

CAP-XX Limited
ABN 47 050 845 291

Annual report 2012

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Corporate directory

Directors

Michael Quinn
Chairman

Anthony Kongats
Managing Director

Brett Sandercock (Resigned June 30th, 2012)

Patrick Elliott

Bruce Grey (Appointed August 24th, 2012)

Secretaries

Robert Buckingham
Michael Taylor

Notice of annual general meeting

The annual general meeting of CAP-XX Limited

will be held at:
Innovation Capital
Suite 401, 35 Lime Street
Sydney NSW 2000
Australia

time: 6.00pm

date: 6th November 2012

A formal notice of meeting is enclosed.

Registered office

Suite 126
117 Old Pittwater Road
Brookvale NSW 2100
Australia

Principal place of business

Units 9 and 10
12 Mars Road
Lane Cove NSW 2066
Australia

Registrars to shares

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford
Victoria 3067
Australia

Registrars to depositary interests

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol
BS99 6ZY
United Kingdom

Corporate directory (continued)

Nominated adviser and broker to the Company	Seymour Pierce Limited 20 Old Bailey London EC4M 7EN United Kingdom
Auditor	PricewaterhouseCoopers 201 Sussex Street Sydney NSW 1171 Australia
Solicitors to the Company as to Australian law	DibbsBarker Level 9, Angel Place 123 Pitt Street Sydney New South Wales 2000 Australia
Solicitors to the Company as to English law	Olswang Solicitors 90 High Holburn London WC1V 6XX United Kingdom
Bankers	Commonwealth Bank of Australia 120 Pitt Street Sydney, NSW 2000 Australia
Stock exchange listings	Shares are listed as Depositary Interests on AIM, a market regulated by London Stock Exchange plc under the code CPX
Website address	www.cap-xx.com

Chairman's statement

Company highlights for 2012 were dominated by the world wide interest in the CAP-XX supercapacitor technology associated with the automotive markets and especially the stop-start application. The Company completed a capital raising exercise in the second half of the year.

For the fiscal year ended 30 June 2012, the Company reported total revenue of AUD \$3.5 million (2011: AUD \$ 3.8 million) with the decline due to the final payments associated with the R&D feasibility program being received in the 2011 financial year (2011: AUD\$0.7million). Product sales were up 10%. The net loss for the twelve months to 30 June 2012 was AUD \$2.9 million (2011: loss of AUD \$3.3 million). Although the loss is similar to the previous year, it needs to be highlighted that operational improvements at both Penang and Lane Cove over the past twelve months were able to cover the shortfall in the Murata R&D receipts from the previous year. Similar to last year, the 2012 result does include an accrued tax rebate from the Australian Taxation Office related to eligible Research & Development expenditure. The previous year's cash rebate was received in December 2011 and it is expected that this year's cash rebate will be received in a similar time frame.

During the year, we successfully developed a supercapacitor module for use in automotive Stop-Start applications. The module provides significant performance improvements relative to battery-only systems. The Stop-Start application is an important market opportunity, as vehicle manufacturers increasingly adopt Stop-Start systems to reduce vehicle emissions and improve fuel efficiency. The demand and interest of the automotive supercapacitor module has been greater than initially estimated and the module is currently being tested by numerous major automotive OEMs and their Tier 1 suppliers. In order to meet the demand for samples a small scale assembly machine has been ordered for the production of large prismatic supercapacitors. It is expected that this will be commissioned in the first half of the current financial year. The Company anticipates that a partner to commercialise the technology associated with the Stop-Start application will be found within the next 12 months.

It is pleasing to report that despite uncertainty in world markets, the Company continues to report a year on year volume increase in product sales. For the year ended June 2012, volumes increased by 14%. The majority of the increase continued to be generated from traditional markets such as hand held computers, point-of-sale systems, solid state drives and location tracking devices. The first shipments of a new portable medical device associated with the management of diabetes were also commenced late in the 2012 financial year. While initial volumes are modest they are anticipated to grow substantially in the coming years. The Average Selling Price increased to US\$3.47 which represents a 1% increase over the previous year. The strengthening Australian dollar did have a negative impact (5%) on revenue, which culminated in total product sales increasing 10% over the prior year.

Murata have continued to actively market and sell CAP-XX supercapacitors over the past twelve months. Although the Murata sales that have been achieved are lower than expected, Murata's investment in product line extensions and increased manufacturing capacity support the Board's expectations of accelerated sales growth over the coming years. CAP-XX and Murata have deferred the surface mount device license negotiations as it is the Company's understanding that Murata is focusing its efforts on increasing sales of the supercapacitor products already in production. CAP-XX is in initial negotiations with several other manufacturers regarding licensing the surface mount technology.

During the year, the Company undertook a capital raising with 9.245m shares being issued at a £ 0.30 share price. This transaction occurred in March 2012 with 72% of the shares issued being acquired by new institutional investors with the remainder being acquired by existing institutional shareholders. Apart from general working capital requirements, the additional funds will be utilised to acquire new production plant and machinery which will assist with the reduction of manufacturing costs and increase the competitiveness of the CAP-XX product range. The funds will also be used to accelerate the production of large prismatic supercapacitor samples for automotive and other new applications. It was highlighted at the time of the capital raising that a Chinese automotive component company agreed to subscribe for 1.7m shares, subject to Chinese Government approval. Despite numerous requests and frustrating ongoing negotiations the Board have concluded that the necessary Chinese Government approvals will not be received and therefore there is no realistic prospect that the subscription funds will be forthcoming. The financial impact of the transaction (AUD\$0.7m) has been removed from internal cash projections.

In what has been a difficult operating environment, the CAP-XX management team and staff have performed admirably in achieving new and exciting product developments, delivering operational improvements and continuing to increase sales. Given the amount of interest shown in the new and emerging technologies and the increase in enquiries from developing markets, the Board remain confident of further advancement in these key areas over the next twelve months.



Michael Quinn
Chairman

8 October 2012

Business Review

About CAP-XX Limited

CAP-XX Limited is a world leader in the design and manufacture of revolutionary thin-form supercapacitors predominately for use in small electronic devices and automotive applications. Supercapacitors can considerably extend battery run-times and provide power-hungry functions that are not possible with current battery technology or ambient energy harvesters.

CAP-XX supercapacitors have a compact, prismatic design and can store higher volumes of energy and output higher power levels than competing supercapacitor products. These attributes are critical for current and future generation electronic devices, such as mobile phones offering high quality flash photography and audio playback. Other applications include industrial handheld computers and point of sale systems (POS), cache protection in solid state drives (SSD), mobile phone accessories, LED flash and alkaline battery support in digital cameras, energy storage and peak power support for energy harvesting systems, battery-free e-Book readers, portable drug delivery systems, wireless sensor networks, uninterrupted power supplies, toll tags and location tracking devices. Large scale market opportunities also include Stop-Start systems in cars, battery support units for large vehicles and hybrid electric vehicles. Longer term, as the market for fuel cell systems develops, supercapacitors will also be used to support modulated output for fuel cell powered vehicles.

In 2011-2012, CAP-XX continued to supply supercapacitors to a number of blue chip consumer electronics companies for use in these current generation application but is also now focussed on the larger opportunities represented by the emerging market opportunities mentioned - both directly and via licensee partnerships such as that already in place with, Murata Manufacturing of Japan. In addition, CAP-XX is actively seeking licensing or joint venture opportunities for surface mount and large cell supercapacitors for automotive applications to market.

CAP-XX is incorporated in Australia and has its headquarters, research and development and electrode manufacturing facilities in Sydney, , where 22 staff are employed. These facilities are ISO 9001-2008 certified and all products are UL registered and RoHS, REACH, WEEE and Conflict Materials compliant. Larger manufacturing facilities, which are also ISO9001-2008 certified, are operated in Malaysia by Polar Twin Advance Sdn Bhd and Natingate Technologies Sdn Bhd under manufacturing agreements with CAP-XX.

Historical Milestones

In 1994, a company associated with Anthony Kongats, now Chief Executive Officer of CAP-XX Limited, entered into an agreement with CSIRO (the Australian Commonwealth Scientific and Industrial Research Organisation) to research and commercialise supercapacitor technology that had resulted from CSIRO research.

CAP-XX Limited (formerly known as Energy Storage Systems Pty Limited) was established in 1997 by Anthony Kongats as the vehicle to hold the intellectual property resulting from the partnership with CSIRO. CAP-XX received research and development grants from the Australian Government and was backed by some of the world's leading technology investors, including ABN Amro, Acer, Innovation Capital, Intel, Technology Venture Partners and Walden.

In 1999, the Company built a pilot production plant in Lane Cove, Sydney, Australia, and progressively improved production capacity. It began shipping supercapacitor products to customers in 2003. Customers supplied to date include Sony, Sony Ericsson, IP Wireless, Option, Sierra Wireless and Flextronics. Product shipped to Motorola, Intermec and Hand Held Products has been incorporated in field-critical devices such as those used by leading parcel delivery companies like FedEx and UPS.

In late 2004, the Company entered into a manufacturing agreement with Polar Twin Advance Sdn Bhd ("PTA") of Malaysia to provide high volume manufacturing services. The production flow process developed in Sydney was replicated successfully in Malaysia.

CAP-XX was named a 2005 Technology Pioneer by the World Economic Forum for developing and applying innovative and transformational technology.

In February 2006, the CAP-XX technology was recognised by Frost & Sullivan's 2005 Technology Innovation of the Year Award as a 'breakthrough nanotechnology process for producing supercapacitors to meet the pulse-power requirements of portable devices'. This Award recognises research expected to make significant contributions to the electronics industry.

CAP-XX has received numerous other international awards for its products and electronic circuit designs including EDN's Top Overall Power Product for 2009 and being voted 3rd overall in Electronic Design's Top 101 Components for 2009.

