

CAP-XX Limited
ABN 47 050 845 291

Annual report 2015

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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: 12th October 2015

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

Allenby Capital
3 St Helen Place
London EC3A 6AB

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 is pleased to report that it has continued to make significant progress on its objective of accelerating adoption of its products via the realisation of operational cost savings; the launch of new products to address emerging markets; and the ongoing development of its automotive modules for potential licensees.

Sales revenue for the 12 months to 30 June 2015 increased by AUD\$0.4 million to AUD\$4.4 million compared to AUD\$4.0 million in 2014. Unit sales volumes increased by 6%. The impact of the identified operational cost savings have started to be realised with a year on year improvement in gross margin of \$0.8m (pre Natingate amortisation) on the back of a modest increase in volumes. This equates to a gross margin of 30.6% compared to the previous year's 13.6% on a like for like basis. (before the Natingate amortisation benefit as highlighted in last year's statement). Operating expenditure has been held steady over the year even though the Company has further increased the product development, sales and marketing resources devoted to the support of the very recent new product launches of the Thinline and automotive products.

Research and Development efforts remain focussed on product development and sourcing raw materials which have a lower cost but will enhance product performance. The Research and Development tax claim remained on par \$1,127k (2014: \$1,172k). The operating result for the twelve months to 30 June 2015 was a loss of AUD\$1.88 million (2014: loss of AUD\$2.7 million before NTM amortisation).

As highlighted above, the Company has started to see the benefits of its focus on operational cost savings. The primary contributor to the improved gross margin result for the last financial year was an overall improvement in the contract manufacturers' yields which was assisted by the successful commissioning of plant and equipment which has improved the quality and consistency of the electrode line. Raw material expenditure coupled with tolling rate reductions have also contributed to the operational cost savings realised to date. Management have identified further operational savings which are scheduled to be brought to account in the second half the current financial year which should further improve margins as well increasing the competitiveness of the CAP-XX product.

The royalties from Murata have continued to improve with expected royalties for the 12 months to 30 June 2015 more than doubling to A\$109K (2014: A\$53K) and the last quarter royalty more than 200% greater than the previous quarter. The level of royalty increase is pleasing and is consistent with the discussions held with Murata management in regard to sales and marketing efforts and known design wins. CAP-XX's internal sales team are also observing that Murata's presence in the traditional supercapacitor markets is becoming increasingly active and the Board remain confident that the royalties will continue to increase in the foreseeable future.

As previously reported, the Company announced that it had signed a mutually exclusive Memorandum of Understanding with a North American Global Tier-1 Automotive components company, initially for the development of products for the North American truck market utilising CAP-XX's large automotive supercapacitors. The Company also reported that following delivery of the first test and evaluation samples of its automotive supercapacitor units, that test results under the program have been very encouraging and that additional test and evaluation units have been ordered. A full and detailed project plan has been completed in consultation with the Company's customer in order to bring this product offering to the market as soon as practically possible with sales expected to be generated in the latter half of the current financial year. Both parties are also in final stages of discussing licensing opportunities. The Company continues to discuss additional licensing opportunities for its large supercapacitor offering with several other potential licensees.

During the year, the Company announced the release and availability of its *Thinline* range of supercapacitors which were developed to address the space-constrained needs of the Internet of Things (IoT). The Company has received numerous requests from application designers of ultra-thin applications such as wearable devices, fitness and health monitors, smart watches and drug delivery systems. All of these target markets are forecast to be high volume opportunities. To date, the product is undergoing evaluation by several companies with material sales volumes to follow. The *Thinline* supercapacitor was awarded an "Electron d'Or 2015" by the French magazine 'ElectroniqueS' in the Passive Component category.

The Company is focussed on accelerating the adoption of its products into key target markets.

Patrick Elliott
Chairman

31 August 2015

Business Review

Review of Operations and Activities

Since CAP-XX, launched its first supercapacitor in 2002 it has sold in excess of 21 million cells. CAP-XX established a new revenue stream in 2008, with the commencement of license fees and other related payments including royalties from Murata.

The royalties from Murata have continued to improve with expected royalties for the 12 months to 30 June 2015 more than doubling to A\$109K (2014: A\$53K) and the last quarter royalty more than 200% greater than the previous quarter. The level of royalty increase is pleasing and is consistent with the discussions held with Murata management in regard to sales and marketing efforts and known design wins. CAP-XX's internal sales team are also observing that Murata's presence in the traditional supercapacitor markets is becoming increasingly active and the Board remain confident that the royalties will continue to increase in the foreseeable future.

