CAP-XX Limited
ABN 47 050 845 291

Annual report 2019

Contents

Corporate directory

Directors	Patrick Elliott *Chairman* Bruce Grey *Non-Executive Director* Anthony Kongats *Managing Director*
Secretaries	Robert Buckingham Michael Taylor
Notice of annual general meeting	The annual general meeting of CAP-XX Limited **will be held at:** CAP-XX Limited Units 9 & 10, 12 Mars Road Lane Cove NSW 2066 Australia **time:** 6.00pm **date:** 28th November 2019
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 5 St Helen's 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	Dentons 77 Castlereagh Street Sydney New South Wales 2000 Australia
Solicitors to the Company as to English law	DAC Beachcroft 100 Fetter Lane London EC4A 1BN United Kingdom
Bankers	Commonwealth Bank of Australia 120 Pitt Street Sydney, NSW 2000 Australia
Stock exchange listings	Shares are quoted on AIM, a market operated by London Stock Exchange plc under the code CPX
Website address	www.cap-xx.com

Chairman's statement

The Company is in advanced discussions to enhance further its supercapacitor offering and has undertaken a substantial amount of work in this regard. Whilst this process has not been concluded, the Board is hopeful of a positive outcome and the Company will provide a further update when appropriate.

CAP-XX continues to see strong interest in its supercapacitor products and intellectual property. This has been driven by a combination of our own direct sales activities, the activities of our established licensees and a growing market awareness of the advantages of supercapacitor-enabled devices. Over the past twelve months, we have made good progress towards achieving our objectives, despite strong headwinds from global uncertainty around free trade and the UK's membership of the European Union. We have entered the current financial year with a strong pipeline of enquiries and a strengthened portfolio of licensing agreements.

The results for FY 2019 contain an adjustment relating to a restatement in prior periods that occurred to accurately record work in progress costs in inventory. The understatement of work in progress costs was due to these previously being expensed rather than capitalised as inventory. This resulted in the Cost of Goods Sold being misstated in both FY 2018 and FY 2017, with a corrective adjustment being processed in FY 2019. The resultant impact is A$183,299 within the Cost of Goods Sold in the FY 2019 results. A full explanation of this adjustment can be found in the Notes to the Financial Statements at Note 1 (aa). The impact of this adjustment needs to be taken into account when analysing year-on-year financial performance.

Total sales revenue for the year to 30 June 2019 was A$3.2million (2018: A$4.9 million), which represents a 35% year-on-year decrease. The major factor underlying this decrease was the last tranche of the "up-front" component of the AVX license being received in FY 2018. The royalty component of the AVX license will continue for the life of the patents covered by this non-exclusive license. The EBITDA result for the year to 30 June 2019 was a loss of A$1.8 million (2018: loss of A$1.5 million), which excludes the amortisation of share based payment expenses and does not take into account the prior period related Cost of Goods Sold adjustment, as highlighted above (refer to Note 7).

Royalties from licensees continue to grow with the Murata and AVX contribution increasing by a combined 6% over the previous year, after an adjustment for an over accrual in the previous year. More recently, AVX announced the launch of its new Prizmacap supercapacitor. This product addresses the market for prismatic supercapacitors, which are larger than those offered by CAP-XX or Murata. During the year the Company completed two new non-exclusive license agreements with the TDK Corporation of Japan and Cornell-Dubilier Electronics Inc. TDK is a highly respected global manufacturer of electronic components, with sales in excess of US$13 billion and over 100,000 employees. Cornell-Dubilier is a US based privately owned capacitor manufacturer and is the largest manufacturer of power capacitors in North America. These new licensing agreements will further increase the Company's royalty revenue, protect the Company's intellectual property, and increase the adoption of this intellectual property globally and across new markets.

The Company is having numerous other discussions regarding further licensing opportunities which are at varying stages of progress. Because of the complex legal nature of these arrangements, it is difficult to forecast when these discussions will be concluded. Given the ongoing progress with new licences, court actions successfully settled and the strength of the Company's intellectual property the Board remains confident in the Company's licencing strategy.