On 20 April 2006, CAP-XX Limited was listed on the AIM market of the London Stock Exchange in conjunction with a placement of 18,433,333 shares at 93 pence per share, which raised gross proceeds of AUD\$41million (£17.1 million) and increased the total shareholding to 48,565,893 shares and market capitalisation (at 93 pence per share) to about AUD\$108 million (£45.2 million). Shareholding rose to 49,112,791 by 30 June 2008 as various Employee Shareholder

Business Review (continued)

Option Plan participants exercised their options. On 25 June 2009, a secondary capital raising was completed with 12,940,000 shares being placed at 12.5 pence per share. On 25 March 2011, a capital raising was completed with 5,906,493 shares being placed at 33 pence per share. On 6th June 2011, a capital raising was completed with 9,072,813 shares being placed at 16 pence per share. On 15th March 2012, a capital raising was completed with 9,245,333 shares being placed at 30 pence per share. Total shares outstanding as at June 2012 was 86,277,430 shares.

In May 2008, CAP-XX entered into a technology license agreement with Murata Manufacturing Corporation (Murata) of Japan to jointly develop and supply high performance supercapacitors for mobile handsets and other power hungry, space constrained portable applications. Murata is recognised as one of the world's leading manufacturing companies for electric components and is an existing supplier to all of the top mobile handset market companies. CAP-XX and Murata continue to work together to scale supercapacitor production to meet the anticipated demand of the global handset market. Volume mass production and sales from this partnership commenced in the first half of 2011.

In October 2008, the companies signed a Supply Agreement which provides CAP-XX with a proportion of the Murata manufactured product for re-sale to CAP-XX's existing and new customers under the CAP-XX name. While product sales to date from this agreement have been modest through to June 2012, CAP-XX believes that demand and sales will grow strongly in the near future.

In November 2008, both companies signed a Feasibility Study Agreement for the first stage of a proposed Collaborative R&D program which concluded with the successful demonstration of a working surface mountable supercapacitor in the first half of 2009. On the 5 March 2010, CAP-XX and Murata signed a R&D Agreement which was an extension of the collaboration in developing supercapacitors with Murata. The contract covered surface mounted devices (SMD's) which will enable manufacturers to mount supercapacitors directly onto printed circuit boards using reflow solder techniques. These supercapacitors are particularly suitable for high volume applications. This project was successfully concluded in June 2011. At present, CAP-XX and Murata have deferred the associated license negotiations, as it is the Company's understanding that Murata is focusing its efforts on increasing sales of the supercapacitor products already in production. CAP-XX is in initial negotiations with several other manufacturers regarding licensing the surface mount technology.

On 30 July 2009, CAP-XX signed a contract manufacturing agreement with Natingate Technologies of Penang, Malaysia. Under the terms of the agreement, Natingate acquired and transferred to Penang, the supercapacitor assembly manufacturing plant, from CAP-XX's Lane Cove facility. Following the re-commissioning of the plant at its Penang facility, Natingate began producing saleable supercapacitors in Q1 2010. Since 2010, Natingate, with the assistance of CAP-XX, has successfully commissioned a second assembly line at their Penang site which doubles the available capacity. Polar Twin Advance, also in Penang, continues as a contract manufacturer, for CAP-XX.

Review of Operations and Activities

CAP-XX, has manufactured and sold more than 8 million supercapacitors modules (16 million cells) since launching its first supercapacitor products in 2003. Since 2008 CAP-XX has established a new revenue stream with the commencement of license fees and other related payments including royalties from Murata. Although the Murata sales to date are lower than expected, Murata's investment in product line extensions and increased manufacturing capacity support the Board's expectations of accelerated sales growth over the coming years.

Total sales revenue for the 12 months to 30 June 2012, decreased by AUD\$0.3 million to AUD\$3.5 million compared to AUD\$3.8 million in 2011. This decrease is due to the final Murata instalment from the R&D feasibility program being received in the 2011 financial year (AUD\$0.7 million). Pleasingly, product sales increased by more than 10% from AUD\$3.1m to AUD\$3.5m with unit sales increasing by 14% to 1.0 million dual cell devices. Average selling price in US dollars increased 1%. The strengthening AUD negatively impacted the year on year revenue by 5%. The operating result for the twelve months to 30 June 2012, was a loss of AUD\$2.9 million (2011: loss of AUD\$3.3 million). Operational improvements at both Penang and Lane Cove over the past twelve months were able to cover the cessation in service revenue from the Murata R&D program. As in previous years, the 2012 result does include an accrued tax rebate from the Australian Taxation Office related to eligible Research & Development expenditure.

Business Environment

Space constrained and portable electronic devices provide the greatest opportunities for CAP-XX's current products. Driven by customer requests, manufacturers are constantly adding to the functions and applications available on these devices and striving to reduce their size, a combination which increases the demands on, and requirements for, high performance power management solutions with supercapacitors at their core.

Automotive applications such as Stop-Start systems in conventional engines, hybrid electric vehicles and full electric vehicles offer extremely attractive and rapidly growing new opportunities for CAP-XX products. Numerous automotive OEM's and battery manufacturers are currently evaluating CAP-XX's products and the feedback has been pleasing. Due to the unforeseen demand, additional equipment to assist with the production of large supercapacitor samples for automotive and other markets has been purchased and is expected to be commissioned in the first half of the current

Business Review (continued)

financial year.

CAP-XX technology provides a competitive advantage for its products over those of most other supercapacitor manufacturers, such as AVX, Maxwell Technologies and NEC/Tokin Corporation. Other manufacturers have not been able to match the CAP-XX parts in terms of thinness, energy density and power density. Many other companies manufacture higher-capacity, large package supercapacitors and focus on applications where the CAP-XX combination of thinness, energy density and power density is not required. In the future, CAP-XX's surface mount capability will offer another very significant point of difference with the competition.

Opportunities

Video cameras, digital cameras and mobile phones remain a very large and attractive market for CAP-XX and its partners as evidenced by Sony launching a range of video cameras using supercapacitors supplied by CAP-XX's licensee, Murata. Royalties received by CAP-XX from Murata were AUD\$47K for the 2011/12 financial year with the expectation that royalty income will grow significantly as Murata accelerates its sales efforts.

During the year the number of enquiries for automotive solutions from CAP-XX has increased dramatically. CAP-XX is continuing to refine its current product offering and is concentrating on a number of automotive opportunities including Stop-Start systems and hybrid electric vehicles.

Other applications include SSDs, energy harvesting, portable drug delivery systems, e-Book readers, wireless sensor networks, uninterrupted power supplies, RFID and toll tags, building management systems and location tracking devices.

An additional benefit of the Murata manufacturing agreement is that it has validated the CAP-XX supercapacitor as a mainstream consumer electronics technology and increased exposure to markets and customers that were previously not targeted due to the Company's limited resources. Association with Murata is helping gain recognition for and acceptance of the abilities of CAP-XX supercapacitors to support high-power functions.

Murata will not be able to meet the product type or size requirements of all markets. Murata will refer non-core customers to CAP-XX and CAP-XX will supply these markets directly using products made by its contract manufacturers.

Strategies for Growth

The Company continues to have discussions aimed at securing business with a number of global original equipment manufacturers active in consumer commercial and clean-tech electronics. We are strengthening our relationships with these organisations and conduct regular engineering meetings with their design teams. We are unable to comment on specific clients, but are pleased with overall progress, and confident that the available market for supercapacitors is increasing as manufacturers become familiar with the technology.

As mentioned in the past, CAP-XX is continuing to expand its market coverage through the appointment of qualified distributors. Over the past 12 months, new value-added distributors have been appointed in Japan, Africa and India whilst sample sales capabilities have been added through the inclusion of selected CAP-XX products in the element14 and RS Components catalogues and the Tecate and McCoy websites. Sales growth from this distributor network is encouraging and distributors experience in selling our product continues to improve. It is expected that CAP-XX will appoint further distributors over the next twelve months.

The Company will explore additional opportunities to increase the product offering both through the current distributors and direct to customers. These offerings may take the form of complementary energy storage devices and modules.

Separately, the Company is exploring opportunities in various new markets with potential licensees or joint venture partners to leverage its strong intellectual property and engineering expertise. Given the increasing interest in CAP-XX technology and application expertise, the Company believes the automotive market may offer significant new opportunities for short term growth.

Research and Development

CAP-XX has a research facility at its headquarters in Lane Cove, Australia where a research and development team comprised of 11 engineers and scientists, is continuing development work to maintain CAP-XX's lead position in the engineering of electrode, separator and electrolyte material in supercapacitor devices. We also have a close association with leading research institutions whilst our Scientific Advisory Board provides clear direction on the commercially relevant technologies for our ongoing R&D programme.

The market in which the Company operates is competitive and is characterised by rapid technological change. CAP-XX has a strong competitive position in all its target markets with its capability to produce supercapacitors with a high

Business Review (continued)

energy density and power density in a small conveniently sized flat package. CAP-XX devices are also lightweight, work over a broad temperature range and have an operating lifetime measured in years.

The Company's success depends on its ability to protect and prevent any infringements of its intellectual property. To protect this important asset the Company has considerable intellectual property embodied in patents covering the design, manufacture and use of its high performance supercapacitors. The CAP-XX patent portfolio currently consists of 19 patent families with 37 granted national patents (14 USA, 7 US continuations, 13 in Europe, 1 in Japan and 1 in China) with an additional 33 applications pending in various jurisdictions. The patents cover supercapacitive devices, components for supercapacitors, techniques for manufacturing devices and applications of the devices in electronic circuits.

Outlook

The Company had recognised that several successful and reliable large scale contract manufacturers needed to be identified in order to pursue the mobile phone market and other opportunities for small supercapacitors. With the addition of Murata and Naciongate, CAP-XX's long term supply strategy for these markets is now in place. Access to capacity for the longer term is also in place to meet the expected increase in demand for the CAP-XX supercapacitor.