During the past twelve months, the Company was successful in placing two capital raises with approximately 150million shares being issued and A\$3,913k being raised. The proceeds of the capital raise were received in April and May 2015.

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 very significant 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 become smaller whilst 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

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. During the year, CAP-XX announced that it had signed a mutually exclusive Memorandum of Understanding (MoU) with a North American Global Tier-1 Automotive Components company. The MoU is for the development of CAP-XX's large automotive supercapacitors for a standalone system which can serve both original equipment and aftermarket applications. Other potential licensee opportunities are continuing to be addressed by CAP-XX management.

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, electronic locks, building management systems, monitoring and metering, and location tracking devices. During the year, CAP-XX announced the release and availability of its *Thinline* range of supercapacitors which were developed to address the space-constrained needs of the Internet of Things (IoT). The Company has since received numerous enquiries from customers looking to use the *Thinline* products in various applications including beacons, electronic keys, electronic shelf labels, industrial M2M monitoring, medical devices, mobile phones, RFID and tracking control, smart credit cards and wearable products. All of these markets are forecast to be high volume opportunities.

We expect licensee sales from Murata to grow significantly in the coming years, as more consumer applications adopt supercapacitor technology.

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.

During the year the Company signed a new agreement with Thales Research Centre to evaluate new materials and to develop new products for Thales Avionics businesses.

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 IoT and automotive markets in particular offer significant opportunities for growth.

Research and Development

CAP-XX has a research facility in Sydney, Australia, where a team of 15 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 its patents covering the design, manufacture and use of its high performance supercapacitors. The CAP-XX patent portfolio currently consists of 23 patent families with 45 granted national patents (15 USA, 8 US continuations and 18 in Europe, 1 in Japan and 3 in China) with an additional 18 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.

Outlook

The major short term focus for CAP-XX is to drive the adoption of the Company's products into key target markets. The Company expects to see further significant progress over the next twelve months.

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 2015.

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 2015.

Review of operations

The Group experienced net losses of \$1,880,338 during the year ended 30 June 2015 (2014: loss of \$2,543,060). Information on the operations and financial position of the Group and its business strategies and prospects is set out on pages 6 to 7 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 2015.

Matters subsequent to the end of the financial year

The necessary paperwork associated with the receipt of the R&D Tax rebate for the 2015 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 63.*

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 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

4,961,596 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 57.*

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

9,660,333 ordinary shares in CAP-XX Limited (including shares held by Ducon Management Pty Limited and Management Matters Pty Limited).

1,250,000 options over ordinary shares in CAP-XX Limited.

Directors' report (continued)

Bruce Grey *Non-executive director. Age 69.*

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 2014 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

3,133,414 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 2015, 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	11	2	2	2	2
Bruce Grey	11	10	2	2	2	2
Anthony Kongats	11	11	-	-	-	-

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 2015, 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

2015	Primary			Post-employment		Equity	Total \$
Name	Cash salary and accrued fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Retirement benefits \$	Options \$	
<i>Executive directors</i>							
Anthony Kongats	322,103	-	-	30,600	-	19,049	371,752
<i>Non-executive directors</i>							
Patrick Elliott	43,481	-	-	-	-	6,839	50,320
Bruce Grey	43,481	-	-	-	-	2,811	46,292
Total	409,065	-	-	30,600	-	28,699	468,364

Directors' report (continued)

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 \$
<i>Executive directors</i>							
Anthony Kongats	325,676	-	-	25,094	-	36,393	387,163
<i>Non-Executive directors</i>							
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

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:

<i>Directors</i>	Date Granted	Options Granted
Nil options issued		

<i>Other executives of CAP-XX Limited</i>	Date Granted	Options Granted
Nil options issued		

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
19 September 2006	19 September 2016	\$2.38	490,000
25 February 2008	25 February 2018	\$0.71	160,000
6 April 2010	6 April 2016	£0.56	1,225,000
8 December 2011	8 December 2015	£0.21	1,430,000
9 October 2013	9 October 2017	£0.085	3,870,000
21 April 2014	21 April 2018	£0.057	100,000
			<hr/> 7,275,000 <hr/>

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 2015 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 15.

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 21 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
31 August 2015



Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
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 2015, 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.

A handwritten signature in black ink that reads 'Gareth Few'. The signature is written in a cursive style.

Gareth Few
Partner

Sydney, 31 August 2015

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 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 2015, eleven 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 2015, 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 23 patent families with 45 granted national patents (15 USA, 8 US continuations and 18 in Europe, 1 in Japan and 3 in China) with an additional 18 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 2015

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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 7 and in the directors' report on pages 8 to 14, all of which are not part of this financial report.

