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Capitalised litigation costs	(10,730)	-	-	-
Entertainment	4,747	4,378	-	-
Excess foreign income tax withheld not claimable	70,362	-	-	-
Goodwill	-	181,884	-	-
Investment allowance	(143,049)	-	-	-
Impairment of intangibles	538	-	-	-
Impairment of inter-company loans	-	-	2,980,587	-
Legal	8,398	-	-	-
Over provision for tax in previous years	(50,869)	-	-	-
Relocation costs	4,406	-	-	144,853
Shared based expenses	129,271	144,853	129,271	(4,654,396)
	(1,384,328)	5,715,792	344,164	190,131
Deferred tax asset not recognised arising from temporary differences	-	488,777	-	-
Prior years deferred tax assets previously not recognised now brought to account	-	(506,385)	-	(7,926)
Prior years losses previously not recognised now brought into account	-	(2,949,872)	-	(2,949,872)
Current year tax losses not brought to account	1,403,821	-	-	-
Current year tax losses assumed by head entity	-	-	(827,199)	-
Income tax expense / (benefit)	19,493	2,748,312	(483,035)	(2,767,667)
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	4,679,403	-	-	-
Potential tax benefit @ 30%	1,403,821	-	-	-
(d) Unrecognised temporary differences				
Temporary differences for which deferred tax balances have not been recognised:				
Deferred tax assets for which future utilisation is not probable	-	1,629,257	-	-
Net recognised deferred tax asset relating to the above temporary difference	-	488,777	-	-
(e) Tax consolidation				

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

notes to the financial statements continued

4. INCOME TAX continued

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
(f) Non current assets – deferred tax assets				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss				
Provisions	377,123	96,402	-	-
Fixed assets	14,575	-	-	-
Depreciable intangible assets	-	500,449	-	-
Accrued expenses	42,737	4,031	5,400	3,000
Borrowing costs	-	1,464	-	-
Tax loss carry forwards	232,016	-	232,016	-
	666,451	602,346	237,416	3,000
Amounts recognised directly in equity				
Capital raising costs	-	10,384	10,384	10,384
	666,451	612,730	247,800	13,384
Set-off deferred tax liabilities pursuant to set-off provisions	(666,451)	(123,954)	(34,227)	(13,384)
Deferred tax asset not booked	-	(488,776)	-	-
Net deferred tax assets	-	-	213,573	-
(g) Non current liabilities – deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss				
Accrued revenue	28,372	88,019	28,059	78,434
Depreciable intangible assets	260,126	-	6,168	-
Unrealised foreign exchange gain	67,490	35,935	-	-
Creditors	310,463	-	-	-
Capitalised licensing program costs	-	-	-	-
	666,451	123,954	34,227	78,434
Set-off deferred tax assets pursuant to set-off provisions	(666,451)	(123,954)	(34,227)	(13,384)
Net deferred tax liabilities	-	-	-	65,050

5. DIVIDENDS PAID ON ORDINARY SHARES

(a) Declared and paid during the year

Final franked dividend paid for 2008: 1c (2007:nil)	2,625,561	-	2,625,561	-
There is no proposed dividend for the year ended 30 June 2009.				

(b) Franking credit balance

The amount of franking credits available for the subsequent financial year are:				
Franking account balance as at the end of the financial year at 30% (2008: 30%)	-	-	-	-
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	2,032,453	-	2,032,453	-
Franking debits that will arise from the payment of dividends as at the end of the financial year	(1,125,240)	-	(1,125,240)	-
	907,213	-	907,213	-

(c) Tax rates

The tax rate at which paid dividends have been franked is 30% (2008: 30%).

notes to the financial statements continued

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
6. TRADE AND OTHER RECEIVABLES (Current)				
Trade receivables	51,891	104,215	-	-
Other	399,221	341,650	146,721	295,198
Loan to key management personnel	-	8,750	-	-
Amounts other than trade debts receivable from other related parties (Lloyds of London and a profit share partner)	1,542,531	343,400	-	-
	1,993,643	798,015	146,721	295,198
Australian dollar equivalents of amounts receivable in foreign currencies not effectively hedged:				
United States Dollars	860,174	354,062	-	-
Euros	608,428	13,752	-	-

Terms and conditions relating to the above financial instruments:

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

Further information relating to loans to key management personnel is set out in note 27(d).

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

Past due but not impaired

At reporting date there is only \$15,400 of receivables which were past due but not impaired (2008: \$7,260). No ageing analysis is included as the amounts involved are very small and default is highly unlikely.

Risk exposure

Information about the Group and the parent entity's exposure to credit risk and exchange risk is discussed further in Note 29 Financial Risk Management Objectives and Policies. The maximum exposure to credit risk at reporting date is the carrying amount of each class of receivables mentioned above.

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
7. RECEIVABLES (Non-Current)				
Related party receivables				
Wholly owned group				
Unlisted controlled entities	-	-	17,927,606	87,196
Provision for impairment	-	-	(9,935,292)	-
	-	-	7,992,314	87,196

Loans made by ipernica ltd to wholly owned subsidiaries are repayable on demand. No interest is charged on the loans (2008: Nil).

In 2009 an impairment charge of \$9,935,292 was recorded in relation to the provision for the non recovery of inter company loans. The subsidiary companies currently do not have sufficient assets to repay the loans and ipernica ltd has therefore determined that the loans are impaired.

notes to the financial statements continued

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
8. OTHER FINANCIAL ASSETS				
Investments at cost comprise:				
Shares				
Unlisted entities (i)	561,239	461,239	-	-
Unlisted controlled entities (ii)	-	-	827,200	1
Impairment of unlisted shares	(328,739)	(328,739)	-	-
	232,500	132,500	827,200	1

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

Risk exposure

Information about the Group and the parent entity's exposure to credit risk is discussed further in Note 29 Financial Risk Management Objectives and Policies. The maximum exposure to credit risk at reporting date is the total carrying value of the investments.

