CAP-XX Limited
ABN 47 050 845 291

Annual report 2014

Contents

Corporate directory

Directors	Patrick Elliott *Chairman* Bruce Grey *Non-Executive Director* Anthony Kongats *Managing Director*
Secretaries	Robert Buckingham Michael Taylor
Notice of annual general meeting	The annual general meeting of CAP-XX Limited **will be held at:** CAP-XX Limited Units 9 & 10, 12 Mars Road Lane Cove NSW 2066 Australia **time:** 7.00pm **date:** 23rd October 2014
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	Cenkos Securities 6.7.8. Tokenhouse Yard London EC2R 7AS United kingdom
Auditor	BDO East Coast Partnership Level 11 1 Margaret Street Sydney NSW 2000 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

The Company has made satisfactory progress during the year towards its major objectives realising operational cost savings, whilst further developing the automotive modules for a licensing deal and capitalising upon the increased commercial interest in CAP-XX supercapacitors to secure additional design wins.

Sales revenue for the 12 months to 30 June 2014 increased by AUD$0.4 million to AUD$4.0 million compared to AUD$3.6 million in 2013. This 11% increase is primarily due to the impact of the strengthening USD dollar over the past twelve months (11%), plus a volume increase of 2% whilst the average selling price reduced by 2%. More importantly, the actual gross margin on a like for like basis improved by AUD$238k. Year on year comparatives of Margin and EBIT are after adjustment for the one-off benefit associated with the amortisation of the Nationgate benefit. To recap, when the plant and equipment was on sold to Nationgate in 2010, a book profit of $2.1 m was recognised being amortised over three years. The amortisation was reflected as a reduction in cost of goods sold in the Profit and Loss account. For the June 14 accounts, the amortisation benefit was $194k (2013: $774k). Therefore prior to the one-off Nationgate adjustment, delivered gross margin has improved by $234k from $304k (2013) to $538k. With volumes being steady year to year, the majority of this improvement is attributable to the operational cost initiatives which began to be realised in the 2012/13 financial year. The primary contributors to the operational cost savings to date have been a reduction in slitting expenditure, lower raw materials costs and a general improvement in process and manufacturing productivity at both Lane Cove and the Company's contract manufacturing sites. CAP-XX was also able to increase its sales headcount during the year to ensure that the increased interest in supercapacitor based applications was being addressed, especially for the Asian market. The company has also maintained its focus on current and new product development as well as improved production processes with the Research and Development claim increasing to $1,172k (2013: $1,003k). The operating result for the twelve months to 30 June 2014 was a loss of AUD$2.5 million (2013: loss of AUD$2.3 million). On a like for like basis, with the above mentioned Nationgate amortisation impact taken into account, the operating loss was AUD$ 2.7 million (2013: AUD$ 3.1 million).

The Company was successful in launching a prototype of its first automotive product and commenced sales in very low volumes for the purposes of third party evaluation. This action has assisted the Company in responding to the increasing interest in the use of CAP-XX technology in the automotive market sector with interest being led by both OEM' s and tier 1 suppliers. In launching the prototype, CAP-XX's capability and performance is able to be tested and reviewed against competitor's products and we are pleased to report that the results are encouraging. As a direct result of these actions we can report that discussions on licensing of CAP-XX's supercapacitor technology for automotive applications are now at an advanced stage with detailed negotiations currently underway. The Board expects these to result in the securing of licensing revenues during the current financial year. Also during the year, the Company successfully completed the development work associated with the packaging of the SMD product.

As highlighted in earlier announcements, the Company is realising cost savings from its operations with the main focus on improving throughput and efficiencies at the Company's and contract manufacturers' plant and to reduce the cost of raw materials and processes. The majority of the actions to realise the cost savings have already been put into place and the savings realised are higher than initially forecast. The cost savings will assist in driving the Company towards a cash break-even position as well as making the CAP-XX product cost competitive and increasingly attractive to several new and emerging markets. With the increased focus on process improvement, both contract manufacturers are currently producing at increased levels of throughput and a significant reduction in reject rates.

Trading in the first few months of the new financial year has been promising with sales revenue above budget due to the deferral of shipments of the Company's small prismatic supercapacitor products because of raw material quality issues which were experienced during the 2014 financial year. The order book remains strong and is larger than what has been historically recorded at the same time of the year. Significant projects from both traditional and new markets are being addressed which should boost both the order book and product revenue for the 2015 financial year. Cash reserves as at the end of June 14 were $0.9m with the monthly cash burn being reduced due to the realisation of the operational cash savings and the increase in product revenue.

Murata's royalties continue to be less than expectations with revenue of $53k being recorded for the financial year 2014 (2013: $50k). Over the past twelve months, Murata has become more active in the supercapacitor market and have won several notable designs. Based on this market activity, coupled with sales and marketing discussions with Murata, the Board remain confident that the royalties received in the coming 12 months will begin to substantially increase.

The Company will continue to focus on the delivery of the identified initiatives, namely the reduction in operational expenditure, increased market demand leading to an increase in sales revenue, and the securing of an additional licensing opportunity which will enable the business to meet its short term goal of transitioning to a cash break-even business.

Patrick Elliott
Chairman

4 September 2014

Business Review

About CAP-XX Limited

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

CAP-XX supercapacitors have a compact, thin-form 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 phone cameras with high quality flash and audio capabilities. Other applications include solid state drives industrial handheld computers and point of sale terminals, mobile phone accessories, digital still cameras, energy harvesting systems, smart building controls, e-book readers, portable drug delivery systems, wireless sensors, uninterruptable power supplies, industrial condition monitors, toll tags, location tracking devices, automotive stop-start systems and micro-hybrid vehicles. Longer term, as the market for fuel cell systems develops, supercapacitors can also be used to support modulated output for fuel cell systems.

In 2013-2014, CAP-XX continued to supply supercapacitors to a number of blue chip electronics companies. CAP-XX is increasingly focussed on the larger opportunities represented by these markets, both directly and via its partnerships with companies such as Murata Manufacturing Co. of Japan.

CAP-XX is incorporated in Australia and has its headquarters, research and development and electrode manufacturing facilities in Sydney, where 23 staff are employed. These facilities are ISO 9001-2008 certified. Larger manufacturing facilities are operated in Malaysia by Polar Twin Advance Sdn Bhd and Nationgate 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 start research in the early field of supercapacitors.

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 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 2010, 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 2013 was 86,277,430 shares. On 30th August

2013, a capital raising was completed with 28,181,819 shares being placed at 5 pence per share. Total shares outstanding as at June 2014 was 114,459,249 shares.

In May 2008, CAP-XX entered into a formal agreement with Murata Manufacturing Corporation (Murata) of Japan to jointly develop and supply high performance supercapacitors for mobile handsets and other peak 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 2012.

In October 2008, the companies signed a Re-Sale Agreement which provides CAP-XX with a proportion of the Murata manufactured product. This product is sold 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 2014, CAP-XX notes that Murata are becoming active in the supercapacitor application market and firmly believe that demand and sales will commence to materially grow in the near foreseeable 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 H1 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 pre-circuit boards using reflow solder techniques. These supercapacitors are particularly suitable for high volume applications. This project was successfully concluded in June 2012. CAP-XX and Murata have deferred the associated license negotiations as Murata believe that the emerging and developing markets of the initial supercapacitor product will still reap benefits for years to come.