We continue to see a very strong pipeline of opportunities and numerous new large sales opportunities for prismatic supercapacitors going forward, despite prismatic product sales revenue being down 21% on the previous financial year. The Board believes this decline is due to global economic uncertainty, which has resulted in numerous new projects, where the Company had secured design wins, being pushed back into FY 2020. The Board is confident that the Company will see a rebound in these sales going forward. Sales of cylindrical supercapacitors grew 34% year-on-year, off a small base and are expected to continue growing with sales for the first quarter of FY 2020 having already exceeded the whole of the FY 2019 financial year. The new 3 Volt prismatic supercapacitor product is attracting significant interest especially for products using 3V coin cell batteries and new Internet of Things (IoT) products and is expected to be a significant source of revenue going forward.

While overall operational expenses fell 11%, the Company continued to increase spending on eligible (as defined by the Australian Taxation Office) research and product development which is specifically targeted at securing immediate design wins, enhancing the production and engineering support necessary to assist with the product development initiatives and strengthening the Company's intellectual property portfolio. Total Research and development spending increased by approximately 1% on the previous year. Included in operational expenses is A$859k (2018: A$920k) of share-based expenses associated with the granting of employee options. This expense is a non-cash expense and management still believes the treatment of this type of expense is an impost for a small company attempting to motivate and incentivise staff in lieu of paying cash bonuses.

The Board looks forward to a strong year ahead.

Patrick Elliott
Chairman

8 November 2019

Business Review

Review of Operations and Activities

The adjusted EBITDA result for the year to 30 June 2019 was a loss of A$1.6 million (2018: loss of A$1.5 million). This includes the adjustment for the restatement of prior periods highlighted in the Chairman's Statement of A$183,299 (2018: (A$89,424)) and excludes the amortisation of share based payment expenses (refer to Note 7). Cash reserves as at 30 June 2019 were A$2.4 million, which was up from A$1.9 million as at 30 June 2018, due to the capital raise that occurred in November 2018. Not included in the FY 2019 cash reserves is the Federal Government R&D tax rebate which is expected to be approximately A$1.6 million (November 2018: A$1.6 million) with these funds expected to be received before the end of the current calendar year.

The Company has incurred a taxable profit for FY 2019 of A$23,000 (FY18:$403,000). The taxable income is derived after deducting non-taxable deductive expenditure and also the eligible R&D expenditure which is reimbursed by the Government via a cash rebate after the tax return is lodged. For the financial period ended 30 June 2019, the Company will still have significant tax losses which can be utilised against future taxable income.

Total sales revenue for the year to 30 June 2019 was A$3.2 million (2018: A$4.9 million) which represents a 35% year-on-year decrease. The two main factors causing this decrease were the receipt of the final tranche of the "up-front" licensing payment with AVX (£750,000/ A$1,366,369) occurring in FY 2018 and products sales revenue being down 21%. The sales pipeline remains strong and includes several new large volume opportunities, despite the production start date for several design wins being pushed back to FY 2020 due to worldwide economic concerns.

Operational expenditure, decreased by 11% from A$6.0 million to A$5.4 million. The decrease in expenditure is attributable to the realisation of the operational improvements highlighted in prior financial reports, which has focussed on a reduction in operational headcount. Even though operational expenditure has decreased, R&D expenditure increased by 1%. This R&D expenditure was targeted at: product development to secure immediate design wins, product development initiatives, an increase in production capacity and the commissioning and streamlining of production processes. Production reject rates have steadily improved throughout the year. There has also been an increase in overseas legal expenditure associated with pursuing patent infringement cases, in North America, with the potential benefit to be realised via additional licensing and royalty revenue. The Board believes that the license agreement with Cornell-Dubilier Electronics in FY 2019 demonstrates of the merits of pursuing such cases.

During FY 2019, the Company signed new non-exclusive license agreements with the TDK Corporation of Japan (TDK) and Cornell-Dubilier Electronics Inc of USA (CDE), which contain royalty rates in line with those agreed with Murata and AVX. The Board believes that the addition of TDK and CDE will further increase the Company's royalty revenue and increase the adoption of CAP-XX's intellectual property globally and across new markets, while providing further evidence to customers, competitors and investors of the importance of CAP-XX's intellectual property.

During the financial year, the major R&D and new product effort was on the 3V prismatic supercapacitor technology. The 3V project is progressing well and the Board is optimistic that shipments will start before the end of 2019. The Company also continued to invest significant resources in redesigning products and processes to increase sales, reduce manufacturing costs and to improve product performance.