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

(ii) Unlisted controlled entities (subsidiaries):

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity		Consolidated		Company	
		2009 %	2008 %	2009 \$	2008 \$	2009 \$	2008 \$
QPSX Communications Pty Ltd	Australia	100	100	-	-	827,199	-
QPSX Europe GmbH	Germany	100	100	-	-	-	-
Nearmap Pty Ltd	Australia	100	-	-	-	-	-
IPR 1 Pty Ltd	Australia	100	100	-	-	-	-
IPR 2 Pty Ltd	Australia	100	100	-	-	-	-
IPR 3 Pty Ltd	Australia	100	100	-	-	-	-
IPR 4 Pty Ltd	Australia	100	100	-	-	-	-
IPR 5 Pty Ltd	Australia	100	100	-	-	-	-
IPR 6 Pty Ltd	Australia	100	100	-	-	-	-
IPR 7 Pty Ltd	Australia	100	100	-	-	-	-
IPR 8 Pty Ltd	Australia	100	100	-	-	-	-
QPSX Developments 5 Pty Ltd	Australia	100	100	-	-	-	-
ipernica ventures Pty Ltd	Australia	100	100	-	-	-	-
Safeguard International Pty Ltd	Australia	-	100	-	-	-	-
QPSX Holdings Pty Ltd	Australia	100	100	-	-	1	1
				-	-	827,200	1

On 21 November 2008 NearMap Pty Ltd was 100% acquired (See Note 21 Business Combination for further details).

On the 25 September 2008 Safeguard International Pty Ltd was voluntarily deregistered.

notes to the financial statements continued

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
9. PLANT AND EQUIPMENT				
Plant and equipment				
At cost	2,865,837	286,948	-	-
Accumulated depreciation and impairment	(536,319)	(177,491)	-	-
	2,329,518	109,457	-	-
Reconciliation				
Reconciliation of the carrying amount of plant and equipment at the beginning and end of the year.				
At 1 July, net of accumulated depreciation and impairment	109,457	67,871	-	-
Additions (at cost)	2,034,139	85,068	-	-
Acquisition of a subsidiary	524,412	-	-	-
Disposals (at net book value)	(33,433)	-	-	-
Depreciation	(256,381)	(43,482)	-	-
Impairment charge	(48,676)	-	-	-
At 30 June, net of accumulated depreciation and impairment	2,329,518	109,457	-	-

Impairment charge

In 2009 an impairment charge of \$48,676 was recorded in relation to the decision to close down the Melbourne office. The impairment charge was based on an estimate of the fair value less costs to sell the assets.

Plant and equipment pledged as security

Plant and equipment with a carrying amount of \$379,654 (2008:Nil) for the Group are pledged as securities for current and non-current liabilities as disclosed in Note 14.

notes to the financial statements continued

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
10. INTANGIBLE ASSETS AND GOODWILL				
Goodwill	134,866	-	-	-
Development costs	9,026,919	-	-	-
	9,161,785	-	-	-
(a) Reconciliation of carrying amounts at the beginning and end of the period				
Reconciliation of movement in goodwill (i):				
Balance at the beginning of the year	-	606,280	-	-
Acquisition of subsidiary (Note 21(a))	134,866	-	-	-
Impairment during the year	-	(606,280)	-	-
Closing balance at the end of the year	134,866	-	-	-
Reconciliation of movement in development costs (ii):				
Balance at the beginning of the year	-	-	-	-
Acquisition of subsidiary (Note 21(c))	8,877,133	-	-	-
Additions	151,580	-	-	-
Amortisation	(1,794)	-	-	-
Closing balance at the end of the year	9,026,919	-	-	-
Reconciliation of movement in purchased intellectual property rights:				
Balance at the beginning of the year	-	2,000,000	-	-
Impairment during the year	-	(2,000,000)	-	-
Closing balance at the end of the year	-	-	-	-

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

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

(ii) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. Those development costs that have been assessed as having a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project. The amortisation has been recognised as an expense in the income statement. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. At this time the vast majority of Intangible is under development and has not been amortised.

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

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

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

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

The calculation of value in use for the NearMap unit relies upon the successful commercialisation of the NearMap technology and is most sensitive to the following assumptions; discount rates, market rates, growth rates and licensing revenue. The assessment was based upon cash flows and NearMap achieving forecast licensing revenue, based on anticipated contracts of which negotiations have yet to be concluded. Whilst it has been concluded that the forecast licensing revenue is probable, should these negotiations not result in the levels of sales forecast, then the value of the goodwill and development costs may become impaired in the future. These assets will be continually reviewed for impairment indicators.

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

notes to the financial statements continued

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
11. LICENSING PROGRAM COSTS				
Licensing program costs incurred assisting third parties to enforce their intellectual property rights	1,324,024	588,257	-	-
Reconciliation of the carrying amount of licensing program costs at the beginning and end of the year.				
Beginning of financial year	588,257	558,706	-	-
Licensing program costs during the period	735,767	29,551	-	-
Licensing programs completed during period	-	-	-	-
End of financial year	1,324,024	588,257	-	-
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 Company's accounting policy, refer to Note 2(u) for detailed explanation.				
For further details relating to litigation risk, refer to Note 29.				
12. TRADE AND OTHER PAYABLES				
Trade creditors (refer Note 12(a) and 12(b))	3,323,492	3,908,487	35,477	32,299
Amounts other than trade creditors payable to other related parties (profit share partners) (refer Note 12(a) and 12(c))	11,979	2,296,069	-	-
Related party payables – wholly-owned group				
Unlisted controlled entities (refer Note 12(d) and Note 26)	-	-	167,351	1,797,428
	3,335,471	6,204,556	202,828	1,829,727

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

United States dollars	120,545	973,395	-	-
Euro	2,333,835	3,241,028	-	-

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

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

Included in trade creditors is an amount of \$1,363,717 (2008: \$3,220,711) representing the amount of costs orders and accrued interest which ipernica (through its subsidiary QPSX Communications Pty Ltd) may be ordered to pay in respect of the patent nullity proceedings brought by Deutsche Telekom in the German Federal Patent Court and appealed by ipernica in the German Supreme Court. The German Supreme Court's orders on the appeal in September 2008 amended the original costs order made against ipernica in June 2004 and reduced the Group's overall exposure to adverse costs orders. The amended costs order must now be taxed (re-calculated) to take into account the new elements of the order. The German Federal Patent Court will tax these costs when one of the parties makes the appropriate application. The amount of the costs order is subject to movements in exchange rates. Compound interest may accrue on a proportion of the payable at the variable interest rate of the German Civil Court Basic Rate of Interest plus 5% which in total was 6.62% at 30 June 2009 (2008: 8.32%). The group is entitled to seek recovery from Lloyds of London and a profit share partner for their share of this payable totalling approximately \$621,855. As such the net impact to ipernica is approximately \$741,862.