On 30 July 2009, CAP-XX signed a contract manufacturing agreement with Nationgate Technologies of Penang, Malaysia. Under the terms of the agreement, Nationgate 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, Nationgate began producing saleable supercapacitors in the Q1 calendar year 2010. Since 2010, Nationgate, with the assistance of CAP-XX, has successfully commissioned a second assembly line at their Penang site which doubles the available capacity at the Nationgate plant. Polar Twin Advance, also in Penang, continues as a contract manufacturer, for CAP-XX. In April, 2013 CAP-XX hired a full time employee based in Penang to support the CAP-XX's contract manufacturers' and to also assist with the identification and deployment of process improvements and operational cost savings.

In 2011 CAP-XX commenced development of large supercapacitors (> 1000F per c ell) for the automotive, transport and energy storage markets. In June 2012 the project SMD project was successfully developed. In 2013-14 the Company launched its first automotive products and commenced sales in very low volumes for the purposes of third party evaluation. Subsequent testing has demonstrated significant improvements over current solutions. Murata also continued to introduce new products using the CAP-XX technology. New distributors were also added to extent the Company's global reach.

Review of Operations and Activities

Since CAP-XX, launched its first supercapacitor in 2002, in excess of 10 million units have been sold. Since 2008, CAP-XX has established a new revenue stream with the commencement of license fees and other related payments including royalties from Murata. Whilst these payments have so far been modest, after further discussions with Murata, the Directors anticipate that they will increase in the future.

During the year, significant effort was made to redesign products and processes to reduce manufacturing costs and to improve product performance. Results to date are encouraging and we expect to see the benefits continuing to flow through the 2015 financial year.

Business Environment

Portable electronic devices, one of the fastest growing segments of the electronics market, provide one of the greatest opportunities for CAP-XX's products. Driven by customer requests, manufacturers are constantly adding to the functions and applications available on these devices. This means that power management continues to be an increasingly important consideration. The other important factor is size as devices becomes smaller their capabilities increase.

Automotive applications such as Stop-Start systems, flat battery jump-starters, hybrid electric vehicles and electric vehicles present very attractive opportunities for CAP-XX's products. Numerous automotive OEMs and battery manufacturers have purchased samples and are currently evaluating CAP-XX's automotive products. The feedback to date has been pleasing. During the year, additional plant and equipment was purchased and commissioned to enhance our ability to produce these large supercapacitors and to assemble them into modules suitable for use in motor vehicles.

CAP-XX technology provides a competitive advantage over other supercapacitor manufacturers, such as AVX, Maxwell Technologies and Nippon Chemicon Corporation. The Directors believe that other manufacturers are unable to match the CAP-XX technology for thinness, energy density and power density. Many competitors manufacture higher-capacity, large package devices and focus on applications where the combination of thinness, energy density and power density is not an issue. 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 and others launching video cameras using supercapacitors supplied by Murata. We expect that such licensee sales will grow significantly in the coming years, as more consumer applications adopt supercapacitor technology.

During the year, the level of enquiries for automotive solutions from CAP-XX has continued to increase. CAP-XX is continuing to refine its current product offering and is concentrating on a number of automotive opportunities including stop-start systems, flat battery jump-starters, vehicle accessories and hybrid electric vehicles.

Other applications include solid state drives, handheld computers and point of sale systems, energy harvesting, portable drug delivery systems, e-book readers, wireless sensors, uninterruptable power supplies, toll tags, building management systems and location tracking devices.

One of the significant additional benefits of the Murata manufacturing agreement is that it has validated CAP-XX's supercapacitor technology leadership, and the potential for supercapacitors as a mainstream consumer electronics technology. The Murata product line and sales activities are also increasing our exposure to markets and customers that were previously beyond our reach. Association with Murata is helping gain recognition for and acceptance of the capabilities of CAP-XX supercapacitors, and reduces misconceptions about price and performance.

It is also important to remember that Murata's strategy is to offer a limited product range and as such Murata will not meet the product type or size requirements of all markets and all applications. Murata will refer non-core customers to CAP-XX, and CAP-XX supplies these markets directly using products made by its contract manufacturers.

Strategies for Growth

The Company continues to engage in discussions aimed at securing business with a number of global OEM's active in portable consumer electronics. We are strengthening relationships with these organisations and have regular engineering meetings together with their integrated board providers and design teams. We are unable to comment on specific clients but are pleased with overall progress and are confident that the available market for supercapacitors is increasing as manufacturers become familiar with the technology. During the year new business was won in markets such as: security products; metering systems; flow control systems; location tracking; military products and mobile phone accessories.

The Company will continue to 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 the opportunities in several new markets to leverage its strong intellectual property and engineering expertise through new license agreements or joint ventures. Given the increasing levels of market interest in CAP-XX technology and high performance supercapacitors, the Company believes that the automotive market in particular offers significant opportunities for growth.

Research and Development

CAP-XX has a research facility in Sydney, Australia, where a team of 10 engineers and scientists work to maintain CAP-XX's leading position in electrode, separator and electrolyte materials and their assembly into supercapacitor devices. We also have a close association with several leading, third party research institutions, whilst our Scientific Advisory Board provides the Company with clear direction on 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 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 24 patent families with 45 granted national patents (15 USA, 7 US continuations, 18 in the four key European countries (GB, DE, FR, IT), 2 in Japan and 3 in China) with an additional 22 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 major short term focus for CAP-XX is to drive the business to cash break-even through the product cost reduction strategies already underway; licensing of its automotive and SMD technologies to both end users and contract manufacturer partners; ensuring that the increase in sales enquiries and associated demand are followed up and lead to a strong increase in sales volumes from current and emerging markets; ensuring that distributors are in place to support the increase in world-wide demand for supercapacitor technology; 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 2014.

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

Patrick Elliott	Chairman
Bruce Grey	Non-Executive Director
Anthony Kongats	Managing Director

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 2014.

Review of operations
The Group experienced net losses of $2,543,060 during the year ended 30 June 2014 (2013: loss of $2,321,024). 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 2014.

Matters subsequent to the end of the financial year
The necessary paperwork associated with the receipt of the R&D Tax rebate for the 2014 financial year has been lodged with the relevant Government authorities and the quantum expected to be received is similar to past 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
Patrick Elliott *Non-executive director. Age 62.*

Experience and qualifications
Pat is a company director specialising in the resources sector with 40 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, Tamboran Resources Limited and Variscan Mines limited. He is also a director of Cuesta Coal Limited, Global Geoscience 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 the Remuneration Committee

Interests in shares and options
1,745,455 ordinary shares in CAP-XX Limited (including shares held by Panstyn Investments Pty Limited).

385,000 options over ordinary shares in CAP-XX Limited (including options held by Panstyn Investments Pty Limited).

Anthony Kongats *Managing Director. Age 56.*

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
5,660,333 ordinary shares in CAP-XX Limited (including shares held by Ducon Management Pty Limited and Management Matters Pty Limited).