Business Environment

The Board believes that CAP-XX's technology provides a competitive advantage over existing supercapacitor manufacturers, such as Maxwell Technologies, Ioxus, Nippon Chemicon Corporation and other Chinese and Korean competitors. While the Board has identified other possible competitors, the Board believes that these other companies are unable to match the CAP-XX technology in terms of thinness, power density, energy density and reliability. Most of the Company's competitors only manufacture higher-capacity cylindrical cells used in large package modules and focus on applications where the combination of thinness, energy density and power density are not important considerations for the customer. These competitor products usually prove unsuitable for the Internet of Things (IoT) markets, which is one of the areas that CAP-XX is targeting.

As reported previously, IoT applications, 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 IoT enabled devices. This means that power management continues to be an increasingly important consideration. The other important factor is size, as devices have tended to become smaller whilst their electrical power demands have increased. The Company has been successful in winning new business from a range of these markets, such as ABB industrial actuators, E-Ink displays, Itron smartmeters, Ingenico POS terminals, Honeywell scanners, Thales systems, Roche wearable pumps for diabetics, Turck electronic locks, VW dashboards and Yamaha sound systems.

In the past, CAP-XX has faced competition in various markets from cheaper cylindrical supercapacitors where our thin form factor, high power and long life are not valued as highly as lower initial cost components from competitors. To counteract this, the Company released a range of cylindrical cells. Modest sales revenue for these products was first recorded during FY 2018. In FY 2019, these sales grew at 34% on a year on year basis. Pleasingly, revenues for these products in the first quarter of FY 2020 have already exceeded those in the whole of FY 2019. Several large volume opportunities are still being evaluated by existing customers that are currently utilising alternative cylindrical cells.

Automotive applications such as truckStart, Stop-Start systems, regenerative energy capture or KERS (Kinetic Energy Recovery Systems), distributed power, hybrid electric vehicles and electric vehicles still present substantial opportunities for large supercapacitors. A number of CAP-XX's competitors are active in these markets, and the Board believes that the Company has significant advantages over the competition in certain applications. However, because of the significant resources that each project requires and the long time lag between product evaluation and mass production, the Board has taken the decision to focus the Company's resources on IoT applications and just a small number of key automotive projects and take a lower risk, longer-term, more patient approach to these opportunities for large supercapacitors.

Opportunities

The Board expects royalty income from CAP-XX's licensees to grow in the coming years, as more consumer applications adopt supercapacitor technology.

A significant additional benefit of these licencing agreements is that they validate CAP-XX's technology leadership in the field of supercapacitors and energy storage, and the potential for supercapacitors as a mainstream consumer electronics technology. Our licensees' product lines and sales activities are also increasing our exposure to markets and customers that were previously beyond the Company's reach. Association with companies such as Murata, AVX and TDK is also helping CAP-XX gain recognition, win acceptance for its supercapacitors, and reduce misconceptions about the price and performance of supercapacitors. It is also important to note that the strategy of these companies is to offer product ranges targeted at certain end markets. As such, none of them meet the product type or size requirements for all markets and all applications, leaving room for CAP-XX to supply these other markets directly using products made by its contract manufacturers.

As a result of these licencing agreements, there are several additional opportunities for the Company to pursue additional licencing arrangements. Some of these have and may require the Company to enforce its patent rights through court action.

Separately, the overall direct sales pipeline for CAP-XX supercapacitors continues to be large in quantum and varied in terms of the targeted markets. The key target markets remain similar to the previous year, with IoT wearables, health, automotive, security, metering and energy harvesting having the most appeal and presenting the largest volume opportunities.

Our customers' markets are constantly evolving as new products and technologies threaten the incumbents. In this environment, CAP-XX needs to always remain alert and be flexible to changing business conditions and market needs. This creates opportunities to offer products that address what our markets want.

CAP-XX is continuing to refine the products that it offers for the IoT, portable electronics and other markets. The Company has already introduced its *Thinline* supercapacitors to address the space-constrained needs of many IoT products. In April 2018, the Company announced that it was developing what will be the industry's first 3 Volt (3V) thin prismatic supercapacitor. The development of the 3V product has been targeted to meet demand for small, inexpensive, energy efficient power solutions for thin wearables, key FOBs and other IoT devices, especially those using 3 Volt coin cell lithium ion batteries such as the CR2032 battery. The Company is on track for production to start in late 2019.

In the future, there is an opportunity to migrate this same 3V technology into larger prismatic supercapacitors, automotive modules and other products for high-energy, high-power applications.