The financial report was authorised for issue by the directors on 31 August 2015. 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 2015

		Consolidated	
		2015	2014
<i>Currency: Australian Dollars</i>		\$	\$
	Notes		
Revenue from continuing operations	5	4,434,642	3,970,181
Cost of sales	7	<u>(3,080,361)</u>	<u>(3,236,009)</u>
Gross Profit		1,354,281	734,172
Other revenue	5	21,011	53,569
Other income	6	1,312,336	1,208,337
General and administrative expenses		(2,046,151)	(2,115,193)
Process and engineering expenses		(564,197)	(429,233)
Selling and marketing expenses		(584,821)	(485,341)
Research and development expenses		(1,306,971)	(1,471,297)
Other expenses	7	<u>(65,826)</u>	<u>(38,074)</u>
Loss before income tax		<u>(1,880,338)</u>	<u>(2,543,060)</u>
Income tax benefit	8	-	-
Net loss for the year		<u>(1,880,338)</u>	<u>(2,543,060)</u>
Loss attributable to owners of CAP-XX Limited		<u>(1,880,338)</u>	<u>(2,543,060)</u>
Earnings per share for (loss) attributable to the ordinary equity holders of the Company		Cents	Cents
Basic earnings/(loss) per share	29	(1.3)	(2.3)
Diluted earnings/(loss) per share	29	(1.3)	(2.3)

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 2015

		Consolidated	
<i>Currency: Australian Dollars</i>	Notes	2015	2014
		\$	\$
Loss for the year		(1,880,338)	(2,543,060)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	19	(139,539)	9,271
Other comprehensive income for the year, net of tax		<u>(139,539)</u>	<u>9,271</u>
Total comprehensive income for the year attributable to owners of CAP-XX Limited		<u>(2,019,877)</u>	<u>(2,533,789)</u>

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 2015

		Consolidated	
		June 30, 2015	June 30, 2014
		\$	\$
<i>Currency: Australian Dollars</i>			
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents	9	2,643,418	900,397
Receivables	10	685,192	558,805
Inventories	11	1,409,463	770,626
Other	12	1,252,158	1,244,045
Total current assets		<u>5,990,231</u>	<u>3,473,873</u>
Non-current assets			
Property, plant and equipment	13	301,272	377,163
Other	14	236,507	236,507
Total non-current assets		<u>537,779</u>	<u>613,670</u>
Total assets		<u>6,528,010</u>	<u>4,087,543</u>
LIABILITIES			
Current liabilities			
Payables	15	1,074,711	829,188
Provisions	16	915,862	963,246
Other	17	-	-
Total current liabilities		<u>1,990,573</u>	<u>1,792,434</u>
Non-current liabilities			
Provisions	17	42,487	39,847
Total non-current liabilities		<u>42,487</u>	<u>39,847</u>
Total liabilities		<u>2,033,060</u>	<u>1,832,281</u>
Net assets		<u>4,494,950</u>	<u>2,255,262</u>
EQUITY			
Contributed equity	18	94,426,347	90,293,839
Reserves	19	3,664,297	3,676,779
Accumulated losses	19	(93,595,694)	(91,715,356)
TOTAL EQUITY		<u>4,494,950</u>	<u>2,255,262</u>

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 2015

		Consolidated			
<i>Currency: Australian Dollars</i>	Notes	Contributed Equity \$	Reserves \$	Accumulated losses \$	Total \$
		<u>87,932,560</u>	<u>3,461,424</u>	<u>(89,172,296)</u>	<u>2,221,688</u>
				<u>(2,543,060)</u>	<u>(2,543,060)</u>
		-	9,271	-	9,271
		<u>2,361,279</u>	-	-	<u>2,361,279</u>
		-	<u>206,084</u>	-	<u>206,084</u>
		-	<u>206,084</u>	-	<u>206,084</u>
		<u>90,293,839</u>	<u>3,676,779</u>	<u>(91,715,356)</u>	<u>2,255,262</u>
				<u>(1,880,338)</u>	<u>(1,880,338)</u>
		-	<u>(139,539)</u>	-	<u>(139,539)</u>
		<u>4,132,508</u>	-	-	<u>4,132,508</u>
		-	<u>127,057</u>	-	<u>127,057</u>
		<u>4,132,508</u>	<u>127,057</u>	-	<u>4,259,565</u>
		<u>94,426,347</u>	<u>3,664,297</u>	<u>(93,595,694)</u>	<u>4,494,950</u>