Also included in trade creditors is a non interest bearing amount of \$950,000 (2008: nil) which was received from Lloyds of London as an advance payment in respect to the original adverse costs orders made by the German Federal Patent Court in 2004. These orders have been amended by the German Supreme Court, and must now be taxed to take into account the new elements of the order. When the German Federal Court taxes the costs, it is expected that the amount of Lloyds' share will be reduced, and ipernica will accordingly be required to make a payment to Lloyds. The expected amount of Lloyds' share of the amended costs order has been recognised as a receivable.

- (c) Amounts payable to profit share partners are non-interest bearing and are normally settled on 20 – 30 day terms.
- (d) Loans made to ipernica ltd from wholly-owned subsidiaries are repayable on demand. No interest is charged on the loans (2008: Nil).

notes to the financial statements continued

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
13. PROVISIONS				
Current:				
Employee benefit provisions – long service leave (i)	142,029	149,272	-	-
Litigation provisions (ii)	1,690,078	-	-	-
	1,832,107	149,272	-	-
Non current:				
Employee benefit provisions – long service leave (i)	30,810	20,352	-	-
Profit share partners payments (iii)	1,000,000	1,000,000	-	-
	1,030,810	1,020,352	-	-
(i) Employee benefits – long service leave				
Beginning of financial year	169,624	92,893	-	-
Arising during the year	45,497	82,179	-	-
Utilised	(24,307)	-	-	-
Unused amounts reversed	(12,909)	(1,262)	-	-
Discount rate adjustment	(5,066)	(4,186)	-	-
End of financial year	172,839	169,624	-	-
Disclosed as:				
Current employee benefit provisions	142,029	149,272	-	-
Non-current employee benefit provisions	30,810	20,352	-	-
Total	172,839	169,624	-	-
(ii) Litigation provisions				
Beginning of financial year	-	-	-	-
Arising during the year	1,690,078	-	-	-
End of financial year	1,690,078	-	-	-
Disclosed as:				
Current litigation provisions	1,690,078	-	-	-
(iii) Profit share partners payments				
Beginning of financial year	1,000,000	-	-	-
Arising during the year	-	1,000,000	-	-
End of financial year	1,000,000	1,000,000	-	-
Disclosed as:				
Non-current profit share partners payments	1,000,000	1,000,000	-	-

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

notes to the financial statements continued

13. PROVISIONS continued**Litigation provisions**

During the year an amount of \$1,690,078 was raised in respect to potential adverse cost orders in the Group's infringement action against Deutsche Telekom and Siemens.

On 15 April 2009, QPSX Europe GmbH filed a motion to re-commence its infringement claim against Deutsche Telekom and Siemens in the Munich District Court, amending the original claim to take into account the changes to the patent made by the German Supreme Court. The claim is for damages resulting from past infringement.

Siemens and Deutsche Telekom have argued that the amended claim should be treated as an entirely new claim, and should therefore not be considered by the Court in determining whether to dismiss the original infringement complaint. Siemens previously filed a motion requesting that the Court dismiss ipernica's infringement complaint on the basis that, in light of the amendments to the Company's German SAR patent, ipernica's original patent infringement claim is no longer supported by the patent.

The Court is reviewing all parties' submissions on both motions, with a hearing on the matter scheduled for 14 January 2010. If the Court were to dismiss the infringement proceedings, there would be an associated adverse cost order made against QPSX Europe GmbH which, on a conservative basis, has been provided for in these accounts. The provision estimate is based upon external legal advisors best estimates of these costs.

If the Group is required to pay the adverse costs orders the Group would be entitled to seek recovery from Lloyds of London, and a profit share partner, totalling approximately \$770,676. This amount has been recorded as a receivable. As such the net impact to ipernica is approximately \$919,402.

Profit share partners payments

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

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
14. BORROWINGS				
Obligations under finance lease and hire purchase contracts (Note 18)				
Current	146,857	-	-	-
Non-current	263,291	-	-	-
	410,148	-	-	-

Plant and equipment with a carrying amount of \$379,654 (2008:Nil) for the Group are pledged as securities for current and non-current liabilities. The carrying amount of the Group's current and non-current borrowings approximates their fair value.

Details regarding interest rate and liquidity risk is disclosed in Note 29.

notes to the financial statements continued

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
15. CONTRIBUTED EQUITY				
(a) Issued and paid up capital				
322,556,101 ordinary shares fully paid (2008: 262,556,101)	26,535,948	21,555,948	26,535,948	21,555,948

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital nor par value in respect of its issued shares.

	2009		2008	
	Number of Shares	\$	Number of Shares	\$
(b) Movement in shares on issue				
Beginning of the financial year	262,556,101	21,555,948	261,556,101	21,405,948
Issued during the year				
- issued in consideration of equity investment (i)	60,000,000	4,980,000	-	-
- exercise of options	-	-	1,000,000	150,000
	322,556,101	26,535,948	262,556,101	21,555,948

(i) During the year 60,000,000 shares at a value of \$4,980,000 were issued (along with cash and options) as consideration for the purchase of NearMap Pty Ltd (see Note 21 for further details).

(c) Share options**Options over ordinary shares**

At the end of the year there were 41,399,994 (2008: 17,783,333) unissued ordinary shares in respect of which options were outstanding.

Employee share incentive scheme

During the financial year 1,440,000 options over ordinary shares in respect of the employee share incentive scheme expired and 3,693,339 were cancelled.

During the financial year, 15,650,000 options were issued over ordinary shares in respect of the employee share incentive scheme.

Further details in relation to the employee share incentive scheme are contained in Note 20.

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

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

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

notes to the financial statements continued

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
16. RESERVES				
Share-based payments reserve				
Balance at beginning of the year	1,876,971	1,394,129	1,876,971	1,394,129
Share based option expense	430,903	482,842	430,903	482,842
Options issued as part of NearMap acquisition	335,000	-	335,000	-
Balance at end of year	2,642,874	1,876,971	2,642,874	1,876,971

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration (refer to Note 20 for further details of these plans) and the value of equity benefits provided as consideration for the acquisition of entities (refer Note 21 for further details).