CAP-XX's strong environmental credentials have been recognised by the London Stock Exchange which has included the Company in its first Green Economy classification.

As already noted, CAP-XX is concentrating on a small number of automotive opportunities. To further increase the Company's likelihood of success, the Board may pursue a strategy of partnering with automotive and military Tier-1/Tier-2 suppliers through either a new license agreement or a joint venture to supply the automotive markets. The Board believes that such partnerships will be beneficial for all parties involved.

Strategies for Growth

The Company's immediate goal is to increase licencing income (including royalty income) and product sales from IoT applications.

The agreements with TDK and CDE and the increase in revenue from Murata and AVX are further endorsements of the Company's strategy to develop substantial and recurring income from its intellectual property. Several other license agreements are at differing stages of negotiation.

It is important that the Company is able to benefit from the large investment made over many years in building its patent portfolio. Where third parties are found to be infringing these patent rights, the Company has and will vigorously defend its rights even if this means pursuing legal action.

Given the increasing levels of market interest in CAP-XX's technology and its high-performance supercapacitors, the Company believes that the IoT market, in particular, offers significant opportunities for growth and to reach the immediate strategic objective of CAP-XX operating on a cash break-even basis.

The Company continues to engage in discussions aimed at securing business with a significant number of global original equipment manufacturers (OEMs). CAP-XX is strengthening its relationships with these organisations and has regular engineering meetings with design teams, manufacturing groups and contract manufacturers. The Company is unable to comment on specific clients, but the Board is pleased with overall progress and is confident that the available market for supercapacitors is increasing as manufacturers become familiar with the technology.

The Company will continue to monitor new opportunities to increase its product offering, both through its current distributors and via direct sales to customers. These offerings may take the form of complementary energy storage devices and modules. The Company is also increasing the size of its own sales force and adding new distributors to ensure that global coverage and penetration is maximised.

Research and Development

The markets in which the Company operates are competitive and are characterised by rapid technological change. CAP-XX has a strong competitive position in prismatic supercapacitors in all of its target markets as a result of its capability to produce supercapacitors with a high energy and power density in a small conveniently sized flat package. CAP-XX's devices are also lightweight, work over a broad temperature range and have an operating lifetime measured in years.

To stay ahead of the competition, the Company is developing a strong pipeline of new products to follow the 3V products already discussed. CAP-XX's R&D efforts are focused on a mix of short, medium and long-term opportunities, covering new products, cost reductions and improved product performance. CAP-XX has a research facility in Sydney, Australia, where a team of 18 engineers and scientists work to maintain CAP-XX's leading technology position in electrodes, separators and electrolyte materials and their assembly into supercapacitor devices. During 2019, significant progress has been made in a number of key areas including: 3V technology; reducing the resistance of cells; improving the life of cells; developing new packaging concepts; reducing the cost per cell and developing new electronics to optimise the performance of the Company's modules. CAP-XX has also signed numerous collaboration agreements with leading research institutions, whilst the Company's Scientific Advisory Board provides CAP-XX with clear direction on commercially relevant technologies for its ongoing R&D programme.

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 11 patent families with 31 granted national patents with an additional six applications pending in various jurisdictions. The Company's intellectual property strategy has been to build value by focusing on opportunities to capture market share and exclude competition with an IP portfolio capable of generating licensing revenue. The Directors believe that 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 reach cash break-even position as soon as possible, through increased product sales and the adoption of the Company's intellectual property in key target markets through future license deals and joint ventures. Although much has been achieved in the past, the Company expects to see additional progress over the next twelve months and beyond.

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 2019.

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 2019.

Review of operations
The Group experienced net losses of $2,813,395 during the year ended 30 June 2019 (2018 restated: loss of $2,532,507). Information on the operations and financial position of the Group and its business strategies and prospects is set out on pages 6 to 8 of this Annual Report.

Significant changes in the state of affairs
There were no significant changes in the group's state of affairs during the financial year ended 30 June 2019.

Matters subsequent to the end of the financial year
The necessary paperwork associated with the receipt of the R&D Tax rebate for the 2019 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 expected results of operations have been discussed in the Chairman's Statement and Business Review.

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 67.*

Experience and qualifications

Pat is a company director specialising in the resources sector with over 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 Kirrama Resources Pty. Limited as well as 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
6,504,044 ordinary shares in CAP-XX Limited (including shares held by Panstyn Investments Pty Limited).