Murata is well recognised as a worldwide components manufacturer and already supplies to large mobile handset manufacturers. Murata's worldwide distribution expertise will also assist with the sales and marketing of the CAP-XX supercapacitor. Murata have commissioned their production plant and have commenced sales. They are forecasting an increase in sales over the coming years. Polar Twin Advance and Naciongate are also well known in South East Asia as contract manufacturers of choice and have been operating successfully for more than 10 years. Both have impressive lists of customers.

As previously reported, Murata, via its already well established supply chain interaction, with the mobile handset manufacturers, has assumed the business development role in acquiring a mobile design win which would incorporate the CAP-XX supercapacitor. Although progress has been impacted by the global slowdown in the electronics market, expectations remain high. Murata has advised that it continues to promote supercapacitors strongly to mobile phone manufacturers and other applications. It is planning for strong growth in volumes in 2012 and beyond.

CAP-XX continues to pursue other business opportunities in addition to mobile handset manufacturers and good progress has been made especially in a number of non-traditional markets. Sales volumes continue to increase and on a year on year basis were up 14%. Sales volumes in FY13 are also up when compared to the same period from the previous year.

Separately CAP-XX is in the process of identifying potential partners who have the necessary manufacturing experience and scale to successfully partner with CAP-XX in the automotive market and on surface mount supercapacitors.

The major short term focus for CAP-XX will be to complete licensing for its automotive technology; ensuring the increase in sales enquiries and associated demand is followed up and leads to a strong increase in sales volumes from current and emerging markets; distributors are in place to support the increase in world-wide demand for supercapacitor technology; assisting Murata where necessary in discussions with mobile phone manufacturers; and ensuring that the new business opportunities identified above are aggressively pursued.

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of CAP-XX Limited (the Company or CAP-XX) and the entities it controlled at the end of, or during, the year ended 30 June 2012.

Directors

The following persons were directors of CAP-XX Limited during the financial year and up to the date of this report:

Michael Quinn	Chairman
Anthony Kongats	Managing Director
Brett Sandercock	Resigned 30 th June 2012
Patrick Elliott	
Bruce Grey	Appointed 24 th August 2012

Principal activities

The Group's principal continuing activities during the financial year consisted of the development, manufacture and sale of supercapacitors. There have been no significant changes in the nature of the Group's activities.

Dividends

No dividends were paid, declared or recommended during the financial year or since 30 June 2012.

Review of operations

The Group experienced net losses of \$2,912,819 during the year ended 30 June 2012 (2011: loss of \$3,285,307). Information on the operations and financial position of the Group and its business strategies and prospects is set out on pages 6 to 8 of this Annual Report.

Significant changes in the state of affairs

There were no significant changes in the Group's state of affairs during the financial year ended 30 June 2012.

Matters subsequent to the end of the financial year

No matter or circumstances have arisen since 30 June 2012 that has significantly affected or may significantly affect the following:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the Group's operations and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group holds an Environment Protection licence and is subject to standard waste management environmental regulations in respect of its research and manufacturing activities conducted at Lane Cove, Sydney, Australia. The licence requires discharges to air and water to be below specified levels of contaminants, and solid wastes to be removed to an appropriate disposal facility. These requirements arise under the Clean Air Act 1961, Clean Waters Act 1970, Pollution Control Act 1970, Noise Control Act 1975 and the Waste Minimisation & Management Act 1995.

During the year there were no breaches of the regulatory requirements.

Directors' report (continued)

Information on directors

Michael Quinn *Chairman. Age 65.*

Experience and qualifications

Michael became a director on 12 November 1998. He is executive chairman of venture capital fund manager, Innovation Capital Associates Pty Ltd, and was previously co-founder of Memtec Ltd, which is a high technology filtration company, which was listed on the ASX, NASDAQ and then NYSE. Michael is also a director of QRxPharma Ltd, which is listed on the ASX, a director of ResMed Inc., which is listed on NYSE, and is on the board of two not-for-profit organisations. Prior to its acquisition, he was executive chairman of the ASX listed company Phoenix Scientific Industries Ltd that manufactured and imported medical and scientific equipment. Michael has also held executive positions in the banking, transport and high-technology plastics industries and has been a director of numerous listed and unlisted companies. He has an MBA from Harvard.

Specific Board responsibilities

Nil.

Interests in shares and options

106,199 ordinary shares in CAP-XX Limited. (including shares held by Kaylara Pty Limited)

306,710 options over ordinary shares in CAP-XX Limited (including options held by Innovation Capital Limited, Innovation Capital LLC and Kaylara Pty Limited).

Anthony Kongats *Managing Director. Age 54.*

Experience and qualifications

Anthony founded the Company in 1997. Prior to CAP-XX, he was the managing director of a manufacturer of passive components before selling the business to a competitor. Previously, Anthony worked as a management consultant with McKinsey & Company and held various engineering positions in Australia and Europe. He has a Bachelor of Engineering degree (honours) in engineering from the University of New South Wales, a Bachelor of Science degree from the University of Sydney and an MBA from the Australian Graduate School of Management.

Specific Board responsibilities

Nil.

Interests in shares and options

5,232,151 ordinary shares in CAP-XX Limited (including shares held by Ducon Management Pty Limited and Management Matters Pty Limited).

911,828 options over ordinary shares in CAP-XX Limited.

Patrick Elliott *Non-executive director. Age 60.*

Experience and qualifications

Pat is a company director specialising in the resources sector with 35 years experience in investment and corporate management. His early career was at Consolidated Gold Fields Australia Limited and covered investment analysis and management, minerals marketing (copper, tin, rutile and zircon). In 1979 he went into investment banking and became Head of Corporate Finance for Morgan Grenfell Australia Limited in 1982. Pat subsequently became Managing Director of Natcorp Investments Ltd in 1986 which owned a number of manufacturing businesses. After its takeover he became an active early stage venture capital investor with an emphasis on resources. He is Chairman of Argonaut Resources NL, Australia Oriental Minerals NL and Tamboran Resources P/L. He is also a director of Platsearch NL Global Geoscience Limited and Crossland Uranium Mines Limited, and a number of privately owned companies. Pat holds an MBA in Mineral Economics (Macquarie University) and B Comm. (University NSW).

Specific Board responsibilities

Chairman of Audit Committee

Member of Remuneration Committee

Interests in shares and options

800,000 ordinary shares in CAP-XX Limited (including shares held by Panstyn Investments Pty Limited).

85,000 options over ordinary shares in CAP-XX Limited (including options held by Panstyn Investments Pty Limited).

Directors' report (continued)

Bruce Grey *Non-executive director. Age 66.*

Experience and qualifications

Bruce was Managing Director of the Bishop Technology Group Limited, prior to becoming Managing Director of the Advanced Manufacturing Cooperative Research Centre. Bruce has been an Executive Director of two Australian public companies and for 10 years until 2009, was Chairman of a German joint venture between Bishop and Mercedes-Benz Lenkungen GmbH. Bruce has more than 20 years experience in managing industry R&D and 30 plus years experience in international commercialisation of Australian innovation and has been directly responsible for creating new manufacturing facilities in Germany, Thailand and South Korea and indirectly the US, all based on Australian innovation. Bruce was Group General Manager of Clyde Industries Limited from 1985 until 1995. In 2005 Bruce was appointed Chairman of the Federal Government's Advanced Manufacturing Action Agenda and is currently Chairman of the IP and Commercialisation Committee for the Murdoch Children's Research Institute and also Chairman of the Victorian Government's Small Technology Industry Uptake Program, Expert Advisory Panel. In 2012 Bruce was appointed to the Australian Federal Government's Clean Technology Investment Committee. Bruce is a Fellow of the Australian Academy of Technological Sciences and Engineering.

Specific Board responsibilities

Member of Audit Committee

Interests in shares and options

Nil

Company Secretaries

The Company Secretary is Robert Buckingham.

Robert is Managing Partner of Allan Hall Partnership, Chartered Accountants, a position he has held since 1989. He has a Bachelor of Commerce degree (honours) from the University of New South Wales and is a member of the Institute of Chartered Accountants in Australia and an Associate Member of CPA Australia.

On 25 November, 2008, Michael Taylor, Chief Financial Officer, was appointed as Co- Company Secretary.

Michael graduated from Kuring-Gai College with a Bachelor of Business and from Macquarie University with a Master of Applied Finance. He is a member of CPA Australia.

Directors' report (continued)

Meetings of Directors

The number of meetings of the Company's board of directors and of each board committee held, during the year ended 30 June 2012, and the number of meetings attended by each director were:

	Full Meetings of Directors		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Michael Quinn	7	6			2	2
Anthony Kongats	7	7				
Brett Sandercock	7	7	3	3		
Patrick Elliott	7	7	3	3	2	2

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

Directors' remuneration

Details of the remuneration of each director of CAP-XX Limited, for the year ended 30 June 2012, are set out in the following table. The cash bonuses are dependent on the satisfaction of performance conditions. All other elements of remuneration are not directly related to performance.

Directors of CAP-XX Limited

2012	Primary			Post-employment		Equity	Total \$
Name	Cash salary and accrued fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Retirement benefits \$	Options \$	
<i>Executive directors</i>							
Anthony Kongats	310,443	-	-	27,940	-	32,163	370,546
<i>Non-executive directors</i>							
Michael Quinn	48,440	-	-	-	-	11,807	60,247
Brett Sandercock	36,330	-	-	3,270	-	11,807	51,407
Patrick Elliott	35,235	-	-	-	-	1,969	37,204
Total	430,448	-	-	31,210	-	57,746	519,404

Directors' report (continued)

Details of the remuneration of each director of CAP-XX Limited, for the year ended 30 June 2011, are set out in the following table. The cash bonuses are dependent on the satisfaction of performance conditions. All other elements of remuneration are not directly related to performance.