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
17. ACCUMULATED PROFITS / (LOSSES)				
Balance at beginning of the year	4,705,736	(10,494,875)	8,764,180	(9,669,067)
Dividends paid out of 2008 year profits	(2,625,561)	-	(2,625,561)	-
Profit / (loss) attributable to members of ipernica ltd	(4,677,502)	15,200,611	(8,735,946)	18,433,247
Balance at end of year	(2,597,327)	4,705,736	(2,597,327)	8,764,180

notes to the financial statements continued

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
18. EXPENDITURE COMMITMENTS				
(a) Capital expenditure commitments				
There are no capital expenditure commitments contracted for at balance date				
(b) Lease expenditure commitments				
(i) Hire purchase commitments				
Minimum lease payments:				
Not later than one year	177,759	-	-	-
Later than one year and no later than five years	281,807	-	-	-
Later than five years	-	-	-	-
Less amounts representing financing charge	(49,418)	-	-	-
Aggregate lease expenditure contracted for at balance date	410,148	-	-	-
(ii) Operating leases (non-cancellable) (refer Note 18(c))				
Minimum lease payments:				
Not later than one year	404,355	111,242	-	-
Later than one year and no later than five years	769,603	239,550	-	-
Later than five years	-	-	-	-
Aggregate lease expenditure contracted for at balance date	1,173,958	350,792	-	-
Aggregate expenditure commitments comprise:				
Amounts not provided for:				
Rental commitments	1,173,958	350,792	-	-
Total not provided for	1,173,958	350,792	-	-

(c) Notes**Operating lease commitments**

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

Hire purchase commitments

The group has hire purchase contracts for various items of plant and equipment with a carrying amount of \$379,654 (2008: Nil).

The current hire purchase contracts have terms of 3 years.

notes to the financial statements continued

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
19. CASH FLOW STATEMENT				
(a) Reconciliation of the net (loss) / profit after tax to the net cash flows from operations				
(Loss) / profit after tax	(4,677,502)	15,200,611	(8,735,946)	18,433,247
Non-cash items:				
Depreciation of non-current assets	256,381	43,482	-	-
Amortisation of non-current assets	1,794	-	-	-
Loss on sale of non-current assets	18,188	-	-	-
Impairment of loans to controlled entities / (reversal of impairment of loans to controlled entities)	-	-	9,935,292	(15,514,655)
Impairment of intangibles	-	2,606,280	-	-
Impairment of non-current assets	48,676	-	-	-
Net exchange differences	(52,858)	152,806	(164,324)	213,949
Share options expensed	430,904	482,842	430,904	482,842
Tax funding arrangements with controlled entities	-	-	-	(4,929,022)
Changes in assets and liabilities:				
Payables	(3,055,547)	1,522,522	3,177	10,846
Receivables	(1,140,035)	(276,754)	771,264	(198,420)
Provision for employee entitlements	3,214	76,731	-	-
Other provisions	1,690,078	-	-	-
Provision for income tax payable	(2,075,045)	2,096,305	(2,096,305)	2,096,305
Deferred tax assets	-	-	(213,573)	-
Deferred tax liability	-	-	(65,050)	65,050
Other non-current assets	(735,767)	(29,551)	(827,199)	-
Net cash flow from / (used in) operating activities	(9,287,519)	21,875,274	(961,760)	660,142
(b) Reconciliation of cash				
Cash equivalents comprises:				
Cash at banks and on hand	763,694	1,533,962	260,343	1,358,837
Short term deposits at call	17,406,127	34,446,949	17,344,172	34,446,949
Closing cash balance	18,169,821	35,980,911	17,604,515	35,805,786

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

notes to the financial statements continued

19. CASH FLOW STATEMENT continued**(c) Financing facilities available**

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

	SAUD		SUSD	
	2009	2008	2009	2008
At balance date, the following financing facility from Lloyd's had been negotiated and was available:				
Total facility	4,929,751	4,155,412	4,000,000	4,000,000
Facility used at balance date	(3,376,052)	(2,845,761)	(2,739,329)	(2,739,329)
Facility unused at balance date	1,553,699	1,309,651	1,260,671	1,260,671

(d) Non-cash financing and investing activities

During the year, the consolidated entity purchased \$428,567 (2008: Nil) fixed assets on hire purchase finance lease.

During the year 60,000,000 shares at a value of \$4,980,000 and 12,500,000 40 cent options at a value of \$335,000 were issued (along with cash) as consideration for the purchase of NearMap Pty Ltd (see Note 21 for further details).

notes to the financial statements continued

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

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

The following table lists the inputs to the model used for the years ended 30 June 2008 and 30 June 2009:

Grant Date	Share Value at Grant Date \$	Expected Price Volatility %	Risk Free Interest Rate %	Expected Life of Option Years	Option Exercise Price \$	Expiry Date
For the year ended 30 June 2009:						
11/07/08	0.077	90.08	6.43	4	0.16	11/07/12
21/11/08	0.085	100.81	3.92	4	0.16	21/11/12
24/11/08	0.080	100.39	3.93	4	0.20	24/11/12
21/01/09	0.075	91.68	3.45	4	0.20	21/01/13
For the year ended 30 June 2008:						
31/07/07	0.165	120.81	6.21	4	0.20	31/07/11
03/09/07	0.160	121.83	6.13	4	0.20	03/09/11
30/11/07	0.140	112.70	6.27	4	0.20	30/11/11

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

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

Expenses arising from share based payments transaction is disclosed in Note 16.