3,600,000 options over ordinary shares in CAP-XX Limited (including options held by Panstyn Investments Pty Limited).

Anthony Kongats *Managing Director. Age 61.*

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).

10,800,000 options over ordinary shares in CAP-XX Limited.

Bruce Grey *Non-executive director. Age 73.*

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. Since 2013 Bruce has been Chairman of Advanced Braking Technology Limited listed on the ASX. 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.

Bruce is a director of the Murdoch Children's Research Institute and is Chairman of the IP and commercialisation committee and a member of the audit, finance and risk committee. In 2018 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

4,675,862 ordinary shares in CAP-XX Limited (including shares held by Grey Invest Pty Limited).

3,600,000 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 2019, 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	7	7	2	2	2	2
Bruce Grey	7	7	2	2	2	2
Anthony Kongats	7	7	-	-	-	-

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 2019, 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

2019	**Primary**			**Post-employment**		**Equity**	
Name	**Cash salary and accrued fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Options $**	**Total $**
Executive directors							
Anthony Kongats	322,103	-	-	30,600	-	229,262	581,965
Non-executive directors							
Patrick Elliott	-	-	47,379	-	-	76,421	123,800
Bruce Grey	-	-	47,379	-	-	76,421	123,800
Total	322,103	-	94,758	30,600	-	382,104	829,565

Directors' report (continued)

Details of the remuneration of each director of CAP-XX Limited, for the year ended 30 June 2018, 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

2018	**Primary**			**Post-employment**		**Equity**	
Name	**Cash salary and accrued fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Options $**	**Total $**
Executive directors							
Anthony Kongats	322,103	-	-	30,600	-	246,001	598,704
Non-Executive directors							
Patrick Elliott	-	-	46,325	-	-	82,219	128,544
Bruce Grey	-	-	46,325	-	-	82,219	128,544
Total	322,103	-	92,650	30,600	-	410,439	855,792

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
No options over unissued ordinary shares of CAP-XX have been granted during or since the end of the financial year to any of the directors or the 5 most highly remunerated officers of the Company and Group as part of their remuneration.

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**
4 December 2015	4 December 2020	£0.050	14,746,606
11 November 2016	11 November 2021	£0.035	1,500,000
11 December 2017	11 December 2022	£0.115	16,510,000
			32,756,606

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

The following ordinary shares of CAP-XX Limited were issued during the year ended 30 June 2019 on the exercise of options granted under the CAP-XX Limited Employee Option Plan. No amounts are unpaid on any of the shares.

Date Options Granted	**Issue Price of Shares**	**Number of Shares Issued**
4 December 2015	£0.050	3,278,386
		3,278,386

Directors' report (continued)

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.

No indemnities have been given to any person who is or has been an auditor of the Group.

Proceedings on behalf of the Company

No person has applied to the court under section 237 of the Corporations Act 2001, for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group, for all or part of those proceedings.

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 16.

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.

The Directors are of the opinion that the services disclosed in Note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

(a) all non-audit services have been reviewed and approved to ensure that they do not impact on the integrity and objectivity of the auditor; and
(b) none of the services undermine the general principles relating to auditor independence set out in APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the Auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company, or jointly sharing economic risks and rewards.

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
8th November, 2019

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www.bdo.com.au

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Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY MARTIN COYLE TO THE DIRECTORS OF CAP-XX LIMITED

As lead auditor of Cap-XX Limited for the year ended 30 June 2019, 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.

Martin Coyle
Partner

BDO East Coast Partnership

Sydney, 08 November 2019

Corporate Governance Statement

THE QUOTED COMPANY ALLIANCE (QCA) CODE

The Directors recognise the importance of good corporate governance and have chosen to adopt and apply the 2018 Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The QCA Code was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

To determine how the Company addresses the key governance principles defined in the QCA code please refer to the below table.