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 2015

		Consolidated	
<i>Currency: Australian Dollars</i>	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		4,716,519	4,296,922
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(8,067,711)</u>	<u>(7,853,287)</u>
		(3,351,192)	(3,556,365)
Tax credit received		1,172,447	1,003,523
Grants received		-	8,733
Interest received		<u>21,011</u>	<u>53,569</u>
Net cash (outflow) from operating activities	26	<u>(2,157,734)</u>	<u>(2,490,540)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(92,214)</u>	<u>(85,136)</u>
Net cash (outflow) from investing activities		<u>(92,214)</u>	<u>(85,136)</u>
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)	18	<u>4,132,508</u>	<u>2,361,279</u>
Net cash inflow from financing activities		<u>4,132,508</u>	<u>2,361,279</u>
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial year		900,397	1,105,523
Effects of exchange rate changes on cash and cash equivalents		<u>(139,539)</u>	<u>9,271</u>
Cash and cash equivalents at the end of the financial year	9	<u>2,643,418</u>	<u>900,397</u>

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

CAP-XX Limited
Notes to the financial statements
30 June 2015

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CAP-XX Limited
Notes to the financial statements
30 June 2015

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

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Based on anticipated levels of operational cash flow, the Group has sufficient cash to fund current operations for more than one year.

(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 2015 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.

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 1 Summary of significant accounting policies (continued)

(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.

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.

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 1 Summary of significant accounting policies (continued)

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

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

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

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

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

Tax consolidation legislation

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

The head entity, CAP-XX Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a 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 22). 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.

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 1 Summary of significant accounting policies (continued)

(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.

(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.

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 1 Summary of significant accounting policies (continued)

(p) Research & development

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

(q) Trade and other payables

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

(r) Provisions

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

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

(s) Employee benefits

(i) Wages and salaries and annual leave

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

(ii) Long service leave

The liability for long service leave is recognised 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 27.

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.

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 1 Summary of significant accounting policies (continued)

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.

(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.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 1 Summary of significant accounting policies (continued)

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 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The consolidated entity has applied AASB 2012-3 from 1 July 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 that some gross settlement systems may be considered to be equivalent to net settlement.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

The consolidated entity has applied AASB 2013-3 from 1 July 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.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

(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 2015. 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

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 1 Summary of significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

(y) Parent entity financial information

The financial information for the parent entity, CAP-XX Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries

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

Note 2 Financial risk management

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

The Group holds the following financial instruments:

	Consolidated	
	2015	2014
	\$	\$
Financial assets		
Cash and cash equivalents	2,643,418	900,397
Trade and other receivables	1,842,464	1,428,843
	<u>4,485,882</u>	<u>2,329,240</u>
Financial liabilities		
Trade and other payables	1,074,711	829,188
	<u>1,074,711</u>	<u>829,188</u>

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 2 Financial risk management (continued)

(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 \$126,606 lower/ \$139,267 higher (2014: \$170,224 lower/\$187,246 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:

	2015			2014		
	USD \$	GBP \$	Other \$	USD \$	GBP \$	Other \$
Cash and cash equivalents	166,267	19,843	5,800	365,286	49	1,632
Trade receivables	504,717	-	-	539,322	-	-
Trade payables	440,640	28,669	-	415,977	5,896	-

(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 2015 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 2015, 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.

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

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 27.

(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 the 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.

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

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

30 June 2015	Geographical Segments			
	Asia Pacific	Europe	North America	Total
	\$	\$	\$	\$
Revenue	1,179,863	2,847,396	407,383	4,434,642
Cost of sales	(3,080,361)	-	-	(3,080,361)
Gross Profit/(Loss)	(1,900,498)	2,847,396	407,383	1,354,281
Interest revenue	21,011	-	-	21,011
Other income	1,312,336	-	-	1,312,336
General and administrative expenses	(2,046,151)	-	-	(2,046,151)
Process and engineering expenses	(564,197)	-	-	(564,197)
Selling and marketing expenses	(584,821)	-	-	(584,421)
Research and development expenses	(1,306,971)	-	-	(1,306,971)
Other expenses	(65,826)	-	-	(65,826)
Profit/ (Loss) before income tax	(5,135,117)	2,847,396	407,383	(1,880,338)
Income tax benefit				
Net profit/(loss) for the year	(5,135,117)	2,847,396	407,383	(1,880,338)
Other comprehensive income				
Exchange differences arising in translation of foreign operations	(139,539)	-	-	(139,539)
Total comprehensive income, net of tax	(5,274,656)	2,847,396	407,383	(2,019,877)
Total assets	6,528,010	-	-	6,528,010
Total liabilities	2,033,060	-	-	2,033,060
Profit/(Loss) before income tax includes the following specific expenses:				
Interest expense	-	-	-	-
Depreciation	168,106	-	-	168,106
Share based payments	127,057	-	-	127,057