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

	2009		2008	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance at beginning of year	17,633,333	0.17	26,181,666	0.19
Issued	15,650,000	0.17	5,700,000	0.20
Cancelled	(3,693,339)	0.17	(3,971,667)	0.16
Expired	(1,440,000)	0.17	(9,276,666)	0.24
Exercised	-	-	(1,000,000)	0.15
Balance at end of year	28,149,994	0.17	17,633,333	0.17
Vested and exercisable at end of year	11,369,991	0.17	7,489,989	0.16

notes to the financial statements continued

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

The following table summarises information about options held by directors and employees as at 1 July 2008:

Number of Options	Grant Date	Vesting Date	Expiry Date	Value per option at grant date	Weighted Average Exercise Price
346,666	28-Sep-04	30-Sep-05	30-Sep-08	\$0.058	\$0.17
346,666	28-Sep-04	30-Sep-06	30-Sep-08	\$0.058	\$0.17
346,668	28-Sep-04	30-Sep-07	30-Sep-08	\$0.058	\$0.17
66,666	28-Nov-04	30-Nov-05	30-Nov-08	\$0.075	\$0.17
66,667	28-Nov-04	30-Nov-06	30-Nov-08	\$0.075	\$0.17
66,667	28-Nov-04	30-Nov-07	30-Nov-08	\$0.075	\$0.17
66,666	28-Dec-04	24-Dec-05	24-Dec-08	\$0.075	\$0.17
66,666	28-Dec-04	24-Dec-06	24-Dec-08	\$0.075	\$0.17
66,668	28-Dec-04	24-Dec-07	24-Dec-08	\$0.075	\$0.17
613,332	13-Jul-05	14-Jul-06	14-Jul-09	\$0.029	\$0.15
613,333	13-Jul-05	14-Jul-07	14-Jul-09	\$0.029	\$0.15
613,335	13-Jul-05	14-Jul-08	14-Jul-09	\$0.029	\$0.15
133,332	13-Jul-05	28-Nov-06	28-Nov-09	\$0.031	\$0.15
133,333	13-Jul-05	28-Nov-07	28-Nov-09	\$0.031	\$0.15
133,335	13-Jul-05	28-Nov-08	28-Nov-09	\$0.031	\$0.15
833,333	28-Nov-05	28-Nov-06	28-Nov-09	\$0.031	\$0.15
833,333	28-Nov-05	28-Nov-07	28-Nov-09	\$0.031	\$0.15
833,334	28-Nov-05	28-Nov-08	28-Nov-09	\$0.031	\$0.15
166,666	25-Jan-06	8-Mar-07	8-Mar-10	\$0.123	\$0.15
166,667	25-Jan-06	8-Mar-08	8-Mar-10	\$0.123	\$0.15
166,667	25-Jan-06	8-Mar-09	8-Mar-10	\$0.123	\$0.15
523,330	18-Jul-06	18-Jul-07	18-Jul-10	\$0.092	\$0.15
523,330	18-Jul-06	18-Jul-08	18-Jul-10	\$0.092	\$0.15
523,340	18-Jul-06	18-Jul-09	18-Jul-10	\$0.092	\$0.15
33,333	1-Aug-06	1-Aug-07	1-Aug-10	\$0.087	\$0.15
666,666	29-Aug-06	29-Aug-07	29-Aug-10	\$0.082	\$0.15
666,666	29-Aug-06	29-Aug-08	29-Aug-10	\$0.082	\$0.15
666,668	29-Aug-06	29-Aug-09	29-Aug-10	\$0.082	\$0.15
366,665	5-Feb-07	5-Feb-07	5-Feb-10	\$0.119	\$0.20
366,666	5-Feb-07	5-Feb-08	5-Feb-10	\$0.119	\$0.20
366,669	5-Feb-07	5-Feb-09	5-Feb-10	\$0.119	\$0.20
300,000	12-Apr-07	12-Apr-07	12-Apr-10	\$0.105	\$0.20
300,000	12-Apr-07	12-Apr-08	12-Apr-10	\$0.105	\$0.20
300,000	12-Apr-07	12-Apr-09	12-Apr-10	\$0.105	\$0.20
950,000	30-Jul-07	31-Jul-08	31-Jul-11	\$0.133	\$0.20
950,000	30-Jul-07	31-Jul-09	31-Jul-11	\$0.133	\$0.20
950,000	30-Jul-07	31-Jul-10	31-Jul-11	\$0.133	\$0.20
100,000	30-Jul-07	3-Sep-08	3-Sep-11	\$0.133	\$0.20
100,000	30-Jul-07	3-Sep-09	3-Sep-11	\$0.133	\$0.20
100,000	30-Jul-07	3-Sep-10	3-Sep-11	\$0.133	\$0.20
733,333	30-Nov-07	30-Nov-08	30-Nov-11	\$0.102	\$0.20
733,333	30-Nov-07	30-Nov-09	30-Nov-11	\$0.102	\$0.20
733,334	30-Nov-07	30-Nov-10	30-Nov-11	\$0.102	\$0.20

17,633,333

notes to the financial statements continued

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

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

Number of Options	Grant Date	Vesting Date	Expiry Date	Value per option at grant date	Weighted Average Exercise Price
2,083,333	11-Jul-08	11-Jul-09	11-Jul-12	\$0.042	\$0.16
2,083,333	11-Jul-08	11-Jul-10	11-Jul-12	\$0.042	\$0.16
2,083,334	11-Jul-08	11-Jul-11	11-Jul-12	\$0.042	\$0.16
1,466,666	21-Nov-08	21-Nov-09	21-Nov-12	\$0.050	\$0.16
1,466,667	21-Nov-08	21-Nov-10	21-Nov-12	\$0.050	\$0.16
1,466,667	21-Nov-08	21-Nov-11	21-Nov-12	\$0.050	\$0.16
1,666,666	24-Nov-08	24-Nov-09	24-Nov-12	\$0.044	\$0.20
1,666,666	24-Nov-08	24-Nov-10	24-Nov-12	\$0.044	\$0.20
1,666,668	24-Nov-08	24-Nov-11	24-Nov-12	\$0.044	\$0.20
15,650,000					

(c) Options cancelled during the reporting period:

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

Number of Options	Grant Date	Vesting Date	Expiry Date	Value per option at grant date	Weighted Average Exercise Price
33,333	1-Aug-06	1-Aug-07	1-Aug-10	\$0.087	\$0.15
100,000	18-Jul-07	18-Jul-09	18-Jul-10	\$0.092	\$0.15
33,334	5-Feb-07	5-Feb-09	5-Feb-10	\$0.119	\$0.20
166,666	30-Jul-07	31-Jul-09	31-Jul-11	\$0.133	\$0.20
166,668	30-Jul-07	31-Jul-10	31-Jul-11	\$0.133	\$0.20
400,000	11-Jul-08	11-Jul-09	11-Jul-12	\$0.042	\$0.16
400,000	11-Jul-08	11-Jul-10	11-Jul-12	\$0.042	\$0.16
400,000	11-Jul-08	11-Jul-11	11-Jul-12	\$0.042	\$0.16
100,000	30-Jul-07	3-Sep-09	3-Sep-11	\$0.133	\$0.20
100,000	30-Jul-07	3-Sep-10	3-Sep-11	\$0.133	\$0.20
183,336	18-Jul-06	18-Jul-09	18-Jul-10	\$0.092	\$0.15
249,998	30-Jul-07	31-Jul-09	31-Jul-11	\$0.133	\$0.20
250,004	30-Jul-07	31-Jul-10	31-Jul-11	\$0.133	\$0.20
370,000	11-Jul-08	11-Jul-09	11-Jul-12	\$0.042	\$0.16
370,000	11-Jul-08	11-Jul-10	11-Jul-12	\$0.042	\$0.16
370,000	11-Jul-08	11-Jul-11	11-Jul-12	\$0.042	\$0.16
3,693,339					

(d) Options expired during the reporting period:

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

Number of Options	Grant Date	Vesting Date	Expiry Date	Value per option at grant date	Weighted Average Exercise Price
346,666	28-Sep-04	30-Sep-05	30-Sep-08	\$0.058	\$0.17
346,666	28-Sep-04	30-Sep-06	30-Sep-08	\$0.058	\$0.17
346,668	28-Sep-04	30-Sep-07	30-Sep-08	\$0.058	\$0.17
66,666	28-Nov-04	30-Nov-05	30-Nov-08	\$0.075	\$0.17
66,667	28-Nov-04	30-Nov-06	30-Nov-08	\$0.075	\$0.17
66,667	28-Nov-04	30-Nov-07	30-Nov-08	\$0.075	\$0.17
66,666	28-Dec-04	24-Dec-05	24-Dec-08	\$0.075	\$0.17
66,666	28-Dec-04	24-Dec-06	24-Dec-08	\$0.075	\$0.17
66,668	28-Dec-04	24-Dec-07	24-Dec-08	\$0.075	\$0.17
1,440,000					

notes to the financial statements continued

20. SHARE-BASED PAYMENT PLANS continued**(e) Options exercised during the reporting period:**

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

Number of Options	Grant Date	Vesting Date	Expiry Date	Value per option at grant date	Weighted Average Exercise Price
N/A					

No options were exercised during the year.

(f) Options held at the end of the reporting period:

The following table summarises information about options held by directors and employees at 30 June 2009:

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

28,149,994

notes to the financial statements continued

21. BUSINESS COMBINATION**(a) Summary of acquisition**

On 21 November 2008 a wholly owned subsidiary of the parent entity acquired 100% of the issued share capital of NearMap Pty Ltd.

The acquired business contributed revenues of \$3,174 and a net loss of \$1,910,355 to the Group for the period from 21 November 2008 to 30 June 2009. If the acquisition had occurred on 1 July 2008, the consolidated revenue would have remained unchanged at \$3,089,508 and consolidated loss would have been \$5,080,166 for the year ended 30 June 2009. These amounts have been calculated using the Group's accounting policies.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Purchase consideration (refer to (b) below):

	\$
Cash paid	4,000,000
Direct costs relating to the acquisition	348,731
Value of shares and options issued	5,315,000
Total purchase consideration	9,663,731
Fair value of net identifiable assets acquired (refer to (c) below)	9,528,865
Goodwill (refer to (c) below)	134,866

(b) Purchase consideration

	\$
Outflow of cash to acquire subsidiary, net of cash acquired:	
Cash consideration including direct costs relating to acquisition	4,348,731
Less cash balances acquired	(135,559)
Outflow of cash	4,213,172

Value of shares and options issued

As part consideration the parent entity issued 60,000,000 shares with a fair value of \$0.083 each based on the quoted price of the shares of ipernica ltd at the date of exchange. The parent entity also issued 12,500,000 options with an exercise price of 40 cents and expiry date of 3 years from the date of issue. The options had a fair value of \$0.0268 based on a valuation using the Black-Scholes Model.

The following major assumptions were used in the calculation:

- Share price: 8.3 cents (being the closing price of the shares on 21 November 2008).
- Exercise price: 40 cents.
- Risk free interest rate: 3.6% (being the 3 year Treasury Bond Yield rate as at 21 November 2007).
- Volatility factor: 100.68% (based on the last twelve months trading history).
- Expiry date: 21 November 2012.

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$	Fair value \$
Cash	135,559	135,559
Other receivables	50,660	50,660
Plant and equipment	524,412	524,412
Intangible assets	-	8,877,133
Trade and other payables	(58,899)	(58,899)
Net assets		9,528,865

The goodwill and development costs are attributable to the technology being developed, workforce assembled and the future anticipated profitability of the acquired business. The fair value of assets and liabilities acquired are based on an independent valuation report using the Depreciated Optimised Replacement Cost method (DORC) for Intangible assets and the director's assessment of the recoverable amount for all other assets and liabilities. No acquisition provisions were created. There were no additional acquisitions in the year ending 30 June 2009.

notes to the financial statements continued

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

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

(b) Contingent liabilities

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

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

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

23. SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

On 27 August 2009 a US Court granted Ericsson a motion to stay the infringement proceedings pending the result of the re-examination of the Stat Mux patent.

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

24. EARNINGS PER SHARE

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

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

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

	Consolidated	
	2009	2008
	\$	\$
Net profit / (loss) attributable to ordinary equity holders	(4,677,502)	15,200,611
Net profit / (loss) used in calculating diluted earnings per share	(4,677,502)	15,200,611
	2009	2008
	Number of	Number of
	Shares	Shares
Weighted average number of ordinary shares on issue used in the calculation of basic profit / (loss) per share	299,049,252	262,296,538
Weighted average number of ordinary shares on issue used in the calculation of diluted profit / (loss) per share	299,049,252	262,296,538

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 this financial report.

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

notes to the financial statements continued

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
25. AUDITORS' REMUNERATION				
Amounts paid or payable to the Company's auditors				
- audit or review of the financial report of the entity – BDO Kendalls Audit & Assurance (WA) Pty Ltd	68,125	34,981	68,125	34,981
- other services in relation to the entity and any other entity in the consolidated group – BDO Kendalls Corporate Tax (WA) Pty Ltd	5,670	-	5,670	-
	<u>73,795</u>	<u>34,981</u>	<u>73,795</u>	<u>34,981</u>

26. RELATED PARTY DISCLOSURES

Wholly-owned group transactions

Loans

Loans made by ipernica ltd to and from wholly-owned subsidiaries are repayable on demand. No interest is charged on the loans (2008: Nil). Refer to Notes 7 and 12 for details on inter-company loans.