Directors of CAP-XX Limited

2011	Primary			Post-employment		Equity	
Name	Cash salary and accrued fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Retirement benefits \$	Options \$	Total \$
<i>Executive directors</i>							
Anthony Kongats	301,402	-	-	27,126	-	86,185	414,713
<i>Non-executive directors</i>							
Michael Quinn	48,702	-	-	-	-	2,785	51,487
John Murray	24,183	-	-	-	-	-	24,183
Graham Titcombe	31,053	-	-	-	-	-	31,053
Brett Sandercock	36,526	-	-	3,287	-	2,785	42,598
Total	441,866	-	-	30,413	-	91,755	564,034

Loans to directors and executives

The Group has no loans to directors and/or executives.

Share options granted to directors and the most highly remunerated officers

Options over unissued ordinary shares of CAP-XX granted during the financial year to any of the directors or the 5 most highly remunerated officers of the Company and Group as part of their remuneration were as follows:

Directors	Date Granted	Options Granted
Michael Quinn	8 December 2011	75,000
Brett Sandercock	8 December 2011	75,000
Patrick Elliott	8 December 2011	85,000
Anthony Kongats	8 December 2011	250,000
Michael Quinn	21 April 2012	10,000
Brett Sandercock	21 April 2012	10,000

Other executives of CAP-XX Limited	Date Granted	Options Granted
Michael Taylor	8 December 2011	250,000
Pierre Mars	8 December 2011	250,000
Philip Aitchison	8 December 2011	250,000

The options were granted under the terms and conditions of the CAP-XX Limited Employee Share Option Plan.

No options over unissued ordinary shares of CAP-XX have been granted since the end of the financial year to any of the directors or the 3 most highly remunerated officers of the Company and Group as part of their remuneration.

Directors' report (continued)

Shares under option

Unissued ordinary shares of CAP-XX Limited under option at the date of this report are as follows:

Date Options Granted	Expiry Date	Issue Price of Shares	Number Under Option
1 November 2002	30 September 2012	\$15.64	26,001
1 April 2004	30 September 2012	\$15.64	11,502
30 June 2004	31 May 2014	\$0.47	30,000
1 July 2005	31 May 2015	\$0.47	518,576
1 July 2005	31 May 2015	\$15.64	8,004
19 September 2006	19 September 2016	\$2.38	625,000
8 May 2007	8 May 2017	\$2.58	10,000
25 February 2008	25 February 2018	\$0.71	160,000
21 April 2008	21 April 2018	\$0.43	20,000
19 December 2008	19 December 2014	£0.25	855,000
12 January 2009	12 January 2015	£0.20	50,000
21 April 2009	21 April 2009	£0.169	20,000
6 April 2010	6 April 2016	£0.56	1,650,000
21 April 2010	21 April 2020	£0.33	20,000
21 April 2011	21 April 2021	£0.19	20,000
8 December 2011	8 December 2015	£0.21	1,835,000
21 April 2012	21 April 2022	£0.29	20,000

5,879,083

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Shares issued on the exercise of options

No ordinary shares of CAP-XX were issued during the year ended 30 June 2012 on the exercise of options granted under the CAP-XX Employee Option Plan. No other shares under option have been issued since that date. No amounts are unpaid on any of the shares.

Indemnification and Insurance of Officers

Indemnification

CAP-XX has agreed to indemnify the current directors and executive officers of the Group and former directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

The directors have not included details of the nature of the liabilities covered nor the amount of the premium paid in respect of the Directors' and Officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

Directors' report (continued)

Non-audit Services

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided, during the year, are set out in Note 22 to the financial statements.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.

A handwritten signature in dark ink, consisting of a stylized, cursive 'M' followed by a horizontal line extending to the right.

Michael Quinn
Director

Sydney
8 October 2012



Auditor's Independence Declaration

As lead auditor for the audit of CAP-XX Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of CAP-XX Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Michelle Chiang'.

MW Chiang
Partner
PricewaterhouseCoopers

8 October 2012
Sydney

Corporate Governance Statement

Over the past year the Board has conducted the affairs of the Company in accordance with principles of good corporate governance.

Whilst companies whose shares are listed on AIM are not formally required to comply with the Combined Code on Corporate Governance (July 2003), the Board supports the Code and applies it in so far as is practicable and appropriate for a public company of its size. The Board is committed to ensuring that high standards of corporate governance are maintained.

There is a clear division of responsibility between the Chairman and the Managing Director. The Board comprises four directors, three of whom are non-executive directors and two of whom are independent non-executive directors. None of the non-executive directors have any day-to-day involvement in the running of the business.

The Board is responsible for overall strategy, the policy and decision making framework in which this strategy is implemented, approval of budgets, monitoring performance, and risk management.

The Board meets at regular scheduled intervals and follows a formal agenda. It also meets as and when required. During the year ended 30 June 2012, seven Board meetings were held.

The directors may take independent professional advice at the Company's expense.

Board Committees

The Company has an audit committee and a remuneration committee both consisting of two non-executive directors. The terms of reference and composition of the audit and remuneration committees were determined as part of the process of the listing of the Company. During the year ended 30 June 2012, three audit committee and two remuneration committee meetings were held. Each committee is to meet at least twice a year.

The audit committee comprises Patrick Elliott (Chairman), and Bruce Grey. The remuneration committee comprises Michael Quinn (Chairman), and Patrick Elliott.

The audit committee assists the Board with its oversight responsibilities for the financial statements, the integrity of financial reporting and the effectiveness of the Company's internal controls over financial reporting.

The remuneration committee determines, agrees and reviews with the Board the framework or broad policy for the remuneration of the Company's Chairman and executives and within the terms of the agreed policy (in consultation with the Chairman and/or chief executive as appropriate) determines the total individual remuneration package of each senior executive. The remuneration committee also reviews and notes annually the remuneration trends across the Group.

Code of Conduct

The Company has a policy in place that complies with its obligations under Rule 21 of the AIM listing rules which provides that "the Company must ensure that its directors and applicable employees do not deal in any of its AIM securities during a closed period".

Relationships with Shareholders

The Board understands the need for clear communications with its shareholders. In addition to presentations after publication of results and the annual general meeting, meetings are held with fund managers, analysts, and institutional investors. Information is posted on the Company's web site, www.cap-xx.com.

Intellectual Property

The Board has always been vigilant in managing the Company's intellectual property ("IP") portfolio which currently consists of 19 patent families with 37 granted national patents (14 USA, 7 US continuations and 13 in Europe, 1 in Japan and 1 in China) with an additional 33 applications pending in various jurisdictions. The Company's IP strategy has been to build company value by focusing on opportunities to capture market share and exclude competition with an IP portfolio capable of generating licensing revenue. The directors believe comprehensive embodiments and interlocking patent groups, combined with a 'quick to file, quick to abandon' policy, have given the Company a strong and focused IP portfolio.

CAP-XX Limited

Financial statements

– 30 June 2012

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This financial report covers the Group consisting of CAP-XX Limited and its subsidiaries. The financial report is presented in the Australian currency.

CAP-XX Limited is a company limited by shares, incorporated and domiciled in Australia. Its principal place of business is:

Units 9-10
12 Mars Road
Lane Cove NSW 2066

Its registered office is:

Suite 126
117 Old Pittwater Road
Brookvale NSW 2100

A description of the nature of the Group's operations and its principal activities is included in the Chairman's statement on page 5, business review on pages 6 to 9 and in the directors' report on pages 10 to 16, all of which are not part of this financial report.

The financial report was authorised for issue by the directors on 5 October 2012. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available at our Investors' Centre on our website: www.cap-xx.com.

CAP-XX Limited
Income statement
For the year ended 30 June 2012

<i>Currency: Australian Dollars</i>	Notes	Consolidated	
		2012 \$	2011 \$
Revenue from continuing operations	5	3,466,502	3,844,296
Cost of sale of goods & services	7	(2,725,562)	(3,237,993)
Gross margin on sale of goods & services		740,940	606,303
Other revenue	5	107,610	110,471
Other income	6	333,324	14,281
General and administrative expenses		(2,354,639)	(2,231,798)
Process and engineering expenses		(367,327)	(386,547)
Selling and marketing expenses		(411,324)	(432,807)
Research and development expenses		(1,998,271)	(1,522,909)
Other expenses	7	(74,562)	(117,301)
Loss before income tax		(4,024,249)	(3,960,307)
Income tax benefit / (expense)	8	1,111,430	675,000
Net loss for the year		(2,912,819)	(3,285,307)
Loss attributable to owners of CAP-XX Limited		(2,912,819)	(3,285,307)
Earnings per share for (loss) attributable to the ordinary equity holders of the Company		Cents	Cents
Basic earnings/(loss) per share	30	(3.7)	(4.8)
Diluted earnings/(loss) per share	30	(3.7)	(4.8)

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

CAP-XX Limited
Statement of comprehensive income
For the year ended 30 June 2012

	Notes	Consolidated	
		2012 \$	2011 \$
Currency: Australian Dollars			
Loss for the year		(2,912,819)	(3,285,307)
Other comprehensive income			
Exchange differences on translation of foreign operations	20	(20,243)	113,214
Other comprehensive income for the year, net of tax		<u>(20,243)</u>	<u>113,214</u>
Total comprehensive income for the year attributable to owners of CAP-XX Limited		<u>(2,933,062)</u>	<u>(3,172,093)</u>

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

CAP-XX Limited
Balance sheet
As at 30 June 2012

<i>Currency: Australian Dollars</i>	Notes	Consolidated	
		2012 \$	2011 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	3,816,979	3,073,481
Receivables	10	1,709,390	1,272,221
Inventories	11	758,027	1,466,257
Other	12	81,677	59,260
Total current assets		<u>6,366,073</u>	<u>5,871,219</u>
Non-current assets			
Property, plant and equipment	13	515,716	755,111
Other	14	236,507	208,233
Total non-current assets		<u>752,223</u>	<u>963,344</u>
Total assets		<u>7,118,296</u>	<u>6,834,563</u>
LIABILITIES			
Current liabilities			
Payables	15	900,264	1,247,073
Provisions	16	740,382	516,226
Other	17	772,650	772,650
Total current liabilities		<u>2,413,296</u>	<u>2,535,949</u>
Non-current liabilities			
Provisions	18	230,612	1,136,826
Total non-current liabilities		<u>230,612</u>	<u>1,136,826</u>
Total liabilities		<u>2,643,908</u>	<u>3,669,775</u>
Net assets		<u>4,474,388</u>	<u>3,164,788</u>
EQUITY			
Contributed equity	19	87,932,560	83,979,118
Reserves	20	3,306,477	3,037,500
Accumulated losses	20	(86,764,649)	(83,851,830)
TOTAL EQUITY		<u>4,474,388</u>	<u>3,164,788</u>

The above balance sheet should be read in conjunction with the accompanying notes.