1,511,828 options over ordinary shares in CAP-XX Limited.

Bruce Grey *Non-executive director. Age 68.*

Experience and qualifications
Bruce most recently was Managing Director of the Advanced Manufacturing Cooperative Research Centre and previously Managing Director of the Bishop Technology Group Limited. 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 2013 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 the Audit Committee

Interests in shares and options

917,273 ordinary shares in CAP-XX Limited (including shares held by Grey Invest Pty Limited)

300,000 options over ordinary shares in CAP-XX Limited

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 a 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 2014, 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**
Patrick Elliott	11	12	2	2	2	2
Bruce Grey	11	12	2	2	2	2
Anthony Kongats	12	12	-	-	-	-

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 2014, 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

2014	**Primary**			**Post-employment**		**Equity**	
Name	**Cash salary and accrued fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Options $**	**Total $**
Executive directors							
Anthony Kongats	325,676	-	-	25,094	-	36,393	387,163
Non-executive directors							
Patrick Elliott	39,980	-	-	-	-	6,137	46,117
Bruce Grey	39,980					2,109	42,089
Total	405,636	-	-	25,094	-	44,639	475,369

Directors' report (continued)

Details of the remuneration of each director of CAP-XX Limited, for the year ended 30 June 2013, 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

2013	Primary			Post-employment		Equity	
Name	**Cash salary and accrued fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Options $**	**Total $**
Executive directors							
Anthony Kongats	323,535	-	-	24,714	-	37,175	385,424
Non-executive directors							
Michael Quinn	24,500					-	24,500
Patrick Elliott	36,750	-	-	-	-	3,938	40,688
Bruce Grey	31,213					-	31,213
Total	415,998	-	-	24,714	-	41,113	481,825

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 4 most highly remunerated officers of the Company and Group as part of their remuneration were as follows:

Directors	**Date Granted**	**Options Granted**
Patrick Elliott	10th December, 2013	300,000
Bruce Grey	10th December, 2013	300,000
Anthony Kongats	10th December, 2013	600,000

Other executives of CAP-XX Limited	**Date Granted**	**Options Granted**
Michael Taylor	10th December, 2013	400,000
John-Pierre Mars	10th December, 2013	400,000
Philip Aitchison	10th December, 2013	400,000
Peter Buckle	10th December, 2013	400,000

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 4 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 July 2005	31 May 2015	$0.47	518,576
1 July 2005	31 May 2015	$5.64	8,004
19 September 2006	19 September 2016	$2.38	625,000
25 February 2008	25 February 2018	$0.71	160,000
19 December 2008	19 December 2014	£0.25	855,000
12 January 2009	12 January 2015	£0.20	50,000
6 April 2010	6 April 2016	£0.56	1,535,000
8 December 2011	8 December 2015	£0.21	1,760,000
9 October 2013	9 October 2017	£0.085	4,400,000
			9,911,580

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 2014 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 18.

Directors' report (continued)

Non-audit Services

It is the Group's policy to employ BDO East Coast Partnership on assignments additional to their statutory audit duties where BDO East Coast Partnership's expertise and experience with the Group are important. These assignments are principally tax advice where BDO East Coast Partnership 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 (BDO East Coast Partnership) for audit and non-audit services provided, during the year, are set out in Note 22 to the financial statements.

Auditor

BDO East Coast Partnership 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.

Patrick Elliott
Director

Sydney
4 September 2014

BDO

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Fax: +61 2 9240 9821
www.bdo.com.au

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Sydney NSW 2000

Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF CAP-XX LIMITED

As lead auditor of CAP-XX Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. 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.

Gareth Few

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 4 September 2014

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 three directors, two of whom are non-executive directors and two of whom are independent non-executive directors. Although the non-executive directors are shareholders of the Company, given the size of their shareholding and that none of the non-executive directors have any day-to-day involvement in the running of the business, the Company considers the non-executive directors to be independent.

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 2014, twelve 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 2014, two 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 Patrick Elliott (Chairman), and Bruce Grey.

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 24 patent families with 45 granted national patents (15 USA, 7 US continuations and 18 in Europe, 2 in Japan and 3 in China) with an additional 22 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 2014

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

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 4 September 2014. The Group 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 Group. All press releases, financial reports and other information are available at our Investors' Centre on our website: www.cap-xx.com.

CAP-XX Limited
Statement of profit or loss
For the year ended 30 June 2014

		Consolidated	
Currency: Australian Dollars	**Notes**	**2014 $**	2013 $
Revenue from continuing operations	5	**3,970,181**	3,569,833
Cost of sales	7	**(3,236,009)**	(2,492,111)
Gross Profit		**734,172**	1,077,722
Other revenue	5	**53,569**	97,232
Other income	6	**1,208,337**	1,084,932
General and administrative expenses		**(2,115,193)**	(2,205,774)
Process and engineering expenses		**(429,233)**	(441,692)
Selling and marketing expenses		**(485,341)**	(397,479)
Research and development expenses		**(1,471,297)**	(1,476,151)
Other expenses	7	**(38,074)**	(59,814)
Loss before income tax		**(2,543,060)**	(2,321,024)
Income tax benefit	8	-	-
Net loss for the year		**(2,543,060)**	(2,321,024)
Loss attributable to owners of CAP-XX Limited		**(2,543,060)**	(2,321,024)
Earnings per share for (loss) attributable to the ordinary equity holders of the Company		**Cents**	Cents
Basic earnings/(loss) per share	30	**(2.3)**	(2.7)
Diluted earnings/(loss) per share	30	**(2.3)**	(2.7)

The above statement of profit or loss should be read in conjunction with the accompanying notes.

CAP-XX Limited
Statement of comprehensive income
For the year ended 30 June 2014

Currency: Australian Dollars	Notes	Consolidated 2014 $	2013 $
Loss for the year		**(2,543,060)**	(2,321,024)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	20	9,271	(57,501)
Other comprehensive income for the year, net of tax		**9,271**	(57,501)
Total comprehensive income for the year attributable to owners of CAP-XX Limited		**(2,533,789)**	(2,378,525)

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

CAP-XX Limited
Statement of financial position
As at 30 June 2014

Currency: Australian Dollars	Notes	Consolidated June 30, 2014 $	June 30, 2013 $	July 1, 2012 $
ASSETS				
Current assets				
Cash and cash equivalents	9	**900,397**	1,105,523	3,816,979
Receivables	10	**558,805**	488,528	616,946
Inventories	11	**770,626**	996,739	758,027
Other	12	**1,244,045**	1,075,415	1,174,121
Total current assets		**3,473,873**	3,666,205	6,366,073
Non-current assets				
Property, plant and equipment	13	**377,163**	501,968	515,716
Other	14	**236,507**	236,507	236,507
Total non-current assets		**613,670**	738,475	752,223
Total assets		**4,087,543**	4,404,680	7,118,296
LIABILITIES				
Current liabilities				
Payables	15	**829,188**	1,024,628	900,264
Provisions	16	**963,246**	928,859	827,005
Other	17	**-**	193,579	772,650
Total current liabilities		**1,792,434**	2,147,066	2,499,919
Non-current liabilities				
Provisions	18	**39,847**	35,926	230,612
Total non-current liabilities		**39,847**	35,926	230,612
Total liabilities		**1,832,281**	2,182,992	2,730,531
Net assets		**2,255,262**	2,221,688	4,387,765
EQUITY				
Contributed equity	19	**90,293,839**	87,932,560	87,932,560
Reserves	20	**3,676,779**	3,461,424	3,306,477
Accumulated losses	20	**(91,715,356)**	(89,172,296)	(86,851,272)
TOTAL EQUITY		**2,255,262**	2,221,688	4,387,765

Refer to note 1(z) for detailed information on restatement of comparatives.