	Company	
	2009 \$	2008 \$
Loans to wholly-owned subsidiaries		
Beginning of the year	87,196	9,591
Loans advanced	16,691,365	79,856
Loan repayments received	(1,543,151)	(30,318)
(Provision for no recovery - impairment) / reversal accumulated provision for non recovery	(9,935,292)	15,514,655
Transfer from loans from wholly owned subsidiaries	2,692,196	(15,486,588)
End of the year	<u>7,992,314</u>	<u>87,196</u>
Loans from wholly-owned subsidiaries		
Beginning of the year	1,797,428	1,000,000
Loans advanced	2,294,933	42,190,824
Loan repayments made	(6,617,206)	(25,906,808)
Transfer to loans to wholly owned subsidiaries	2,692,196	(15,486,588)
End of the year	<u>167,351</u>	<u>1,797,428</u>

Key management personnel

Further details relating to loans from and to directors and key management personnel are detailed in Note 27.

notes to the financial statements continued

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
27. KEY MANAGEMENT PERSONNEL DISCLOSURES				
(a) Key management personnel compensation				
Short-term employee benefits	1,739,114	1,093,757	117,871	122,569
Post-employment benefits	278,115	216,325	73,629	57,431
Share-based payments	456,902	342,811	456,902	342,810
	2,474,131	1,652,893	648,402	522,810

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

Options over ordinary shares in ipernica ltd.

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

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

* S Nixon was issued 8,130,544 Options as one of the vendors of the NearMap Pty Ltd which was acquired by the Group on 21 November 2008 (see Note 21 for further details of the acquisition).

30 June 2008	Balance at beginning of year 1 July 2007	Granted as Remuneration	Options Exercised	Net Other Changes #	Balance at end of year 30 June 2008	Vested and exercisable at 30 June 2008
Directors						
G Griffiths	8,700,000	2,200,000	-	(3,300,000)	7,600,000	2,933,332
Other key management personnel						
J Lawe Davies	1,700,000	900,000	-	(500,000)	2,100,000	733,332
T O'Connor	1,120,000	600,000	-	-	1,720,000	739,998
T Jones	2,000,000	350,000	-	(300,000)	2,050,000	1,399,998
S Telburn	3,425,000	-	-	(3,425,000)	-	-
M Gracey	2,500,000	-	(1,000,000)	(1,500,000)	-	-

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

notes to the financial statements continued

27. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**(c) Shareholdings of key management personnel**

Ordinary shares held in ipernica ltd.

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

* S Nixon was issued 39,026,609 Shares as one of the vendors of the NearMap Pty Ltd which was acquired by the Group on 21 November 2008 (see Note 21 for further details of the acquisition).

	30 June 2008	Balance at 1 July 2007	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2008	Balance held nominally
Directors							
R Norgard		48,145,773	-	-	-	48,145,773	48,105,773
G Griffiths		4,671,155	-	-	-	4,671,155	100,000
C Crisafulli		-	-	-	-	-	-
M O'Kane		50,000	-	-	-	50,000	-
Other key management personnel							
J Lawe Davies		407,150	-	-	-	407,150	-
T O'Connor		166,667	-	-	-	166,667	166,667
T Jones		-	-	-	-	-	-
S Telburn		31,624	-	-	-	31,624	-
M Gracey		-	-	1,000,000	(880,000)	120,000	120,000

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.

(d) Loans to key management personnel

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

	Balance at 1 July \$	Loan monies \$	Repayments \$	Balance at 30 June \$	Interest not charged \$
Other key management personnel					
2009	8,750	-	(8,750)	-	223
2008	23,750	-	(15,000)	8,750	1,323

Terms and conditions of loans

On 1 February 2007, the Company offered employees the opportunity to participate in a share placement, and offered a loan facility to employees to partially fund that participation. Loans are interest free and are repayable over 24 months or earlier if the employee ceases employment or sells the shares subject to the loan.

The amounts shown for interest not charged in the table above represent the difference between the amount payable for the year and the amount of interest that would have been charged on an arm's-length basis.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

(e) Other transactions with directors and key management personnel

There were no other transactions with directors and key management personnel which require disclosure for the financial year ended 30 June 2009.

notes to the financial statements continued

28. SEGMENT INFORMATION**Business segments**

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

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

ipernica ventures – strategy is to create a diversified portfolio of technology investments, including equity stakes in spin-off technology companies and royalty yielding IP licences, and to generate revenue through the provision of commercialisation consulting services.

Geographical segments

Although the consolidated entity business is managed on a global basis, it operates in three main geographical areas being that of Australasia, North America and Europe.

Business segments	IP Assertion		ipernica ventures		Consolidated			
	2009	2008	2009	2008	2009	2008		
Revenue								
Sales to external customers	1,420,751	43,306,561	166,341	607,593	1,587,092	43,914,154		
Non segment revenue					1,502,416	1,278,949		
Total revenue					3,089,508	45,193,103		
Results								
Segment results	(1,914,623)	17,321,373	(4,410,127)	(437,449)	(6,324,750)	16,883,924		
Unallocated revenue less unallocated expenses					1,666,741	1,064,999		
Profit / (loss) before income tax expense					(4,658,009)	17,948,923		
Income tax expense					(19,493)	(2,748,312)		
Net profit / (loss) after income tax expense					(4,677,502)	15,200,611		
Assets								
Segment assets	3,021,083	966,071	11,855,215	247,223	14,876,298	1,213,294		
Unallocated assets					18,334,993	36,395,846		
Total assets					33,211,291	37,609,140		
Liabilities								
Segment liabilities	5,147,708	6,872,760	1,031,538	3,910	6,179,246	6,876,670		
Non-allocated liabilities					450,550	2,593,815		
Total liabilities					6,629,796	9,470,485		
Other segment information								
Capital expenditure	760,403	103,767	11,697,492	10,853	12,457,895	114,620		
Depreciation and amortisation	42,651	39,134	215,524	4,348	258,175	43,482		
Impairment loss / (reversal)	-	2,606,280	48,676	-	48,676	2,606,280		
Geographic segments	Australasia		North America		Europe		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
Segment revenue/income	1,682,258	31,886,541	1,407,250	13,306,562	-	-	3,089,508	45,193,103
Segment assets	30,226,214	36,602,863	1,324,024	608,919	1,661,053	397,359	33,211,291	37,609,140
Other segment information								
Capital expenditure	11,722,128	85,069	735,767	29,551	-	-	12,457,895	114,620
Impairment loss / (reversal)	48,676	-	-	-	-	2,606,280	48,676	2,606,280