Pat Elliott, Non-executive Chairman

THE PRINCIPLES OF THE QUOTED COMPANY ALLIANCE (QCA) CODE

DELIVER GROWTH

QCA Code Principle	**Application** (as set out by QCA)	**What we do and why**
1. Establish a strategy and business model which promote long-term value for shareholders	The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.	The Company's overall business strategic objective is to obtain at a minimum, an operating cash breakeven position by increasing the adoption of the Company's intellectual property and products, both large and small, into key target markets via future license deals; joint ventures and direct product sales. Once this has been achieved, the Company will continue to further develop and drive the adoptions of its intellectual property so that the Company achieves significant profit levels. The key challenges to the business and how these are mitigated is detailed on pages 6 to 8 of the Group's Annual Report and Accounts for the year ended 30 June 2019 under the "Business Review" heading.
2. **Seek to understand and meet shareholder needs and expectations**	Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base. The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.	The CAP-XX Board is aware of the need to protect the interests of all shareholders, balancing the interest of minority shareholders with those of institutional shareholders. The Board regards regular communications with shareholders as one of its key responsibilities. CAP-XX is committed to engaging with shareholders and this effort is led by the Chief Executive Officer. In order to gauge shareholder sentiment, CAP-XX meets with key

QCA Code Principle	Application (as set out by QCA)	What we do and why
		institutional shareholders typically every six months and when necessary solicits feedback from its larger shareholders via its broker. CAP-XX welcomes shareholder contact at any time and communications should be sent in the first instance to mailto:investor.relations@cap-xx.com. CAP-XX will generally exercise discretion responding to individual shareholders correspondence but will update the market via regulatory and non-regulatory announcements and via its annual and interim financial reports. CAP-XX holds an open Q&A session at every Annual General Meeting and attends investor events to engage with retail shareholders. This communication allows the CAP-XX board to understand the shareholder's views and to ensure that the strategies and objectives of the Company are aligned with shareholders. In its decision-making, the Board will have regard to the ascertained expectations and needs of its shareholders (as appropriate and in accordance with its statutory and fiduciary duties). The Board believes the Company's mode of engaging with shareholders is adequate and effective.
3. **Take into account wider stakeholder and social responsibilities and their implications for long-term success**	Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and understand their needs, interests and expectations. Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model. Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.	The Directors are aware of the Company's corporate social responsibilities and the impact the CAP-XX business activities have on the communities in which CAP-XX's businesses operate. On the basis of the Directors' experience and their operational knowledge of the Company, the Directors believe that the key resources and relationships on which the Company relies are the Company's employees, partners, suppliers, regulatory authorities and contractors. The Company's operations and working methodologies take into account the requirement to balance the needs of all these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Company for the benefits of its shareholders. The executive member of the Board holds regular staff group and individual update meetings in order to communicate CAP-XX's strategy, progress versus targets and to receive feedback and solicit opinion. The Company endeavours to take

QCA Code Principle	**Application** (as set out by QCA)	What we do and why
		account of feedback received from stakeholders, making necessary amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Company's long-term strategy. The CAP-XX Board considers the feedback of relevant stakeholders in its decision-making and in the formulation of strategy. However, no material changes to the Company's processes were required for the year ended 30 June 2019, or more recently, as a result of feedback that has been received by the Company from the stated key resources and relationships on which the business relies. The Company takes due account of any impact that its activities may have on the environment and seeks to minimise this impact whenever possible. Through various procedures and systems that the Company operates, especially in the manufacturing process, the Company ensures full compliance with health and safety and environmental legislation relevant to its activities. CAP-XX is certified to IOS9001:2015.
4. **Embed effective risk management, considering both opportunities and threats, throughout the organisation**	The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer. Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).	The Board has a number of responsibilities specifically relating to risk including: - • Monitoring the effectiveness of CAP-XX's risk management systems, including compliance with regulatory requirements; • Satisfying itself through regular reporting and oversight that appropriate internal and external control mechanisms are in place and are being implemented; and • Approving CAP-XX's financial statements and monitoring financial performance against the approved budget. The Board has established Audit and Remuneration Committees. Full details of which are contained in the Corporate Governance sections of the Company's website. The Board receives regular feedback from its external auditors on the state of its risk management and internal controls. The Board does not consider it would be appropriate to

QCA Code Principle	**Application** (as set out by QCA)	**What we do and why**
		have its own internal audit function at the present time, given the Company's size and nature of its current operations. The Group does complete regular fraud and internal risk questionnaires which are completed and reviewed on a six-monthly basis. At present the internal audit of financial controls form part of the responsibilities of the Group's finance function.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