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

CAP-XX Limited
Statement of changes in equity
For the year ended 30 June 2014

			Consolidated		
Currency: Australian Dollars	**Notes**	**Contributed Equity $**	**Reserves $**	**Accumulated losses $**	**Total $**
Balance at 1 July 2012		87,932,560	3,306,477	(86,764,649)	4,474,388
Adjustment for correction of error (Note 1 z)				(86,623)	(86,623)
Balance as 1 July 2012		87,932,560	3,306,477	(86,851,272)	4,387,765
Profit for the period as reported in the 2013 financial statements				(2,321,024)	(2,321,024)
Other comprehensive income		-	(57,501)	-	(57,501)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	19	-	-	-	-
Employee share options - value of employee services	20	-	212,448	-	212,448
		-	212,448	-	212,448
Balance at 30 June 2013		**87,932,560**	**3,461,424**	**(89,172,296)**	**2,221,688**
Profit for the period as reported in the 2014 financial statements				**(2,543,060)**	**(2,543,060)**
Other comprehensive income		-	**9,271**	-	**9,271**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	19	2,361,279	-	-	2,361,279
Employee share options - value of employee services	20	-	206,084	-	206,084
		2,361,279	206,084	-	2,567,363
Balance at 30 June 2014		**90,293,839**	**3,676,779**	**(91,715,356)**	**2,255,262**

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

CAP-XX Limited
Statement of cash flows
For the year ended 30 June 2014

Currency: Australian Dollars	Notes	Consolidated 2014 $	2013 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**4,296,922**	4,055,235
Payments to suppliers and employees (inclusive of goods and services tax)		**(7,853,287)**	(7,555,968)
		(3,556,365)	(3,500,733)
Tax credit received		**1,003,523**	1,065,552
Grants received		**8,733**	12,500
Interest received		**53,569**	97,232
Net cash (outflow) from operating activities	27	**(2,490,540)**	(2,325,449)
Cash flows from investing activities			
Payments for property, plant and equipment		**(85,136)**	(328,506)
Net cash (outflow) from investing activities		**(85,136)**	(328,506)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)	19	**2,361,279**	-
Net cash inflow from financing activities		**2,361,279**	-
Net decrease in cash and cash equivalents		**(214,397)**	(2,653,955)
Cash and cash equivalents at the beginning of the financial year		**1,105,523**	3,816.979
Effects of exchange rate changes on cash and cash equivalents		**9,271**	(57,501)
Cash and cash equivalents at the end of the financial year	9	**900,397**	1,105,523

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

Contents of the notes to the financial statements

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, rounded to the nearest Dollar, 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 Australian Accounting Standards 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 2014, the Group incurred an operating loss before tax and net cash outflows from operating activities as disclosed in the statement of profit or loss and the statement of cash flows, 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 Group receiving the proceeds from the R&D Tax concession which has been lodged with the Australian Taxation Office in August 2014. The quantum of the rebate is similar to previous years;

ii. Increasing prospects from existing and emerging markets are realised into sales revenue with the Group needing to ensure that product development and manufacturing capacity is available to satisfy the customers product specifications and timing demands;

iii. Continue the close and effective monitoring of the Group's operating expenditure, including the realisation of identified operating cost initiatives. The Board approves an annual budget and regularly receives forecasts from management to monitor performance against budget and to consider longer term prospects;

iv. The ability of the Group to raise additional funds from shareholders and new investors. The Group has successfully conducted a number of small equity placements over the last five years;

v. Ongoing technology license discussions with numerous existing and new customers need to be finalised to ensure that ongoing revenue and cash flow is generated in a timely manner.

As a result, there is material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to 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 2014. 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.

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" or "Parent Entity") as at 30 June 2014 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 over which the Group has control. The Group controls an entity when the consolidated is exposed to, or has rights to, variable returns from its involvement with the entity and has the entity to affect those returns through its power to direct the activities of the entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group 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 Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative transaction differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(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 statement of profit or loss 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss 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.

Note 1 Summary of significant accounting policies (continued)

When a foreign operation is sold, a proportionate share of such exchange differences are recognised in the statement of profit or loss 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.

Sales 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, including the R&D Tax incentive, 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. Income from government grants, including the R&D tax incentive, is recognised in the statement of profit or loss when the right to receive the payment is established.

(h) Income tax

The income tax expense or benefit 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.

Note 1 Summary of significant accounting policies (continued)

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 standalone 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 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 statement of profit or loss 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 30 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 statement of profit or loss.

(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 statement of profit or loss as an expense when received.

Note 1 Summary of significant accounting policies (continued)

(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 due to their short term nature.

(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 statement of profit or loss during the financial period in which they are incurred. Capital work in progress is not depreciated until the asset is installed and ready for use.

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 reporting 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 statement of profit or loss.

(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.

Note 1 Summary of significant accounting policies (continued)

(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 as part of the provision for employee benefits and measured at 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 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 28.

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 Group.

Note 1 Summary of significant accounting policies (continued)

(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 Group, 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.

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 statement of financial position.

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, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

Note 1 Summary of significant accounting policies (continued)

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments
The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

(x) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies

Note 1 Summary of significant accounting policies (continued)

that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2010-2012 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011-2013 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's has not adopted these new standards and interpretations and is it is not expected that their adoption will have a material impact on future financial statements.

(y) 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.

(z) Restatement of comparatives

An adjustment has been made to the value of the make good provision recorded in previous periods. Having revisited the information available at the inception of the lease, it has been found that the present value of the costs to restore the premises at Lane Cove to its original condition at the end of the lease exceeded the provision recognised. This resulted in the make good provision being understated as at 1 July 2012 and as at 30 June 2013. This error has been corrected and is reflected in the relevant balances recorded at 30 June 2014.