CAP-XX Limited
Notes to the financial statements
30 June 2015 (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 5 Revenue

	Consolidated	
	2015 \$	2014 \$
Sales revenue		
Sale of goods	<u>4,434,642</u>	<u>3,970,181</u>
	4,434,642	3,970,181
Other revenue		
Interest	<u>21,011</u>	<u>53,569</u>

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 6 Other income

	Consolidated	
	2015	2014
	\$	\$
Foreign Exchange Gains – (net)	185,064	27,157
R&D Tax Incentive	1,127,272	1,172,447
Miscellaneous Income	-	8,733
	<u>1,312,336</u>	<u>1,208,337</u>

Note 7 Expenses

	Consolidated	
	2015	2014
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Cost of sale of goods</i>		
Direct materials and labour	2,613,609	2,565,517
Indirect manufacturing expenses	466,752	670,492
Total cost of sale of goods	<u>3,080,361</u>	<u>3,236,009</u>
<i>Depreciation</i>		
Plant and equipment	162,681	204,248
Furniture and fittings	3,500	3,528
Leasehold improvements	1,924	1,923
Total depreciation	<u>168,105</u>	<u>209,699</u>
<i>Other expenses - movement in provisions</i>		
Provision for credit notes / doubtful debts	6,194	(5,275)
Provision for make good on premises	71,839	60,879
Provision for Withholding Tax Diminution	777	2,789
Provision for returns and rework	(12,984)	(20,319)
	<u>65,826</u>	<u>38,704</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	393,970	399,671
<i>Employee benefits expense</i>	2,738,168	2,492,353
<i>Share based payments</i>	127,057	206,084

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 8 Income tax benefit

	Consolidated	
	2015	2014
	\$	\$
(a) Numerical reconciliation of income tax benefit to prima facie tax benefit		
(Loss) before tax	<u>(1,880,338)</u>	<u>(2,543,060)</u>
Tax at the Australian tax rate of 30%	(564,101)	(762,918)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	38,117	61,825
R&D additional claims	<u>(375,758)</u>	<u>(390,815)</u>
	<u>(901,742)</u>	<u>(1,091,908)</u>
Deferred income tax (revenue)/expense not recognised	-	-
Benefit arising from tax losses not recognised	<u>901,742</u>	<u>1,091,908</u>
Income tax benefit	<u>-</u>	<u>-</u>
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	<u>92,672,089</u>	<u>91,518,231</u>
Potential tax benefit @ 30%	<u>27,801,627</u>	<u>27,455,469</u>
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	628,908	589,223
Set-off of deferred tax liabilities	<u>(122,171)</u>	<u>39,705</u>
Net deferred tax assets	<u>506,737</u>	<u>628,908</u>
(d) Unrecognised temporary differences		
Temporary differences for which no deferred tax asset has been recognised	<u>1,995,905</u>	<u>2,491,529</u>
Potential tax benefit @ 30%	<u>598,772</u>	<u>747,459</u>

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

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 9 Current assets – Cash and cash equivalents

	Consolidated	
	2015	2014
	\$	\$
Cash at bank and on hand	312,764	395,419
Cash on deposit	2,330,654	504,978
	<u>2,643,418</u>	<u>900,397</u>

Note 10 Current assets – Receivables

	Consolidated	
	2015	2014
	\$	\$
Trade receivables	668,007	572,426
Provision for doubtful receivables	(34,815)	(28,621)
	<u>633,192</u>	<u>543,805</u>
Other receivables	52,000	15,000
	<u>52,000</u>	<u>15,000</u>

(a) Impairment of trade receivables

The Group has recognised an impairment of trade receivables at the year ended 30 June 2015 of \$20,833 (2014: \$28,621). The ageing of the impaired trade receivables provided for is as follows:

	Consolidated	
	2015	2014
	\$	\$
Up to 3 months	20,833	28,621
	<u>20,833</u>	<u>28,621</u>

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

	Consolidated	
	2015	2014
	\$	\$
Opening balance	28,621	33,896
Additional provisions recognised	34,815	28,621
Unused amounts reversed	(28,621)	(33,896)
Closing balance	<u>34,815</u>	<u>28,621</u>

(b) Past due but not impaired

There were no trade receivables at 30 June 2015 that were past due but not impaired (2014: Nil).