CAP-XX Limited
Statement of changes in equity
For the year ended 30 June 2012

		Consolidated			
		Contributed Equity	Reserves	Accumulated losses	Total
		\$	\$	\$	\$
	Notes				
Balance at 1 July 2010		81,878,750	2,491,744	(80,566,523)	3,803,971
Total comprehensive income for the year as reported in the 2011 financial statements		-	113,214	(3,285,307)	(3,172,093)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	19	2,100,368	-	-	2,100,368
Employee share options - value of employee services	20	-	432,542	-	432,542
		2,100,368	432,542	-	2,532,910
Balance at 30 June 2011		83,979,118	3,037,500	(83,851,830)	3,164,788
Total comprehensive income for the year		-	(20,243)	(2,912,819)	(2,933,062)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	19	3,953,442	-	-	3,953,442
Employee share options - value of employee services	20	-	289,220	-	289,220
		3,953,442	289,220	-	4,242,662
Balance at 30 June 2012		87,932,560	3,306,477	(86,764,649)	4,474,388

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

CAP-XX Limited
Cash flow statement
For the year ended 30 June 2012

		Consolidated	
		2012	2011
Currency: Australian Dollars	Notes	\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		3,793,426	5,101,183
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(7,988,747)</u>	<u>(8,406,428)</u>
		(4,195,321)	(3,305,245)
Tax credit received		693,986	-
Grants received		304,521	14,281
Interest received		<u>107,610</u>	<u>110,471</u>
Net cash (outflow) from operating activities	27	<u>(3,089,204)</u>	<u>(3,180,493)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(100,497)</u>	<u>(73,580)</u>
Net cash (outflow) from investing activities		<u>(100,497)</u>	<u>(73,580)</u>
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)	19	<u>3,953,442</u>	<u>2,100,368</u>
Net cash inflow from financing activities		<u>3,953,442</u>	<u>2,100,368</u>
Net increase in cash and cash equivalents		763,741	(1,153,705)
Cash and cash equivalents at the beginning of the financial year		3,073,481	4,113,970
Effects of exchange rate changes on cash and cash equivalents		<u>(20,243)</u>	<u>113,216</u>
Cash and cash equivalents at the end of the financial year	9	<u>3,816,979</u>	<u>3,073,481</u>

The above cash flow statement should be read in conjunction with the accompanying notes.

CAP-XX Limited
Notes to the financial statements
30 June 2012

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CAP-XX Limited
Notes to the financial statements
30 June 2012

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Cap-XX Limited and its subsidiaries.

All amounts shown are in Australian Dollars unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. CAP-XX Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of the CAP-XX Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Continuation as a going concern

During the year ended 30 June 2012, the Group incurred an operating loss before tax and net cash outflows from operating activities as disclosed in the income statement and the cash flow statement, respectively. The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Group being successful with respect to the following factors:

- i. The Company finalising technology license agreements from existing or new customers which will generate revenue and cash inflows. The Company is currently in discussions with several interested parties;
- ii. It is expected that the revenue associated with the royalty arrangement between Murata and CAP-XX will continue to grow as a result of sales of Murata supercapacitor product meeting forecast volumes;
- iii. The ongoing R&D Tax concession claim for the year ended June 2012 is lodged and processed successfully under the amended legislation;
- iv. The ability of the Group to raise additional funds from shareholders and new investors. The Company has successfully conducted a number of small equity placements over the last four years.
- v. Continued close and effective monitoring of the Company's operating expenditure, including the undertaking of appropriate cost saving initiatives as necessary. The Board approves an annual budget and regularly receives forecasts from management to monitor performance against budget and to consider longer term prospects.

As a result, there is material uncertainty with regards to the Group's ability to continue as a going concern and therefore whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

However, the Directors believe that the Group will be successful in achieving favourable outcomes on the above matters and that it will have sufficient funds to pay its debts and meet its commitments for at least the next 12 months from the date of this financial report, and accordingly, have prepared the financial report on a going concern basis. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2012. As such, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or classification of liabilities that might be necessary should the Group not continue as a going concern.

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 1 Summary of significant accounting policies (continued)

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CAP-XX Limited ("Company") as at 30 June 2012 and the results of all subsidiaries for the year then ended. CAP-XX Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is CAP-XX Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement on a net basis within other income or other expenses.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is sold, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 1 Summary of significant accounting policies (continued)

Sale of goods are recognised when products have been delivered to the customer. Sales of services are recognised in the accounting period in which the services are rendered. For fixed term contracts revenue is recognised under the percentage of completion method, based on the actual service provided as a proportion of the total services provided. Where this cannot be reliably measured revenue is spread evenly over the contract term.

Interest income is recognised on a time proportion basis using the effective interest method.

(g) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

(h) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

Tax consolidation legislation

CAP-XX Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002.

The head entity, CAP-XX Limited, and the controlled entities in the tax consolidated group continue to 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, CAP-XX Limited 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.

Tax funding agreements are currently not in place. Amounts assumed are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(i) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 1 Summary of significant accounting policies (continued)

leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 23). Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of approximately three months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 45 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

(m) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on a basis of first in first out. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Raw materials held for development purposes are also stated at the lower of cost and net realisable value, hence are generally recognised in the income statement as an expense when received.

(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

(o) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Capital work in progress is not depreciated until the asset is installed ready for use.

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 1 Summary of significant accounting policies (continued)

Depreciation on assets is calculated using the straight-line method to allocate their cost amounts, net of their residual values over their estimate useful lives as follows:

Furniture and fittings	2-10 years
Plant and equipment – Manufacturing	2-10 years
Plant and equipment – Research & Development	2-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(p) Research & development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 5 years.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 55 days of recognition.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(s) Employee benefits

(i) Wages and salaries and annual leave

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

(ii) 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 currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

The Group does not maintain a Group superannuation plan. The Group makes defined fixed percentage contributions for all Australian resident employees to complying third party superannuation funds. The Group's legal or constructive obligation is limited to these contributions.

Contributions to the defined contribution complying third party superannuation funds are recognised as an

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 1 Summary of significant accounting policies (continued)

expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the CAP-XX Limited Share Option Exchange Plan and the CAP-XX Limited Employee Share Option Plan. Information relating to these schemes is set out in note 29.

The fair value of options granted under the CAP-XX Limited Share Option Exchange Plan and the CAP-XX Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Non marketing vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The 2006 Share Option Exchange Plan and the CAP-XX Limited Employee Share Option Plan are both administered by the Board of Directors of CAP-XX Limited. When options are exercised, the entity transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transactions costs are credited directly to equity

(v) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(t) 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.

Where such ordinary shares are subsequently re-issues, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effects, is included in equity attributable to the owners of CAP-XX Limited.

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 1 Summary of significant accounting policies (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's has not adopted these new standards and interpretations and it is not expected that their adoption will have a material impact on future financial statements.

(x) Parent entity financial information

The financial information for the parent entity, Cap-XX Limited, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Cap-XX Limited.

Note 2 Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group holds the following financial instruments:

	Consolidated	
	2012	2011
	\$	\$
Financial assets		
Cash and cash equivalents	3,816,979	3,073,481
Trade and other receivables	1,709,390	1,272,221
	5,526,369	4,345,702
Financial liabilities		
Trade and other payables	900,264	1,247,073
	900,264	1,247,073

(a) Market risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising particularly from currency exposures to the US dollar. The Group sells most of its products and services in US dollars, buys the majority of its raw materials and pays its contract tolling fees in US dollars. Its USA operations are financed out of the net proceeds.

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 2 Financial risk management (continued)

Sensitivity analysis

The Group's after tax profit and equity for the year would have been \$175,134 lower/ \$192,647 higher (2011: \$80,812 lower/\$88,893 higher) had the Australian dollar strengthened/weakened by 10% against the US dollar, mainly as a result of foreign exchange gains/losses on the translation of US dollar denominated sales and purchases of goods and services.

The group's exposure to foreign currency risk at the end of the reporting period, as expressed in Australian dollar, was as follows:

	2012			2011		
	USD \$	GBP \$	Other \$	USD \$	GBP \$	Other \$
Cash and cash equivalents	187,422	2,945	4,205	287,763	35,452	3,474
Trade receivables	592,323	-	-	225,913	-	-
Trade payables	238,278	6,089		675,047	7,541	

(b) Credit risk

The Group has some concentrations of credit risk. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Cash and cash equivalents are placed in financial institutions with good credit ratings.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, to ensure debts are paid as and when they fall due. The Group has experienced recurring operating losses and operating cash outflows since inception to 30 June 2012 as the Group is transitioning from development stage. Due to the negative cash flow position the Group has not committed to any credit facilities rather relied upon equity financing through private and public equity investors.

(d) Interest rate risk

The Group's interest-rate risk mainly arises from interest bearing assets, with the Group's income and operating cash flows exposed to changes in market interest rates. The interest bearing assets have been predominantly deposited at short term fixed rates exposing the Group to cash flow interest-rate risk.

The Group's exposure to interest-rate risk is immaterial in terms of the possible impact on profit or loss or equity. It has therefore not been included in the sensitivity analysis.

As at 30 June 2012, the Group had no borrowings.

(e) Fair value estimation

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective net fair value unless otherwise noted, determined in accordance with the accounting policies disclosed in note 1.