Note 1 Summary of significant accounting policies (continued)

Extracts, being only those line items affected, are disclosed below:
Consolidated Statement of profit or loss

Extract	2013 Reported $	Consolidated Adjustment $	2013 Restated $
Expenses			
Other expenses	(18,222)	(41,592)	(59,814)
Loss before income tax	**(2,279,432)**	**(41,592)**	**(2,321,024)**
Income tax benefit	-	-	-
Net loss for the year	**(2,279,432)**	**(41,592)**	**(2,321,024)**
Loss attributable to the owners of CAP-XX Limited	**(2,279,432)**	**(41,592)**	**(2,321,024)**

	Cents Reported	Adjustment	Cents Restated
Earnings per share for (loss) attributable to the ordinary equity holders of the Company			
Basic earnings per share	(2.6)	(0.1)	(2.7)
Diluted earnings per share	(2.6)	(0.1)	(2.7)

Consolidated Statement of comprehensive income

Extract	2013 Reported $	Consolidated Adjustment $	2013 Restated $
Loss for the year	**(2,279,432)**	**(41,592)**	**(2,321,024)**
Total comprehensive income for the year attributable to owners of CAP-XX Limited	**(2,336 ,933)**	**(41,592)**	**(2,378,525)**

Consolidated Statement of financial position at the beginning of the earliest comparative period – 1 July 2012

Extract	1/07/2012 Reported $	Consolidated Adjustment $	1/07/2012 Restated $
Current liabilities			
Provisions	740,382	86,623	827,005
Total current liabilities	2,413,296	86,623	2,499,919
Total liabilities	**2,643,908**	**86,623**	**2,730,531**
Net assets	**4,474,388**	**(86,623)**	**4,387,765**
Equity			
Accumulated losses	(86,764,649)	(86,623)	(86,851,272)
Total equity	**4,474,388**	**(86,623)**	**4,387,765**

Note 1 Summary of significant accounting policies (continued)

Consolidated Statement of financial position at the end of the earliest comparative period – 30 June 2013

Extract	30/06/2013 Reported	Consolidated Adjustment	30/06/2013 Restated
Current liabilities	**$**	**$**	**$**
Provisions	800,644	128,215	928,859
Total current liabilities	2,018,851	128,215	2,147,066
Total liabilities	**2,054,777**	**128,215**	**2,182,992**
Net assets	**2,349,903**	**(128,215)**	**2,221,688**
Equity			
Accumulated losses	(89,044,081)	(128,215)	(89,172,296)
Total equity	**2,349,903**	**(128,215)**	**2,221,688**

Notes
Expenses
Loss before income tax includes the following specific expenses:

Other expenses - movement in provisions	2013 Reported $	Consolidated Adjustment $	2013 Restated $
Provision for credit notes	3,881	-	3,881
Provision for make good on premises	10,000	41,592	51,592
Provision for withholding tax	2,701	-	2,701
Provision for returns and warranties	1,640	-	1,640
	18,222	**41,592**	**59,814**

Current liabilities - Provisions

	2013 Reported $	Consolidated Adjustment $	2013 Restated $
Employee benefits	539,004	-	539,004
Product returns and warranties	51,640	-	51,640
Make good provision	210,000	128,215	338,215
	800,644	**128,215**	**928,859**

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

	2013 Reported $	Consolidated Adjustment $	2013 Restated $
Carrying amount at the start of the year	200,000	86,623	286,623
Charged to profit or loss – additional provision recognised	10,000	41,592	51,592
Carrying amount at end of the year	**210,000**	**128,215**	**338,215**

Note 1 Summary of significant accounting policies (continued)

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

	Cents Reported	Adjustment	Cents Restated
Basic earnings per share	(2.6)	(0.1)	(2.7)
Diluted earnings per share	(2.6)	(0.1)	(2.7)

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	
	2014	2013
	$	$
Financial assets		
Cash and cash equivalents	**900,397**	1,105,523
Trade and other receivables	**1,492,123**	1,492,051
	2,392,520	2,597,574
Financial liabilities		
Trade and other payables	**829,188**	1,024,628
	829,188	1,024,628

(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.

Sensitivity analysis

The Group's after tax profit and equity for the year would have been $170,224 lower/ $187,246 higher (2013: $131,347 lower/$144,482 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 dollars, was as follows:

	2014			2013		
	USD	**GBP**	**Other**	USD	GBP	Other
	$	**$**	**$**	$	$	$
Cash and cash equivalents	**365,286**	**49**	**1,632**	388,369	49	1,587
Trade receivables	**539,322**	**-**	**-**	464,160	-	-
Trade payables	**415,977**	**5,896**	**-**	271,111	10,582	-

Note 2 Financial risk management (continued)

(b) Credit risk

The Group has some concentration 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 2014 as the Group is transitioning from development stage. Due to the negative cash flow position the Group has not committed to any credit facilities and rather has 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 2014, 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.

(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.

(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.

Note 3 Critical accounting estimates and judgements (continued)

(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.

(iv) Lease make good provision

A provision has been made for the present value of anticipated costs for the future restoration of leased premises. The provision includes future cost estimates associated with departing the premise at the termination of the current lease period and requires assumptions regarding the cost estimates and departure dates. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time.

v) Warranty provision

In determining the level of provision required for warranties, the Group has made judgements in respect of he expected performance of the products, the number and frequency of customers who will actually claim under the stated warranty and the costs of fulfilling the conditions of the warranty. The provision is based on estimates generated from historical warranty data associated with similar products and services.

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 generates revenue in 3 main geographical areas being Asia Pacific, North America and Europe. Segment revenues are allocated based on the country in which the user is located

CAP-XX Limited
Notes to the financial statements
30 June 2014 (continued)

Note 4 Segment Information (continued)

30 June 2014	Geographical Segments			
	Asia Pacific	Europe	North America	Total
	$	$	$	$
Revenue	1,578,178	2,084,468	307,535	3,970,181
Cost of sales	(3,236,009)	-	-	(3,236,009)
Gross Profit/(Loss)	(1,657,831)	2,084,468	307,535	734,172
Interest revenue	53,569	-	-	53,569
Other income	1,208,337	-	-	1,208,337
General and administrative expenses	(2,115,193)	-	-	(2,115,193)
Process and engineering expenses	(429,233)	-	-	(429,233)
Selling and marketing expenses	(485,341)	-	-	(485,341)
Research and development expenses	(1,471,297)	-	-	(1,471,297)
Other expenses	(38,074)	-	-	(38,074)
Profit/ (Loss) before income tax	(4,935,063)	2,084,468	307,535	(2,543,060)
Income tax benefit				
Net profit/(loss) for the year	(4,935,063)	2,084,468	307,535	(2,543,060)
Other comprehensive income				
Exchange differences arising in translation of foreign operations	9,271	-	-	9,271
Total comprehensive income, net of tax	(4,925,792)	2,084,468	307,535	(2,778,455)
Total assets	4,087,543	-	-	4,087,543
Total liabilities	1,832,281	-	-	1,832,281
Profit/(Loss) before income tax includes the following specific expenses:				
Interest expense	-	-	-	-
Depreciation	209,699	-	-	209,699
Share based payments	206,084	-	-	206,084

Note 4 Segment Information (continued)