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 10 Current assets – Receivables (continued)

(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	
	2015	2014
	\$	\$
Raw materials and stores - net realisable value	737,355	545,064
Finished goods - net realisable value	672,108	225,562
	<u>1,409,463</u>	<u>770,626</u>

Note 12 Current assets – Other

	Consolidated	
	2015	2014
	\$	\$
Research & Development - Tax Credit	1,127,272	1,172,447
Prepayments	72,821	63,280
Other	52,065	8,318
	<u>1,252,158</u>	<u>1,244,045</u>

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

	Consolidated	
	2015	2014
	\$	\$
Plant and equipment at cost	16,288,966	16,178,248
Accumulated depreciation	(16,007,358)	(15,845,539)
Capital Works in Progress	15,595	34,961
Net book amount	<u>297,203</u>	<u>367,670</u>
Furniture and fittings at cost	66,779	66,779
Accumulated depreciation	(63,992)	(60,492)
Net book amount	<u>2,787</u>	<u>6,287</u>
Leasehold improvements at cost	442,647	442,647
Accumulated depreciation	(441,365)	(439,441)
Net book amount	<u>1,282</u>	<u>3,206</u>
Total property, plant and equipment	16,813,987	16,722,635
Total accumulated depreciation	(16,512,715)	(16,345,472)
Total net book amount	<u>301,272</u>	<u>377,163</u>

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

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

Movement in classes of assets:	Plant and equipment	Leasehold improvements	Furniture and fittings	Total
Consolidated	\$	\$	\$	\$
Year ended 2015				
Opening net book amount	367,670	3,206	6,287	377,163
Additions	92,214	-	-	92,214
Disposals	-	-	-	-
Depreciation	(162,681)	(1,924)	(3,500)	(168,105)
Closing net book amount	<u>297,203</u>	<u>1,282</u>	<u>2,787</u>	<u>301,272</u>
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	<u>367,670</u>	<u>3,206</u>	<u>6,287</u>	<u>377,163</u>

Note 14 Non-current assets – Other

	Consolidated	
	2015	2014
	\$	\$
Rental bond	<u>236,507</u>	<u>236,507</u>

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	
	2015	2014
	\$	\$
Trade payables	874,345	688,662
Other payables and accrued expenses	200,366	140,526
	<u>1,074,711</u>	<u>829,188</u>

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	
	2015	2014
	\$	\$
Employee benefits – annual leave and long service leave	426,592	532,831
Product returns and warranties	18,337	31,321
Make good provision	470,933	399,094
	<u>915,862</u>	<u>963,246</u>

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 16 Current liabilities – Provisions (continued)

(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	
	2015	2014
	\$	\$
Annual leave obligation not expected to be settled after 12 months	83,554	86,238

(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.

(e) Movements in provisions

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

	Consolidated	
	2015	2014
	\$	\$
Carrying amount at start of year	31,321	51,640
Charged to profit or loss		
- provision adjustment	(12,984)	(20,319)
Carrying amount at end of year	18,337	31,321

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

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

	Consolidated	
	2015	2014
	\$	\$
Carrying amount at start of year	399,094	338,215
Charged to profit or loss		
- additional provisions recognised	71,839	60,879
Carrying amount at end of year	470,933	399,094

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

**Note 17 Non-current liabilities –
Provisions and Other liabilities**

	2015	2014
	\$	\$
Employee benefits – long service leave	42,487	39,847
	<u>42,487</u>	<u>39,847</u>

Note 18 Contributed equity

Consolidated

	2015 Shares	2014 Shares
(a) Share capital		
Fully paid ordinary shares (no par value)	<u>268,653,677</u>	<u>114,459,249</u>

(b) Movement in ordinary share capital:

Date	Details	Number of shares	Issue price	\$
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 2013	Share Issuance Costs			(199,434)
30 June 2014	Balance	114,459,249		90,293,839
1 July 2014	Balance	114,459,249		90,293,839
5 November 2014	Issue of shares	1,768,116	\$0.06	111,742
12 April 2015	Issue of Shares	120,000,000	\$0.02	2,327,503
12 April 2015	Share Issuance Costs			(206,956)
14 May 2015	Issue of Shares	30,769,231	\$0.06	1,949,318
14 May 2015	Share Issuance Costs			(157,099)
9 June 2015	Issue of Shares	<u>1,657,081</u>	\$0.07	<u>107,999</u>
30 June 2015	Balance	<u>268,653,677</u>		<u>94,426,346</u>

(c) Ordinary shares

At 30 June 2015, there were 268,653,677 (2014: 114,459,249) 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 27.