QCA Code Principle	**Application** (as set out by QCA)	**What we do and why**
5. **Maintain the board as a well- functioning, balanced team led by the chair**	The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board. The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight. The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non- executive directors. Independence is a board judgement. The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Directors must commit the time necessary to fulfill their roles.	The Board comprises of 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 Chairman of the CAP-XX Board is Mr Patrick Elliott who was first elected to the Board in July 2011. All of the non-executive Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and at least one third of the Board must retire and seek re-election at every Annual General Meeting. All Directors are expected to devote the necessary time commitments required by their position and where possible should attend all Board meetings. The Board meets at regular scheduled intervals and follows a formal agenda, papers and reports are sent to the Directors in a timely manner, prior to the Board meetings. It also meets as and when required. During the financial year ended 30 June 2019, seven Board meetings were held as well as two Audit Committee meetings and two Remuneration Committee meetings The Company's Corporate

Corporate Governance Statement (continued)

QCA Code Principle	Application (as set out by QCA)	What we do and why
		Governance Statement (available on the CAP-XX website) provides further details, including how the Board evaluates its own performance. The CAP-XX Annual Report and Accounts for the year ended June 2019 also explains the governance framework and provides data on the number of Board and Committee meetings (and Director attendance at the same)
6. **Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**	The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition. The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board. As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.	Directors who have been appointed to the Board have been chosen because of the skills and experience they offer. Full biographical details of the directors are included on the CAP-XX Website (https://www.cap-xx.com/investors/about-us/key-personnel/) and also on pages 10 and 11 the CAP-XX Annual Report and Accounts for the year ended June 2019. The Company encourages continuing education of its directors and officers where appropriate in order to ensure that they have the necessary skills and knowledge to meet their respective obligations to the Company. As noted above the Company has put in place an Audit Committee and a Remuneration Committee. The responsibilities of both Committees are set out in the Corporate Governance Statement on the CAP-XX website (https://www.cap-xx.com/investors/about-us/corporate-governance/) and the terms of reference .
7. **Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**	The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team. It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board	At the highest level, the CAP-XX Board judges its own performance by reference to the Company's progress against targets set out in the Company's strategic plan. The Board formally evaluates its own performance as a unit at least once a year with an assessment of its effectiveness. Areas are identified where improvements can be made, and active steps are taken to make improvements accordingly. This assessment is led by CAP-XX Chairman. The Board's annual effectiveness review was conducted and high

Corporate Governance Statement (continued)

QCA Code Principle	**Application** (as set out by QCA)	What we do and why
	should become indispensable.	level recommendations were discussed and agreed. These recommendations and the associated improvements are consistently being monitored at the regular Board meetings. The performance of the individual Directors including the Chairman are monitored on an ongoing basis. On an annual basis, the Remuneration Committee evaluates the individual Director's performance as part of the review of remuneration and share equity grants. Given the scale and scope of the current operation and the risk management framework, the Directors are of the view that a formal evaluation process of the effectiveness of both the Audit and Remuneration Committees is not required at this stage. The need for an evaluation process is monitored on an on-going basis. The Board and the Remuneration Committee will also regularly discuss the Board's balance, the Board's current skills set and remuneration to ensure that the Board structure is fit for purpose and is appropriate for the next phase of CAP-XX's development and growth. The composition of the Company's Board including individual directors has not changed materially over the previous years, on the basis that the Board are of the view that the above processes are appropriate for the Company's requirements, given the size and nature of the CAP-XX business. The Board uses the results of its evaluation process when considering the adequacy of the composition of the Board and any succession planning requirements. However, there are no plans at present for changes or additions to the Board and the Directors believe that the current Board meets the needs of the Company's current and medium-term requirements.
8. **Promote a corporate culture that is based on ethical values and behaviours**	The board should embody and promote a corporate culture that is based on sound ethical values and	The CAP-XX Board considers that confidence in its integrity can only be achieved if its employees and officers