30 June 2013	Geographical Segments			
	Asia Pacific $	Europe $	North America $	Total $
Revenue	2,043,572	1,326,042	200,219	3,569,833
Cost of sales	(2,492,111)	-	-	(2,492,111)
Gross Profit/(Loss)	(448,539)	1,326,042	200,219	1,077,722
Interest revenue	97,232	-	-	97,232
Other income	1,084,932	-	-	1,084,932
General and administrative expenses	(2,205,774)	-	-	(2,205,774)
Process and engineering expenses	(441,692)	-	-	(441,692)
Selling and marketing expenses	(397,479)	-	-	(397,479)
Research and development expenses	(1,476,151)	-	-	(1,476,151)
Other expenses	(59,814)	-	-	(59,814)
Profit/ (Loss) before income tax	(3,847,285)	1,326,042	200,219	(2,321,024)
Income tax benefit				
Net profit/(loss) for the year	(3,847,285)	1,326,042	200,219	(2,321,024)
Other comprehensive income				
Exchange differences arising in translation of foreign operations	(57,501)	-	-	(57,501)
Total comprehensive income, net of tax	(3,904,786)	1,326,042	200,219	(2,378,525)
Total assets	4,404,680	-	-	4,404,680
Total liabilities	2,182,992	-	-	2,182,992
Profit/(Loss) before income tax includes the following specific expenses:				
Interest expense	-	-	-	-
Depreciation	342,255	-	-	342,255
Share based payments	212,448	-	-	212,448

Note 5 Revenue

	Consolidated	
	2014 $	2013 $
Sales revenue		
Sale of goods	**3,970,181**	3,569,833
	3,970,181	3,569,833
Other revenue		
Interest	**53,569**	97,232

Note 6 Other income

	Consolidated	
	2014	2013
	$	$
Foreign Exchange Gains – (net)	**27,157**	95,801
Government grants (note (a))	**-**	12,500
R&D Tax Incentive	**1,172,447**	976,631
Miscellaneous Income	**8,733**	-
	1,208,337	1,084,932

(a) Government grants

The following grants were recognised as other income by the Group during the year ended 30 June 2014. There are no unfulfilled conditions attached to these grants:

	2014	2013
	$	$
Commercialisation Australia	-	12,500
	-	12,500

Note 7 Expenses

	Consolidated	
	2014	2013
	$	$

Loss before income tax includes the following specific expenses:

	2014	2013
Cost of sale of goods		
Direct materials and labour	**2,565,517**	1,656,201
Indirect manufacturing expenses	**670,492**	835,910
Total cost of sale of goods	**3,236,009**	2,492,111
Depreciation		
Plant and equipment	**204,248**	338,017
Furniture and fittings	**3,528**	3,597
Leasehold improvements	**1,923**	641
Total depreciation	**209,699**	342,255
Other expenses - movement in provisions		
Provision for credit notes / doubtful debts	**(5,275)**	3,881
Provision for make good on premises	**60,879**	51,592
Provision for Withholding Tax Diminution	**2,788**	2,701
Provision for returns and rework	**(20,319)**	1,640
	38,703	59,814
Rental expense relating to operating leases		
Minimum lease payments	**399,671**	332,071
Employee benefits expense	**2,492,353**	2,377,280
Share based payments	**206,084**	212,448

Note 8 Income tax benefit

	Consolidated	
	2014	2013
	$	$
(a) Numerical reconciliation of income tax benefit to prima facie tax benefit		
(Loss) before tax	**(2,543,060)**	(2,279,432)
Tax at the Australian tax rate of 30%	**(762,918)**	(683,830)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	**61,825**	63,735
R&D additional claims	**(390,815)**	(335,331)
	(1,091,908)	(955,426)
Deferred income tax (revenue)/expense not recognised	**-**	2,857
Benefit arising from tax losses not recognised	**1,091,908**	952,569
Income tax benefit	**-**	-

(b) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	**91,518,231**	90,215,215
Potential tax benefit @ 30%	**27,455,469**	27,064,564

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.

(c) Deferred Tax Assets

The balance comprised temporary differences attributable to employee benefits & other provisions	**589,223**	720,230
Set- off of deferred tax liabilities	**39,705**	(131,007)
Net deferred tax assets	**628,908**	589,223

(d) Unrecognised temporary differences

Temporary differences for which no deferred tax asset has been recognised	**2,491,529**	1,964,077
Potential tax benefit @ 30%	**747,459**	589,223

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 tax consolidated entities

Note 9 Current assets – Cash and cash equivalents

	Consolidated	
	2014	2013
	$	$
Cash at bank and on hand	**395,419**	494,353
Cash on deposit	**504,978**	611,170
	900,397	1,105,523

Note 10 Current assets – Receivables

	Consolidated	
	2014	2013
	$	$
Trade receivables	**572,426**	500,442
Provision for doubtful receivables	**(28,621)**	(33,896)
	543,805	466,546
Other receivables	**15,000**	21,982
	15,000	21,982

(a) Impairment of trade receivables

The Group has recognised an impairment of trade receivables at the year ended 30 June 2014 of $28,621 (2013: $33,896). The ageing of the impaired trade receivables provided for is as follows:

	Consolidated	
	2014	2013
	$	$
Up to 3 months	**28,621**	33,896
	28,621	33,896

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2014	**2013**
	$	**$**
Opening balance	**33,896**	30,015
Additional provisions recognised	**28,621**	33,896
Unused amounts reversed	**(33,896)**	(30,015)
Closing balance	**28,621**	33,896

Note 10 Current assets - Receivables (continued)

(b) Past due but not impaired

There were no trade receivables at 30 June 2014 that were past due but not impaired (2013: $29,996).

(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 10 customers with the top 4 making up 96% of the total balance.

(d) Foreign exchange and interest rate risk

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

Note 11 Current assets – Inventories

	Consolidated	
	2014	2013
	$	$
Raw materials and stores - net realisable value	**545,064**	568,481
Finished goods - net realisable value	**225,562**	428,258
	770,626	996,739

Note 12 Current assets – Other

	Consolidated	
	2014	2013
	$	$
Research & Development - Tax Credit	**1,172,447**	1,003,523
Prepayments	**63,280**	63,370
Other	**8,318**	8,522
	1,244,045	1,075,415

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

	Consolidated	
	2014	2013
	$	$
Plant and equipment at cost	**16,178,248**	16,141,265
Accumulated depreciation	**(15,845,539)**	(15,654,241)
Capital Works in Progress	**34,961**	-
Net book amount	**367,670**	487,024
Furniture and fittings at cost	**66,779**	66,779
Accumulated depreciation	**(60,492)**	(56,964)
Net book amount	**6,287**	9,815
Leasehold improvements at cost	**442,647**	442,647
Accumulated depreciation	**(439,441)**	(437,518)
Net book amount	**3,206**	5,129
Total property, plant and equipment	**16,722,635**	16,650,691
Total accumulated depreciation	**(16,345,472)**	(16,148,723)
Total net book amount	**377,163**	501,968

Movement in classes of assets: Consolidated	**Plant and equipment $**	**Leasehold improvements $**	**Furniture and fittings $**	**Total $**
Year ended 2014				
Opening net book amount	487,024	5,129	9,815	501,968
Additions	85,136	-	-	85,136
Disposals	(242)	-	-	(242)
Depreciation	(204,248)	(1,923)	(3,528)	(209,699)
Closing net book amount	367,670	3,206	6,287	377,163

Movement in classes of assets: Consolidated	**Plant and equipment $**	**Leasehold improvements $**	**Furniture and fittings $**	**Total $**
Year ended 2013				
Opening net book amount	502,304	-	13,412	515,716
Additions	322,736	5,770	-	328,506
Disposals	-	-	-	-
Depreciation	(338,016)	(641)	(3,597)	(342,254)
Closing net book amount	487,024	5,129	9,815	501,968

Note 14 Non-current assets – Other

	Consolidated	
	2014	2013
	$	$
Rental bond	**236,507**	236,507

A term of the current lease agreement for the Lane Cove premises is a requirement for the Group 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.