Note 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Apart from the going concern assumption as discussed in note 1(b), the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Note 3 Critical accounting estimates and judgements (continued)

(b) Critical judgements in applying the entity's accounting policies

(i) Impairment loss on plant and equipment

The Group has continued to use the Sydney, Australia manufacturing site for the production of electrode material and selected supercapacitor product lines, whilst the larger volume supercapacitor product lines are outsourced. In assessing the carrying value of its plant and equipment, the Group considers whether previous impairment write downs remain adequate and the current depreciation rates fairly reflect the carrying value of such assets.

The Group has reviewed the carrying value of its current plant and equipment particularly the assets transferred to Nationgate. These particular assets had a \$1,005k impairment provision booked against them in the June 2008 accounts. Given that the final proceeds from this transaction were received in November 2010, the Group was able to re-affirm a recoverable amount and extended useful life of the nominated manufacturing equipment. These considerations have meant that the impairment provision has been adjusted in prior years, 2012 Nil (2011: \$157,000).

(ii) Fair value of share options

Share-based compensation benefits are provided to employees via the 2006 Share Option Exchange Plan and the CAP-XX Limited Employee Share Option Plan. The fair value of options granted under the 2006 Share Option Exchange Plan and the CAP-XX Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The fair value at grant date is determined using the Black-Scholes option pricing model. The key inputs and assumptions used in the model is set out in note 28.

(iii) Inventory provision

The Group makes estimates and assumptions concerning the future saleability of inventory for amounts in excess of cost. The provision for inventory obsolescence is based on management's expectation of the future price of inventory, taking into account the age and condition and demand of the inventory and management's assessment of future demand for the inventory.

Note 4 Segment information

(a) Description of segments

Management has determined the operating segment based on the reports reviewed by the Board that are used to make strategic decisions. Management has identified one reportable segment which is the development, manufacture and sale of supercapacitors.

Although the Group is managed on a global basis, it operates in 3 main geographical areas being Asia Pacific, North America and Europe.

(b) Other segment information

(i) Segment revenue

Revenues from external customers are derived from the sale of supercapacitors and related services.

Segment revenue reconciles to revenue from sale of goods and services as follows:

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 4 Segment information (continued)

	Segment revenues from sales to external customers	
	2012	2011
	\$	\$
Asia Pacific	1,975,906	2,565,272
Europe	970,621	647,330
North America	519,975	631,694
Total revenue from sale of goods and services (note 5)	<u>3,466,502</u>	<u>3,844,296</u>

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is \$23,803 (2011: \$ 26,077) and the total revenue from external customers in other countries is \$3,442,699 (2011: \$3,818,219). Segment revenues are allocated based on the country in which the customer is located.

(ii) Segment assets

Segment assets and capital expenditure are allocated based on the physical location of the asset.

Reportable segment assets are reconciled to total assets as follows:

	Segment assets	
	2012	2011
	\$	\$
Asia Pacific	7,118,296	6,834,565
Europe	-	-
North America	-	-
Total assets as per balance sheet	<u>7,118,296</u>	<u>6,834,565</u>

The total of non-current assets located in Australia is \$491,893 (2011: \$585,346) and the total of non-current assets located in other countries is \$ 260,331 (2011: \$376,998). The value of the non-current assets located in other countries represents the manufacturing equipment that has been re-located to the Natingate manufacturing facility in Penang, Malaysia during the current financial year.

	Consolidated	
	2012	2011
	\$	\$

Note 5 Revenue

Sales revenue		
Sale of goods	3,466,502	3,127,197
Sale of services	-	717,099
	<u>3,466,502</u>	<u>3,844,296</u>
Other revenue		
Interest	107,610	110,471
Total revenue	<u>3,574,112</u>	<u>3,954,767</u>

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

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

Note 6 Other income

Foreign Exchange Gains – (net)	28,803	-
Government grants (note 1(g))	304,521	14,281
	<u>333,324</u>	<u>171,281</u>

(a) Government grants

The following grants were recognised as other income by the Group during the year ended 30 June 2012. There are no unfulfilled conditions attached to these grants

	2012	2011
	\$	\$
NSW Global Growth	10,000	14,281
Commercialisation Australia	237,500	-
Advanced Manufacturing Cooperative Research Centre	57,021	-
	<u>304,521</u>	<u>14,281</u>

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

Note 7 Expenses

Loss before income tax includes the following specific expenses:

Cost of sale of goods

Direct materials and labour	1,773,122	2,035,332
Indirect manufacturing expenses	952,440	1,202,661
Total cost of sale of goods	<u>2,725,562</u>	<u>3,237,993</u>

Depreciation

Plant and equipment	336,295	452,909
Furniture and fittings	3,597	3,790
Total depreciation	<u>339,892</u>	<u>456,699</u>

Other expenses

Net foreign exchange losses (net gain in 2011 - see note 6)	-	279,384
Impairment on plant and equipment	-	(157,000)
Provision for credit notes / doubtful debts	18,912	(12,462)
Provision for make good on premises	40,000	40,000
Provision for Withholding Tax Diminution	1,650	-
Provision for returns and rework	14,000	(32,621)
	<u>74,562</u>	<u>117,301</u>

Rental expense relating to operating leases

Minimum lease payments	318,361	399,711
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Employee benefits expense

	2,412,025	2,514,322
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Share based payments

	289,220	432,542
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CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

	2012	2011
	\$	\$
Note 8 Income tax expense		
(a) Income tax expense		
Current tax	1,111,430	675,000
Deferred tax	-	-
	<u>1,111,430</u>	<u>675,000</u>
(b) Numerical reconciliation of income tax benefit to prima facie tax benefit		
(Loss) before income tax benefit	<u>(4,024,249)</u>	(3,960,307)
Tax at the Australian tax rate of 30%	(1,207,275)	(1,188,092)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	86,766	129,762
Research & Development additional claims	(908,428)	(585,471)
Sundry items	-	-
	<u>(2,028,937)</u>	(1,643,801)
Adjustments for current tax of prior periods	1,052,663	(293,852)
Benefit arising from temporary differences not recognised	(159,923)	129,164
Benefit arising from tax losses not recognised	24,767	1,133,489
Income tax benefit	<u>(1,111,430)</u>	<u>(675,000)</u>
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	<u>89,924,785</u>	89,267,429
Potential tax benefit @ 30%	<u>26,977,436</u>	26,780,300
All unused tax losses were incurred by Australian entities. The deferred tax assets in relation to the tax losses will only be obtained if:		
i)	the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and	
ii)	the Group continues to comply with the conditions for deductibility imposed by tax legislation, and	
iii)	no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.	
(d) Unrecognised temporary differences		
Temporary difference for which no deferred tax asset has been recognised	<u>1,973,600</u>	2,506,677
Potential tax benefit @ 30%	<u>592,080</u>	752,003
(e) Tax consolidation legislation		

CAP-XX Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002. The accounting policy in relation to this legislation is set out in note 1(h). CAP-XX Limited has not recognised any tax consolidation distribution from or to wholly owned tax consolidated entities.

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Consolidated	
2012	2011
\$	\$

Note 9 Current assets – Cash and cash equivalents

Cash at bank and on hand	285,344	366,876
Cash on deposit	3,531,635	2,706,605
	<u>3,816,979</u>	<u>3,073,481</u>

Consolidated	
2012	2011
\$	\$

Note 10 Current assets – Receivables

Trade receivables	600,288	228,930
Provision for doubtful receivables	(30,015)	(11,100)
	<u>570,273</u>	<u>217,830</u>

Research & Development – tax receivable	1,092,444	675,000
Other receivables	46,673	379,391
	<u>1,139,117</u>	<u>1,272,221</u>

(a) Impaired trade receivables

There were no impaired trade receivables for the Group in 2012 (2011: Nil).

(b) Past due but not impaired

As at 30 June 2012, trade receivables of \$78,864 (2011: \$46,166) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Consolidated	
2012	2011
\$	\$

Up to 3 months	53,155	46,166
3 to 6 months	25,709	-
	<u>78,864</u>	<u>46,166</u>

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The current receivables are non-interest bearing. Further information relating to amounts due from related parties is set out in note 25. There is some concentration of credit risk with respect to current receivables, as the Group has a limited number of customers, internationally dispersed. The total amount outstanding is comprised of 9 customers with the top 3 making up 91% of the total balance.

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 10 Current assets – Receivables (continued)

(d) Foreign exchange and interest rate risk

Information about the Group's and the exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

	Consolidated	
	2012	2011
	\$	\$

Note 11 Current assets – Inventories

Raw materials and stores - net realisable value
 Finished goods - net realisable value

	347,427	764,534
	410,600	701,723
	758,027	1,466,257

	Consolidated	
	2012	2011
	\$	\$

Note 12 Current assets – Other

Prepayments
 Other

	73,895	51,896
	7,782	7,364
	81,677	59,260

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

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

Note 13 Non-current assets – Property, plant and equipment

Plant and equipment at cost	16,257,901	16,176,264
Accumulated depreciation	(15,755,597)	(15,438,162)
Net book amount	502,304	738,102
<hr/>		
Furniture and fittings at cost	66,779	66,779
Accumulated depreciation	(53,367)	(49,770)
Net book amount	13,412	17,009
<hr/>		
Leasehold improvements at cost	436,877	436,877
Accumulated depreciation	(436,877)	(436,877)
Net book amount	-	-
<hr/>		
Total property, plant and equipment	16,761,557	16,679,920
Total accumulated depreciation	(16,245,841)	(15,924,809)
Total net book amount	515,716	755,111

Movement in classes of assets: Consolidated	Plant and equipment \$	Furniture and fittings \$	Total \$
Year ended 2012			
Opening net book amount	738,102	17,009	755,111
Additions	100,497	-	100,497
Disposals	-	-	-
Impairment	-	-	-
Depreciation	(336,295)	(3,597)	(339,892)
Closing net book amount	502,304	13,412	515,716

Movement in classes of assets: Consolidated	Plant and equipment \$	Furniture and fittings \$	Total \$
Year ended 2011			
Opening net book amount	960,431	20,799	981,230
Additions	73,580	-	73,580
Disposals	-	-	-
Impairment	157,000	-	157,000
Depreciation	(452,909)	(3,790)	(456,699)
Closing net book amount	738,102	17,009	755,111

Plant & equipment impairment provision adjustment - (note 3(b)).