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 19 Reserves and accumulated losses

	Consolidated	
	2015	2014
	\$	\$
(a) Reserves		
Foreign currency translation reserve note 19(c)(i)	(183,914)	(44,375)
Share-based payments reserve note 19(c) (ii)	3,848,211	3,721,154
	<u>3,664,297</u>	<u>3,676,779</u>

Movements:

Foreign currency translation reserve

Balance 1 July	(44,375)	(53,646)
Currency translation differences arising during the year	(139,539)	9,271
Balance 30 June	<u>(183,914)</u>	<u>(44,375)</u>

Share-based payments reserve

Balance 1 July	3,721,154	3,515,070
Option expense	127,057	206,084
Balance 30 June	<u>3,848,211</u>	<u>3,721,154</u>

(b) Accumulated losses

Movements in accumulated losses were as follows:

Balance 1 July	(91,715,356)	(89,172,296)
Net (loss) for the year	(2,064,610)	(2,543,060)
Balance 30 June	<u>(93,779,966)</u>	<u>(91,715,356)</u>

(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 20 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

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 20 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 (Resigned June 30 2015)
 Phil Aitchison, VP Research (Resigned December 2014)
 Alex Bilyk, VP Research

	Consolidated	
	2015	2014
	\$	\$
Short-term benefits	1,178,192	1,297,999
Post-employment benefits	114,647	107,637
Share-based payments	162,348	243,284
Total	1,455,187	1,648,920

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

There were no other transactions with key management personnel.

Note 21 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	
	2015	2014
	\$	\$
BDO East Coast Partnership		
<i>Audit services</i>		
Audit of financial statements	61,500	61,500
Total remuneration for audit services	61,500	61,500
<i>Taxation services</i>		
Tax compliance services, including review of company income tax returns, employee share scheme and R&D Tax concession	36,000	36,000
Total remuneration of BDO East Coast Partnership	97,500	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.

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 22 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 2014 and was due to expire on 30th June 2015. The lease has been extended by a further 12 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	
	2015	2014
	\$	\$
Commitments for minimum lease payments in relation to operating leases are payable as follows:		
Within one year	372,165	345,912
Later than one year but not later than 5 years	35,568	363,208
	407,733	709,120

Note 23 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 24.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 20.

Note 24 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 2015	30 June 2014
			%	%
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 25 Events occurring after the balance sheet date

The necessary paperwork associated with the receipt of the R&D Tax rebate for the 2015 financial year has been lodged with the relevant Government authorities and the quantum expected to be received is similar to past years.

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 26 Reconciliation of loss after tax to net cash outflow from operating activities

	2015	Consolidated 2014
	\$	\$
Net loss	(1,880,338)	(2,543,060)
Depreciation and amortisation	168,105	209,941
Non-cash employee benefit expense – share based payments	127,057	206,084
<i>Changes in assets and liabilities:</i>		
(Increase) / decrease in receivables	(126,387)	(317,724)
(Increase) / decrease in inventories	(638,837)	226,113
(Increase) / decrease in other assets	(8,113)	78,817
(Decrease) / increase in payables	245,523	(389,019)
(Decrease) / increase in provisions	(44,744)	38,308
Net cash (outflow) from operating activities	<u>(2,157,734)</u>	<u>(2,490,540)</u>

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 27 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 A\$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited & expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated – 2015								
1 July 2005	31 May 2015	\$0.47	518,576	-	-	(518,576)	-	-
1 July 2005	31 May 2015	\$15.64	8,004	-	-	(8,004)	-	-
			526,580	-	-	(526,580)	-	-
Weighted Average Exercise Price			\$0.70	-	-	\$0.70	\$0.00	\$0.00

Grant Date	Expiry date	Exercise price A\$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited & expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated – 2014								
30 June 2004	31 May 2015	\$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

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

556,580 share options were forfeited during the year ended 30 June 2015 (2014: 30,000).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.0 years (2014: 0.8 years).