Note 15 Current liabilities – Payables

	Consolidated 2014 $	2013 $
Trade payables	**688,662**	852,444
Other payables and accrued expenses	**140,526**	172,184
	829,188	1,024,628

The carrying amount of trade and other payables are assumed to approximate their fair values due to their short term nature.

Note 16 Current liabilities – Provisions

	Consolidated 2014 $	2013 $
Employee benefits – annual leave and long service leave	**532,831**	539,004
Product returns and warranties	**31,321**	51,640
Make good provision	**399,094**	338,215
	963,246	928,859

(a) Make good provision

The Group 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:

	Consolidated 2014 $	2013 $
Annual leave obligation expected to be settled after 12 months	**86,238**	106,869

(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.

Note 16 Current liabilities - Provisions (continued)

(e) Movements in provisions

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

	Consolidated 2014 $	2013 $
Carrying amount at start of year	**51,640**	50,000
Charged to profit or loss		
- provision adjustment	**(20,319)**	1,640
Carrying amount at end of year	**31,321**	51,640

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 are set out below:

	Consolidated 2014 $	2013 $
Carrying amount at start of year	**338,215**	286,623
Charged to profit or loss		
- additional provisions recognised	**60,879**	51,592
Carrying amount at end of year	**399,094**	338,215

Note 17 Current liabilities – Other liabilities

	Consolidated 2014 $	2013 $
Unearned income on sale of plant and equipment	-	193,579
	-	193,579

The advance payment received from Nationgate for the transfer of supercapacitor manufacturing equipment was amortised over the remaining term of the manufacturing contract between CAP-XX and Nationgate. The initial manufacturing contract relevant to this equipment came to an end during the current financial year.

Note 18 Non-current liabilities – Provisions and Other liabilities

	2014 $	2013 $
Employee benefits – long service leave	**39,847**	35,926
	39,847	35,926

Note 19 Contributed equity

	Consolidated	
	2014 Shares	2013 Shares
(a) Share capital		
Fully paid ordinary shares (no par value)	**114,459,249**	86,277,430

(b) Movement in ordinary share capital:

Date	Details	Number of shares	Issue price	$
1 July 2012	Opening balance	86,277,430		87,932,560
30 June 2013	Balance	86,277,430		87,932,560
1 July 2013	Opening balance	86,277,430		87,932,560
30 August 2013	Issue of Shares	28,181,819	$0.09	2,560,713
30 August 2014	Share Issuance Costs			(199,434)
30 June 2014	Balance	114,459,249		90,293,839

(c) Ordinary shares

At 30 June 2014, there were 114,459,249 (2013: 86,277,430) 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 Group 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.

Note 20 Reserves and accumulated losses

	Consolidated 2014 $	2013 $
(a) Reserves		
Foreign currency translation reserve note 20(c)(i)	**(44,375)**	(53,646)
Share-based payments reserve note 20(c) (ii)	**3,721,154**	3,515,070
	3,676,779	3,461,424
Movements:		
Foreign currency translation reserve		
Balance 1 July	**(53,646)**	3,855
Currency translation differences arising during the year	**9,271**	(57,501)
Balance 30 June	**(44,375)**	(53,646)
Share-based payments reserve		
Balance 1 July	**3,515,070**	3,302,622
Option expense	**206,084**	212,448
Balance 30 June	**3,721,154**	3,515,070

(b) Accumulated losses

Movements in accumulated losses were as follows:

	2014	2013
Balance 1 July	**(89,172,296)**	(86,851,272)
Net (loss) for the year	**(2,543,060)**	(2,321,024)
Balance 30 June	**(91,715,356)**	(89,172,296)

(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.

(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

Patrick Elliott (Chairman)
Bruce Grey

Note 21 Key management personnel disclosures (Continued)

(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	
	2014	2013
	$	$
Short-term benefits	**1,297,999**	1,376,453
Post-employment benefits	**107,637**	103,301
Share-based payments	**243,284**	159,443
Total	**1,648,920**	1,639,197

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

There were no other transactions with key management personnel.

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	
	2014	2013
	$	$
(a) BDO East Coast Partnership		
Audit services		
Audit and review of financial statements	**61,500**	-
Total remuneration for audit services	**61,500**	-
Taxation services		
Tax compliance services, including review of company income tax returns , employee share scheme and R&D Tax concession	**36,000**	-
Total remuneration of BDO East Coast Partnership	**97,500**	-

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

Note 22 Remuneration of Auditors (Continued)

	Consolidated	
	2014	2013
	$	$
(b) PricewaterhouseCoopers Australia		
Audit services		
Audit and review of financial statements	-	118,000
Total remuneration for audit services	-	118,000
Taxation services		
Tax compliance services, including review of company income tax returns , employee share scheme and R&D Tax concession	-	45,820
Total remuneration of PricewaterhouseCoopers Australia	-	163,820

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 2013 and was due to expire on 30th June 2014. The lease has been extended by a further 24 months to 30th June, 2016.

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	
	2014	2013
	$	$
Commitments for minimum lease payments in relation to operating leases are payable as follows:		
Within one year	**345,912**	376,072
Later than one year but not later than 5 years	**363,208**	13,398
	709,120	389,470

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 2014 %	Equity holding * 30 June 2013 %
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

The necessary paperwork associated with the receipt of the R&D Tax rebate for the 2014 financial year has been lodged with the relevant Government authorities and the quantum expected to be received is similar to past years.

Note 27 Reconciliation of loss after tax to net cash outflow from operating activities

	Consolidated 2014 $	Consolidated 2013 $
Net loss	**(2,543,060)**	(2,321,024)
Depreciation and amortisation	**209,941**	342,255
Non-cash employee benefit expense – share based payments	**206,084**	212,448
Changes in assets and liabilities:		
(Increase) / decrease in receivables	**(317,724)**	128,418
(Increase) / decrease in inventories	**226,113**	(238,712)
(Increase) / decrease in other assets	**78,817**	98,705
(Decrease) / increase in payables	**(389,019)**	(649,952)
(Decrease) / increase in provisions	**38,308**	102,413
Net cash (outflow) from operating activities	**(2,490,540)**	(2,325,449)

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 Group's Board of Directors with effect from 5 April 2006. The 2006 Share Option Exchange provides for the issuance of stock options for the purchase of ordinary shares of the Group'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 Group's ordinary shares by officers, employees, independent contractors, consultants, advisers and directors of the Group 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	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited & expired during the year	Balance at end of the year	Exercisable at end of the year
		A$	Number	Number	Number	Number	Number	Number
Consolidated – 2014								
30 June 2004	31 May 2014	$0.47	30,000	-	-	(30,000)	-	-
1 July 2005	31 May 2015	$0.47	518,576	-	-	-	518,576	518,576
1 July 2005	31 May 2015	$15.64	8,004	-	-	-	8,004	8,004
			556,580	-	-	(30,000)	526,580	526,580
Weighted Average Exercise Price			**$0.69**	-	-	**$0.47**	**$0.70**	**$0.70**

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited & expired during the year	Balance at end of the year	Exercisable at end of the year
		A$	Number	Number	Number	Number	Number	Number
Consolidated – 2013								
1 November 2002	30September 2013	$15.64	26,001	-	-	(26,001)	-	-
1 April 2004	30 September 2013	$15.64	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	518,576	-	-	-	518,576	518,576
1 July 2005	31 May 2015	$15.64	8,004	-	-	-	8,004	8,004
			594,083	-	-	(37,503)	556,580	556,580
Weighted Average Exercise Price			**$1.63**	-	-	**$15.64**	**$0.69**	**$0.69**

The share options are governed by their original terms and conditions and will continue to vest pursuant to the same vesting schedule.