The useful lives of the assets transferred to the Natingate manufacturing facility in Malaysia have been extended to equal the remaining term of the manufacturing contract between CAP-XX and Natingate. This has resulted in a significant decrease in the depreciation expense when compared to the previous year.

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

	Consolidated	
	2012	2011
	\$	\$

Note 14 Non-current assets – Other

Rental bond	<u>236,507</u>	<u>208,233</u>
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A term of the current lease agreement for the Lane Cove premises is a requirement for CAP-XX to have a bank guarantee in place as security for the landlord against loss or damage from any event of default. The rental bond of \$236,507 represents the current value of this bank guarantee.

	Consolidated	
	2012	2011
	\$	\$

Note 15 Current liabilities – Payables

Trade payables	624,419	1,097,092
Other payables and accrued expenses	275,845	149,981
	<u>900,264</u>	<u>1,247,073</u>

	Consolidated	
	2012	2011
	\$	\$

Note 16 Current liabilities – Provisions

Employee benefits – annual leave and long service leave	490,382	320,226
Product returns and warranties	50,000	36,000
Make good provision	200,000	160,000
	<u>740,382</u>	<u>516,226</u>

(a) Make good provision

CAP-XX Ltd is required to restore the leased premises of its office/warehouse to their original condition at the end of the respective lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements.

(b) Amounts not expected to be settled within the next 12 months

Provision for employee benefits includes accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months:

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

**Note 16 Current liabilities -
Provisions (continued)**

	Consolidated	
	2012	2011
	\$	\$
Annual leave obligation expected to be settled after 12 months	<u>96,599</u>	<u>76,049</u>

(c) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 2.

(d) Product returns and warranties

Provision is made for estimated product returns and warranty claims in respect of products sold. The Group provides a one year warranty on products sold to customers. The Group has to date experienced minimal product returns and warranty claims.

(e) Movements in provisions

Movements in the product returns and warranties provision during the financial years are set out below:

	Consolidated	
	2012	2011
	\$	\$
Carrying amount at start of year	36,000	69,258
Charged/(credited) to profit or loss		
- provision adjustment	14,000	(33,258)
Carrying amount at end of year	<u>50,000</u>	<u>36,000</u>

The product returns and warranties provision has been adjusted to reflect the increased level of product returns from existing customers.

Movements in the make good on premises provision during the financial year is set out below:

	Consolidated	
	2012	2011
	\$	\$
Carrying amount at start of year	160,000	120,000
Charged/(credited) to profit or loss		
- additional provisions recognised	40,000	40,000
Carrying amount at end of year	<u>200,000</u>	<u>160,000</u>

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

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

Note 17 **Current liabilities – Other liabilities**

Advance payment on sale of plant and equipment	772,650	772,650
	<u>772,650</u>	<u>772,650</u>

The advance payment received from Natingate for supercapacitor manufacturing equipment is being amortised over the remaining term of the manufacturing contract between CAP-XX and Natingate.

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

Note 18 **Non-current liabilities – Provisions and Other liabilities**

Employee benefits – long service leave	35,367	164,264
Advance payment on sale of plant and equipment	195,245	969,562
	<u>230,612</u>	<u>1,136,826</u>

Consolidated
2012 **2011**
Shares **Shares**

Note 19 **Contributed equity**

(a) Share capital

Fully paid ordinary shares (no par value)	<u>86,277,430</u>	<u>77,032,097</u>
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(b) Movement in ordinary share capital:

Date	Details	Number of shares	Issue price	\$
1 July 2010	Opening balance	67,959,284		81,878,750
6 June 2011	Allotment of shares	9,072,813	\$0.24	2,215,246
6 June 2011	Share issuance costs			(114,878)
30 June 2011	Balance	<u>77,032,097</u>		<u>83,979,118</u>
1 July 2011	Opening balance	77,032,097		83,979,118
15 March 2012	Allotment of shares	9,245,333	\$0.45	4,164,006
15 March 2012	Share issuance costs			(210,564)
30 June 2012	Balance	<u>86,277,430</u>		<u>87,932,560</u>

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 19 Contributed equity (continued)

(c) Ordinary shares

At 30 June 2012, there were 86,277,430 (2011: 77,032,097) issued ordinary shares which were fully paid, with no par value. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options

Information relating to the CAP-XX Limited Share Option Exchange and CAP-XX Limited Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 28.

Consolidated	
2012	2011
\$	\$

Note 20 Reserves and accumulated losses

(a) Reserves

Foreign currency translation reserve note 20(c)(i)	3,855	24,098
Share-based payments reserve note 20(c) (ii)	3,302,622	3,013,402
	3,306,477	3,037,500

Movements:

Foreign currency translation reserve

Balance 1 July	24,098	(89,116)
Currency translation differences arising during the year	(20,243)	113,214
Balance 30 June	3,855	24,098

Share-based payments reserve

Balance 1 July	3,013,402	2,580,860
Option expense	289,220	432,542
Balance 30 June	3,302,622	3,013,402

(b) Accumulated losses

Movements in accumulated losses were as follows:

Balance 1 July	(83,851,830)	(80,566,523)
Net (loss) for the year	(2,912,819)	(3,285,307)
Balance 30 June	(86,764,649)	(83,851,830)

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(e). The reserve is recognised in profit and loss when the net investment is disposed of.

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 20 Reserves and accumulated losses (continued)

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

Note 21 Key management personnel disclosures

(a) Directors

The names of the directors who have held office during the financial year are as follows:

Executive director

Anthony Kongats (Managing Director)

Non-executive directors

Michael Quinn (Chairman)
 Brett Sandercock (Resigned June 30, 2012)
 Patrick Elliott

Bruce Grey (Appointed August 24, 2012)

(b) Key management personnel compensation

Key management personnel compensation is set out below. The key management personnel include all the directors of the Company and those executives that report directly to the Managing Director, including:

Jean Pierre Mars, VP Applications Engineering
 Michael Taylor, Chief Financial Officer/Chief Operating Officer
 Peter Buckle, VP Sales & Marketing Asia
 Phil Aitchison, VP Research

	Consolidated	
	2012	2011
	\$	\$
Short-term benefits	1,274,060	1,290,452
Post-employment benefits	106,964	106,786
Share-based payments	182,083	187,781
Total	1,563,107	1,585,019

(c) Other transactions with key management personnel or entities related to them

There were no other transactions with key management personnel.

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 22 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	Consolidated	
	2012	2011
	\$	\$
(a) PricewaterhouseCoopers Australia		
<i>Audit services</i>		
Audit and review of financial statements	104,000	104,250
Total remuneration for audit services	104,000	104,250
<i>Taxation services</i>		
Tax compliance services, including review of company income tax returns , employee share scheme and R&D Tax concession	34,000	34,000
Total remuneration of PricewaterhouseCoopers Australia	138,000	138,250
(b) Related practices of PricewaterhouseCoopers Australia		
<i>Taxation services</i>		
Tax compliance services, including review of company income tax returns	12,500	26,000
Total remuneration for related practices of PricewaterhouseCoopers Australia	12,500	26,000

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

Note 23 Commitments

(a) Lease commitments: Group / company as lessee

The Group leases factory space with an office and warehouse under a non-cancellable operating lease which commenced on the 1st July 2011 and is due to expire on 30th June 2013

The Group also leases office equipment under cancellable operating leases. The Group is required to give 3 months notice for termination of these leases.

	Consolidated	
	2012	2011
	\$	\$
Commitments for minimum lease payments in relation to operating leases are payable as follows:		
Within one year	367,991	355,700
Later than one year but not later than 5 years	18,270	372,839
Later than 5 years	-	-
	386,261	728,539

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 24 Related party transactions

(a) Parent entity

The ultimate parent entity within the Group is CAP-XX Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 25.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 21.

Note 25 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(c):

Name of entity	Country of incorporation	Class of shares	Equity holding *	
			30 June 2012 %	30 June 2011 %
CAP-XX (Australia) Pty Ltd	Australia	Ordinary	100	100
CAP-XX Research Pty Ltd	Australia	Ordinary	100	100
CAP-XX USA, Inc	United States	Ordinary	100	100

* The proportion of ownership interest is equal to the proportion of voting power held.

Note 26 Events occurring after the balance sheet date

No matter or circumstances have arisen since 30 June 2012 that has significantly affected or may significantly affect the following:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Note 27 Reconciliation of profit after tax to net cash (outflow) from operating activities

	Consolidated	
	2012 \$	2011 \$
Net loss	(2,912,819)	(3,285,307)
Depreciation and amortisation	339,892	456,699
Non-cash employee benefit expense – share based payments	289,220	432,542
Reversal of impairment	-	(157,000)
Changes in assets and liabilities:		
(Increase) decrease in receivables	(352,443)	(903,316)
Decrease (increase) in inventories	708,230	(434,384)
(Increase) decrease in other assets	(135,419)	(814)
(Decrease) increase in payables	(1,121,126)	681,987
Increase (decrease) in provisions	95,261	29,100
Net cash (outflow) from operating activities	<u>(3,089,204)</u>	<u>(3,180,493)</u>

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 28 Share-based payments

(a) 2006 Share Option Exchange

The establishment of the 2006 Share Option Exchange (the "CAP-XX Limited Exchange") was approved by the Company's Board of Directors with effect from on 5 April CAP-XX Limited. The 2006 Share Option Exchange provides for the issuance of stock options for the purchase of ordinary shares of the Company's in exchange for the surrender of options previously granted but unexercised in CAP-XX, Inc. The 2006 Exchange provides for the grant of share options for the purchase of shares of the Company's ordinary shares by officers, employees, independent contractors, consultants, advisers and directors of the Company and/or any of its subsidiaries. The Board is responsible for administration of the 2006 Exchange.