(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:

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 27 Share-based payments (continued)

Grant Date	Expiry date	Exercise price \$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited & expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated – 2015								
19 September 2006	19 September 2016	\$2.38	625,000	-	-	(135,000)	490,000	490,000
25 February 2008	25 February 2018	\$0.71	160,000	-	-	-	160,000	160,000
19 December 2008	19 December 2014	£0.25	855,000	-	-	(855,000)	-	-
01 March 2009	01 March 2015	£0.20	50,000	-	-	(50,000)	-	-
06 April 2010	06 April 2016	£0.56	1,535,000	-	-	(310,000)	1,225,000	1,225,000
08 December 2011	8 December 2015	£0.21	1,760,000	-	-	(330,000)	1,430,000	1,274,267
09 October 2014	09 October 2017	£0.085	4,400,000	-	-	(530,000)	3,870,000	1,669,932
21 April 2014	21 April 2018	£0.057	-	100,000	-	-	100,000	29,863
			9,385,000	100,000	-	(2,210,000)	7,275,000	4,849,062
Weighted Average Exercise Price			\$0.49	\$0.07	-	\$0.53	\$0.47	\$0.64

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.

Grant Date	Expiry date	Exercise price \$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited & expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated – 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	£0.08	-	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

The Stock Options are governed by their original terms and conditions and will continue to vest pursuant to the same vesting schedule. 2,210,000 share options were forfeited or expired during the year ended 30 June 2015 (2014: 420,000). The weighted average remaining contractual life of share options outstanding at the end of the period was 1.4 years (2014: 1.6 years).

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 27 Share-based payments (continued)

Fair value of options granted

There were 100,000 share options issued for the year ended 30 June 2015 (2014: 4,520,000)

The assessed fair value at grant date of options granted, during the year ended 30 June 2015, under the CAP-XX Limited Plan was A\$0.07 on 21 April 2014. The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted included:

- (a) options are granted for nil consideration, have a:
 - o 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;
 - o specific vesting criteria in some minor instances.
- (b) exercise price: refer tables above
- (c) grant date: refer tables above
- (d) expiry date: refer tables above
- (e) share price at grant date
- (f) expected price volatility of the Group's shares: 60% (2014: 60%)
- (g) no expected dividend yield
- (h) risk-free interest rate: 1.37% (2014: 1.38%)

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	
	2015	2014
	\$	\$
Options issued under CAP-XX Limited Employee Share Option Plan	<u>127,057</u>	<u>206,084</u>
	<u>127,057</u>	<u>206,084</u>

Note 28 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 dependent upon Malaysian contract manufacturers to fulfil a large proportion of sales orders and external shareholders due to the capital raising activities during the year.

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 29 Earnings per share

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

	Consolidated	
	2015	2014
	Cents	Cents
(a) Basic earnings per share		
(Loss) attributable to the ordinary equity holders of the Company	(1.3)	(2.3)
(b) Diluted earnings per share		
(Loss) attributable to the ordinary equity holders of the Company	(1.3)	(2.3)
	Consolidated	
	2015	2014
	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	146,059,771	109,749,411
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	146,059,771	109,749,411

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

CAP-XX Limited
Notes to the financial statements
30 June 2015 (continued)

Note 30 Parent Entity

(a) Summary financial information

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

	2015 \$	2014 \$
Balance sheet		
Current assets	2,384,829	1,449,539
Total assets	2,384,829	1,449,539
Current liabilities	172,273	112,839
Total liabilities	172,273	112,839
Net Assets	2,212,556	1,336,700
<i>Shareholders' equity</i>		
Issued capital	94,426,347	90,293,839
Reserves		
Share-based payments	3,848,210	3,721,154
Retained earnings (i)	(96,060,959)	(92,678,293)
Loss for the year	(3,382,666)	(2,617,052)
Total comprehensive income	(3,382,666)	(2,617,052)
<i>(i) Reconciliation to prior year retained earnings</i>		
Balance at beginning of period 1/07/2015	(92,678,293)	
Net loss for the year	(3,382,666)	
Balance at end of period 30/06/2015	(96,060,959)	

Contingent Liabilities

The parent had no contingent liabilities as at 30 June 2015 and 30 June 2014.

Capital commitments - Property, plant and equipment

The parent had no capital commitments for property, plant and equipment as at 30 June 2015 and 30 June 2014.

Significant accounting policies

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

CAP-XX Limited
Directors' declaration
30 June 2015

Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 17 to 51 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 2015 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
31 August 2015



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Australia

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 2015, 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 2015 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.

BDO East Coast Partnership

A stylized signature of the BDO East Coast Partnership, consisting of the letters 'BDO' in a cursive, handwritten style.

A handwritten signature in cursive script that reads 'Gareth Few'.

Gareth Few
Partner

Sydney, 31 August 2015