30,000 share options were forfeited during the year ended 30 June 2014 (2013: 37,503).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.8 years (2013: 1.8 years).

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 Group by officers, employees, consultants, advisors and directors of the Group 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	Granted during the year	Exercised during the year	Forfeited & expired during the year	Balance at end of the year	Exercisable at end of the year
		$	Number	Number	Number	Number	Number	Number
Consolidated – 2014								
19 September 2006	19 September 2016	$2.38	625,000	-	-	-	625,000	625,000
08 May 2007	08 May 2017	$2.58	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	20,000	-	-	(20,000)	-	-
19 December 2008	19 December 2014	£0.25	855,000			-	855,000	855,000
01 March 2009	01 March 2015	£0.20	50,000	-	-	-	50,000	50,000
21 April 2009	21 April 2019	£0.167	20,000	-	-	(20,000)	-	-
06 April 2010	06 April 2016	£0.56	1,650,000	-	-	(115,000)	1,535,000	1,535,000
21 April 2010	21 April 2020	£0.33	20,000	-	-	(20,000)	-	-
21 April 2011	21 April 2021	£0.19	20,000	-	-	(20,000)	-	-
08 December 2011	8 December 2015	£0.21	1,835,000	-	-	(75,000)	1,760,000	1,128,329
21 April 2012	21 April 2022	£0.29	20,000	-	-	(20,000)	-	-
09 October 2013	09 October 2017	£0.085		4,520,000	-	(120,000)	4,400,000	240,000
			5,285,000	**4,520,000**	-	**(420,000)**	**9,385,000**	**4,593,329**
Weighted Average Exercise Price			**$0.81**	-	-	**$0.49**	**$0.43**	**$0.84**

Options granted prior to April 2008 used Australian dollars as the measurement basis, whilst options granted after April 2008 used British pounds. This date corresponds with the listing of CAP-XX Limited on the Alternative Investment Market (AIM) in 2008.

Note 28 Share-based payments (continued)

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited & expired during the year	Balance at end of the year	Exercisable at end of the year
		$	Number	Number	Number	Number	Number	Number
Consolidated – 2013								
19 September 2006	19 September 2016	$2.38	625,000	-	-	-	625,000	625,000
08 May 2007	08 May 2017	$2.58	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	20,000	-	-	-	20,000	20,000
19 December 2008	19 December 2014	£0.25	855,000	-	-	-	855,000	855,000
01 March 2009	01 March 2015	£0.20	50,000	-	-	-	50,000	50,000
21 April 2009	21 April 2019	£0.167	20,000	-	-	-	20,000	20,000
06 April 2010	06 April 2016	£0.56	1,650,000	-	-	-	1,650,000	1,335,822
21 April 2010	21 April 2020	£0.33	20,000	-	-	-	20,000	20,000
21 April 2011	21 April 2021	£0.19	20,000	-	-	-	20,000	20,000
08 December 2011	8 December 2015	£0.21	1,835,000	-	-	-	1,835,000	717,861
21 April 2012	21 April 2022	£0.29	20,000	-	-	-	20,000	20,000
			5,285,000	-	-	-	**5,285,000**	**3,853,483**
Weighted Average Exercise Price			**$0.81**	-	-	-	**$0.81**	**$0.93**

The Stock Options are governed by their original terms and conditions and will continue to vest pursuant to the same vesting schedule. 420,000 share options were forfeited or expired during the year ended 30 June 2014 (2013: Nil). The weighted average remaining contractual life of share options outstanding at the end of the period was 1.6 years (2013: 2.3years).

Fair value of options granted

There were 4,520,000 share options issued for the year ended 30 June 2014 (2013: Nil)

The assessed fair value at grant date of options granted, during the year ended 30 June 2014, under the CAP-XX Limited Plan was A$0.04 on 9 October 2013. 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:

- 4 -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;
- 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 Group's shares: 60% (2013: 75%)

(g) no expected dividend yield

(h) risk-free interest rate: 1.38% (2013: 1.88%)

Note 28 Share-based payments (continued)

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	
	2014	2013
	$	$
Options issued under CAP-XX Limited Employee Share Option Plan	**206,084**	212,448
	206,084	212,448

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 fulfil a large proportion of sales orders.

Note 30 Earnings per share

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

	Consolidated	
	2014	2013
	Cents	Cents
(a) Basic earnings per share		
(Loss) attributable to the ordinary equity holders of the Company	**(2.3)**	(2.7)
(b) Diluted earnings per share		
(Loss) attributable to the ordinary equity holders of the Company	**(2.3)**	(2.7)

	Consolidated	
	2014	2013
	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	**109,749,411**	86,277,430
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**109,749,411**	86,277,430

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.

Note 31 Parent Entity

(a) Summary financial information

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

	2014 $	2013 $
Balance sheet		
Current assets	**1,449,539**	1,632,005
Total assets	**1,449,539**	1,632,005
Current liabilities	**112,839**	245,617
Total liabilities	**112,839**	245,617
Net Assets	**1,336,700**	1,386,388
Shareholders' equity		
Issued capital	**90,293,839**	87,932,559
Reserves		
Share-based payments	**3,721,154**	3,515,070
Retained earnings *(i)*	**(92,678,293)**	(90,061,241)
Loss for the year	**(2,617,052)**	(3,215,697)
Total comprehensive income	**(2,617,052)**	(3,215,697)

(i) Reconciliation to prior year retained earnings

Balance at beginning of period 1/07/2013	(90,061,241)
Net loss for the year	(2,617,052)
Balance at end of period 30/06/2014	**(92,678,293)**

Contingent Liabilities
The parent had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Capital commitments - Property, plant and equipment
The parent had no capital commitments for property, plant and equipment as at 30 June 2014 and 30 June 2013.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 19 to 58 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 2014 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.

Patrick Elliott
Director

Sydney
4 September 2014

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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, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

(a) the financial report of 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 2014 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(b) in the financial report which indicates that the consolidated entity incurred an operating loss before tax and net cash outflows from operating activities during the year ended 30 June 2014. These conditions, along with other matters as set out in Note 1(b), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 4 September 2014