notes to the financial statements continued

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Company's short-term deposits and bank investment bills and certain trade creditors. The Group constantly analyses its exposure to interest rates, with consideration given to potential renewal of existing positions, the mix of fixed and variable interest rates and the period to which deposits are fixed. The Group is also exposed to interest rate risk as a result of interest which is accruing on litigation costs awarded against the Group by the German Federal Patent Court (see Note 12 for further details).

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

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

Consolidated

2009	Weighted Average Interest Rate	Floating Interest Rate < 1 year \$	Fixed Interest Rate < 1 year \$	Fixed Interest Rate >2-<3 years \$	Non-Interest Bearing \$	Total \$
Financial assets						
Cash and cash equivalents	6.0%	1,207,866	16,961,955	-	-	18,169,821
Trade and other receivables	7.3%	527,333	-	-	1,466,310	1,993,643
		1,735,199	16,961,955	-	1,466,310	20,163,464
Financial liabilities						
Trade and other payables	7.9%	1,156,432	-	-	2,179,039	3,335,471
Borrowings	8.0%	-	-	410,148	-	410,148
		1,156,432	-	410,148	2,179,039	3,745,619
Net financial assets / (liabilities)		578,767	16,961,955	(410,148)	(712,729)	16,417,845

Consolidated

2008	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	7.0%	2,118,757	33,862,154	-	-	35,980,911
Trade and other receivables	8.0%	343,400	-	-	454,615	798,015
		2,462,157	33,862,154	-	454,615	36,778,926
Financial liabilities						
Trade and other payables	8.0%	3,220,711	-	-	2,983,845	6,204,556
Net financial assets / (liabilities)		(758,554)	33,862,154	-	(2,529,230)	30,574,370

notes to the financial statements continued

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Company 2009	Weighted Average Interest Rate	Floating Interest Rate < 1 year \$	Fixed Interest Rate < 1 year \$	Non-Interest Bearing \$	Total \$
Financial assets					
Cash and cash equivalents	6.0%	704,515	16,900,000	-	17,604,515
Trade and other receivables	-	-	-	7,992,314	7,992,314
		704,515	16,900,000	7,992,314	25,596,829
Financial liabilities					
Trade and other payables	-	-	-	202,828	202,828
Net financial assets / (liabilities)		704,515	16,900,000	7,789,486	25,394,001
Company 2008					
Company 2008	Weighted Average Interest Rate	Floating Interest Rate < 1 year \$	Fixed Interest Rate < 1 year \$	Non-Interest Bearing \$	Total \$
Financial assets					
Cash and cash equivalents	6.0%	1,943,632	33,862,154	-	35,805,786
Trade and other receivables	-	-	-	382,394	382,394
		1,943,632	33,862,154	382,394	36,188,180
Financial liabilities					
Trade and other payables	-	-	-	1,829,727	1,829,727
Net financial assets / (liabilities)		1,943,632	33,862,154	(1,447,333)	34,358,453

Sensitivity analysis

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

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit relating to floating financial assets/liabilities of the Group would have been affected as follows:

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Judgements of reasonably possible movements:				
Post tax profit – higher / (lower)				
+0.5%	(315)	(5,134)	4,634	3,974
-0.5%	315	5,134	(4,634)	(3,974)

notes to the financial statements continued

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued**Foreign currency risk**

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

The Company has not hedged this exposure.

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

At 30 June 2009, the Group had the following exposures to foreign currency that is not designated in cash flow hedges (All amounts are shown as AUD equivalents, with column headings denoting the denominated currency):

Consolidated	30 June 2009		30 June 2008	
	USD	EUR	USD	EUR
Cash and cash equivalents	208,327	42,450	1,317,221	40,207
Trade and other receivables	860,174	608,428	354,062	13,752
Trade and other payables	(120,545)	(2,333,835)	(973,395)	(3,241,028)
Gross balance sheet exposure	947,956	(1,682,957)	697,888	(3,187,069)

Company	30 June 2009		30 June 2008	
	USD	EUR	USD	EUR
Cash and cash equivalents	179,012	-	1,313,330	-
Gross balance sheet exposure	179,012	-	1,313,330	-

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2009	2008	2009	2008
USD	0.7477	0.8968	0.8114	0.9626
EUR	0.5420	0.6102	0.5751	0.6096

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 2008.

	Consolidated		Company	
	Equity	Profit	Equity	Profit
30 June 2009				
USD	-	(66,357)	-	(12,531)
EUR	-	51,450	-	-
30 June 2008				
USD	-	(48,852)	-	(91,933)
EUR	-	174,243	-	-

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.

notes to the financial statements continued

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued**Litigation risk**

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

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

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

Capital risk management

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

Credit risk

The Group trades only with recognised, creditworthy third parties.

In addition, receivable balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not significant. The maximum exposure of credit risk relating to the Group and parent is equal to the carrying amount of the balances disclosed in Note 6 Trade and Other Receivables and Note 19(b) Reconciliation of Cash.

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

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

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Trade receivables – without external credit rating				
Existing customers (more than 6 months) with no defaults in the past	51,891	104,215	-	-
Cash at bank and short-term bank deposits				
AA	18,127,371	35,940,704	17,604,515	35,805,786
A	42,450	40,207	-	-
	18,169,821	35,980,911	17,604,515	35,805,786
Available-for-sale share investments – without external credit rating				
Investments in unlisted entities	232,500	132,500	-	-

Liquidity risk

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

All trade and other creditors are contractually payable within a one year time frame. Refer to interest rate risk section for balances.

Net fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities as disclosed in the balance sheet equate to their estimated net fair value.