Set out below are summaries of options granted under the 2006 Exchange:

Grant Date	Expiry date	Exercise price A\$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited & expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated – 2012								
1 November 2002	30 September 2012	\$15.64	26,001	-	-	-	26,001	26,001
1 April 2004	30 September 2012	\$15.64	12,003	-	-	(501)	11,502	11,502
30 June 2004	31 May 2014	\$0.47	30,000	-	-	-	30,000	30,000
1 July 2005	31 May 2015	\$0.47	522,451	-	-	(3,875)	518,576	518,576
1 July 2005	31 May 2015	\$15.64	8,004	-	-	-	8,004	8,004
			598,459	-	-	(4,376)	594,083	594,083
Weighted Average Exercise Price			\$1.64	-	-	\$2.21	\$1.63	\$1.63

Grant Date	Expiry date	Exercise price A\$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited & expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated – 2011								
1 November 2002	30 September 2012	\$15.64	29,502	-	-	(3,501)	26,001	26,001
1 April 2004	30 September 2012	\$15.64	12,003	-	-	-	12,003	12,003
30 June 2004	31 May 2014	\$0.47	30,000	-	-	-	30,000	30,000
1 July 2005	31 May 2015	\$0.47	528,451	-	-	(6,000)	522,451	522,451
1 July 2005	31 May 2015	\$15.64	8,004	-	-	-	8,004	8,004
			607,960	-	-	(9,501)	598,459	598,459
Weighted Average Exercise Price			\$1.71	-	-	\$6.06	\$1.64	\$1.64

Except for the adjustment to the exercise price and number of ordinary shares subject to the share option, the share options are governed by their original terms and conditions and will continue to vest pursuant to the same vesting schedule.

4,376 share options were forfeited during the year ended 30 June 2012 (2011: 9,501).

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.7 years (2011: 3.7 years).

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 28 Share-based payments (continued)

(b) CAP-XX Limited Employee Share Option Plan

The CAP-XX Limited Employee Share Option Plan (the "CAP-XX Limited Plan"), provides for the grant of share options for the purchase of ordinary shares of the Company by officers, employees, consultants, advisors and directors of the Company or a related body corporate. The Board is responsible for administration of the CAP-XX Limited Plan. The Board determines the term of each option, the option exercise price, and the number of shares for which each option is granted and the rate at which each option is exercisable. Unless otherwise determined by the Board an offer of Options must not provide for an exercise price that is less than the volume weighted average sale price of a share traded on AIM over a defined period.

Set out below is a summary of options granted under the CAP-XX Limited Plan:

Grant Date	Expiry date	Exercise price \$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited & expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated – 2012								
19 September 2006	19 September 2016	\$2.38	625,000	-	-	-	625,000	625,000
08 May 2007	08 May 2017	\$2.58	20,000	-	-	(10,000)	10,000	10,000
25 February 2008	25 February 2018	\$0.71	160,000	-	-	-	160,000	160,000
21 April 2008	21 April 2018	\$0.43	30,000	-	-	(10,000)	20,000	20,000
19 December 2008	19 December 2014	£0.25	955,000	-	-	(100,000)	855,000	755,445
01 March 2009	01 March 2015	£0.20	50,000	-	-	-	50,000	50,000
21 April 2009	21 April 2019	£0.167	30,000	-	-	(10,000)	20,000	20,000
06 April 2010	06 April 2016	£0.56	2,225,000	-	-	(575,000)	1,650,000	923,322
21 April 2010	21 April 2020	£0.33	20,000	-	-	-	20,000	20,000
21 April 2011	21 April 2021	£0.19	30,000	-	-	(10,000)	20,000	20,000
08 December 2011	8 December 2015	£0.21	-	1,985,000	-	(150,000)	1,835,000	-
21 April 2012	21 April 2022	£0.29	-	20,000	-	-	20,000	20,000
Weighted Average Exercise Price			4,145,000	2,005,000	-	(865,000)	5,285,000	2,583,767
			\$1.05	\$0.32	-	\$0.81	\$0.81	\$1.11

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 28 Share-based payments (continued)

Grant Date	Expiry date	Exercise price \$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited & expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated – 2011								
20 April 2006	22 February 2011	\$1.40	60,000			(60,000)	-	-
19 September 2006	19 September 2016	\$2.38	875,000	-	-	(250,000)	625,000	625,000
08 May 2007	08 May 2017	\$2.58	20,000	-	-	-	20,000	20,000
25 February 2008	25 February 2018	\$0.71	160,000				160,000	133,918
21 April 2008	21 April 2018	\$0.43	30,000	-	-	-	30,000	30,000
19 December 2008	19 December 2014	£0.25	1,205,000			(250,000)	955,000	604,397
12 January 2009	12 January 2015	£0.25	40,000	-	-	(40,000)	-	-
01 March 2009	01 March 2015	£0.20	50,000	-	-	-	50,000	50,000
21 April 2009	21 April 2019	£0.167	30,000	-	-	-	30,000	30,000
06 April 2010	06 April 2016	£0.56	2,450,000	-	-	(255,000)	2,195,000	687,312
21 April 2010	21 April 2020	£0.33	30,000	-	-	-	30,000	30,000
21 April 2011	21 April 2021	£0.19		20,000			20,000	20,000
			4,950,000	20,000	-	(825,000)	4,115,000	2,230,627
Weighted Average Exercise Price			\$1.08	\$0.29	-	\$1.76	\$1.05	\$1.19

The Stock Options are governed by their original terms and conditions and will continue to vest pursuant to the same vesting schedule. 865,000 share options were forfeited & expired during the year ended 30 June 2012 (2011: 825,000). The weighted average remaining contractual life of share options outstanding at the end of the period was 3.2 years (2011: 4.2 years).

Fair value of options granted

The assessed fair value at grant date of options granted, during the year ended 30 June 2012, under the CAP-XX Limited Plan were A\$0.21 on 8 December 2011 and A\$0.32 on 21 April 2012 per option, respectively. The assessed fair value at grant date of options granted, during the year ended 30 June 2011, under the CAP-XX Limited Plan were A\$0.31 on 21 April 2011 per option. The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted included:

- (a) options are granted for nil consideration, have a:
 - o 6-10 year life and 25% vest 12 months after the Vesting Commencement Date, and 1/48 of Total Option shall vest on each monthly anniversary of the Vesting Commencement Date thereafter;
 - o specific vesting criteria in some minor instances.
- (b) exercise price: refer tables above
- (c) grant date: refer tables above
- (d) expiry date: refer tables above
- (e) share price at grant date
- (f) expected price volatility of the Company's shares: 78% (2011: 50%)

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 28 Share-based payments (continued)

- (g) no expected dividend yield
(h) risk-free interest rate: 1.88% (2011: 3.56%)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

Consolidated	
2012	2011
\$	\$

Options issued under CAP-XX Limited Employee Share Option Plan

289,220	432,542
289,220	432,542

Note 29 Economic dependency

The Group is highly dependent upon a small number of customers and potential customers. Alternative sources of revenue are being sought to reduce future dependency on any particular entity.

The Group is also highly dependent upon a Malaysian contract manufacturer to fulfill a large proportion of sales orders.

Note 30 Earnings per share

Earnings per share for (loss) attributable to the ordinary equity holders of the Company

	Consolidated	
	2012	2011
	Cents	Cents
(a) Basic earnings per share		
(Loss) attributable to the ordinary equity holders of the Company	(3.7)	(4.8)
(b) Diluted earnings per share		
(Loss) attributable to the ordinary equity holders of the Company	(3.7)	(4.8)

	Consolidated	
	2012	2011
	Number	Number
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	79,760,228	68,704,995
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	79,760,228	68,704,995

Options are considered to be potential ordinary shares. The options are not included in the calculation of diluted earnings per share because they are antidilutive. These options could potentially dilute basic earnings per share in the future.

CAP-XX Limited
Notes to the financial statements
30 June 2012 (continued)

Note 31 Parent Entity

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2012	2011
	\$	\$
Balance sheet		
Current assets	4,652,086	3,414,982
Total assets	4,652,086	3,414,982
Current liabilities	265,622	188,397
Total liabilities	265,622	188,397
Net Assets	4,389,637	3,226,585
<i>Shareholders' equity</i>		
Issued capital	87,932,559	83,979,118
Reserves		
Share-based payments	3,302,621	3,013,402
Retained earnings <i>(i)</i>	(86,845,544)	(83,765,935)
Loss for the year	(3,079,609)	(3,098,648)
Total comprehensive income	(3,079,609)	(3,098,648)
<i>(i) Reconciliation to prior year retained earnings</i>		
Balance at beginning of period 1/07/2011	(83,765,935)	
Net loss for the year	(3,079,609)	
Balance at end of period 30/06/2012	(86,845,544)	

CAP-XX Limited
Directors' declaration
30 June 2012

Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 19 to 52 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's and Group's financial position as at 30 June 2012 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer in the form contained in section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.



Michael Quinn
Director

Sydney
8 October 2012



Independent auditor's report to the members of CAP-XX Limited

Report on the financial report

We have audited the accompanying financial report of CAP-XX Limited (the company), which comprises the balance sheet as at 30 June 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the CAP-XX Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



Auditor's opinion

In our opinion:

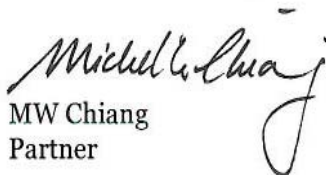
- (a) the financial report of CAP-XX Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Emphasis of matter

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the Company incurred an operating loss and net cash outflows during the year ended 30 June 2012. These conditions, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.


PricewaterhouseCoopers


MW Chiang
Partner

Sydney
8 October 2012