QCA Code Principle	**Application** (as set out by QCA)	**What we do and why**
	behaviours and use it as an asset and a source of competitive advantage. The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company. The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company. The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.	conduct themselves ethically in all of their commercial dealings on CAP-XX's behalf. CAP-XX has therefore recognised that it should actively promote ethical conduct amongst its employees, officers and contractors. CAP-XX has adopted, amongst other policies to promote ethical and responsible decision making, a code of conduct which applies to all directors, officers, employees, consultants and contractors of CAP-XX, which the Board and Management will seek to enforce where appropriate. The CAP-XX Board and management conduct themselves ethically at all times and promote a culture that is in line with standards set out on the website. CAP-XX values its reputation for ethical behaviour and has a set of values that are at the core of its business philosophy.
9. **Maintain governance structures and processes that are fit for purpose and support good decision- making by the board**	The company should maintain governance structures and processes in line with its corporate culture and appropriate to its: • size and complexity; and • capacity, appetite and tolerance for risk. The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.	CAP-XX's Corporate Governance Statement on pages 17 to 25 of the Company's Annual Report for the year ended 30 June 2019 explains the structures which are in place at Board and Committee level and how these interact, including the roles which individual Directors fulfil on the Board. At present, the Board is satisfied with the Company's corporate governance, given the Company's size and the nature of its operations, and as such there are no specific plans for changes to the Company's corporate governance arrangements in the shorter term. There is a clear separation of the roles of Chief Executive Officer and Non-executive Chairman. The Chairman has overall responsibility for corporate governance matters in the Company, leadership of the board and ensuring its effectiveness on all aspects of its role. The Chief Executive Officer leads the executive team and is responsible for implementing those actions required to deliver on the agreed strategy. The matters reserved as the responsibilities of the CAP-XX board include:- • Developing, providing input into and final approval of the Company's strategic plan; • Evaluating, approving and

Corporate Governance Statement (continued)

QCA Code Principle	**Application** (as set out by QCA)	What we do and why
		monitoring the strategic and financial plans and performance objectives of the Company; • Reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance; • Evaluating and monitoring annual budgets and business plans; • Ensuring appropriate resources are available to senior management; • Approving all accounting policies, financial reports and external communications by the Company; • Appointing, re-appointing or removing CAP-XX's external auditors; and • Appointing, monitoring and managing the performance and remuneration of executive directors and senior executives. Details of the Company's audit and remuneration committees, including their terms of reference can be found here: https://www.cap-xx.com/investors/about-us/corporate-governance/ Beneath the Board there is an operational governance framework which facilitates the effective management of the business by an Executive Committee. This organisation structure is kept under continual review and evolves as the needs and requirements of the business changes as it grows and develops.

BUILD TRUST

QCA Code Principle	**Application** (as set out by QCA)	What we do and why
10. **Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.**	A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company. In particular, appropriate communication and reporting structure should exist between the board and all constituent parts of its shareholder base. This will assist: • the communication of shareholders' views to the board; and	The Company's governance structure is explained through the Corporate Governance Statement which is available on the CAP-XX website and is supplemented by the disclosures provided in this compliance statement and explanations set out in the "Corporate Governance" section of the CAP-XX Annual Report for the year ended 30 June 2019. The communication and interaction between CAP-XX and its

	• the shareholders' understanding of the unique circumstances and constraints faced by the company. It should be clear where these communication practices are described (annual report or website).	shareholders are explained in the disclosure above (see principle 2) . Audit and Remuneration Committee's membership and responsibilities are included in the CAP-XX Annual Report for the year ended 30 June 2019 as well as the full disclosure of CAP-XX Directors remuneration. Historical Annual and Interim Reports with all notices, circulars and results of resolutions since the Company's ordinary shares were admitted to trading on in April 2006 can also be found on the CAP-XX website (available here https://www.cap-xx.com/investors/financial-performance/ The Company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received. The Chairman talks regularly with the Group's major shareholders and ensures that their views are communicated fully to the Board. The Board recognizes the AGM as an important opportunity to meet private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM.

CAP-XX Limited
Financial statements - 30 June 2019

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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 8 and in the directors' report on pages 9 to 15, all of which are not part of this financial report.

The financial report was authorised for issue by the directors on 8th November 2019. The Directors have 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 2019

Currency: Australian Dollars	Notes	Consolidated 2019 $	 2018 (restated) $
Revenue from contracts with customers	5	**3,204,551**	4,905,687
Cost of sales *	7	**(1,441,927)**	(2,059,797)
Gross Profit		**1,762,624**	2,845,890
Other revenue	5	**45,303**	47,260
Other income	6	**1,600,033**	1,525,419
General and administrative expenses		**(2,084,468)**	(1,915,080)
Process and engineering expenses		**(914,543)**	(1,768,046)
Selling and marketing expenses		**(743,678)**	(736,663)
Research and development expenses		**(1,547,361)**	(1,482,894)
Share Based Payment Expense		**(859,483)**	(920,228)
Other expenses	7	**(71,822)**	(128,165)
Loss before income tax		**(2,813,395)**	(2,532,507)
Income tax benefit	8	-	-
Net loss for the year		**(2,813,395)**	(2,532,507)
Loss attributable to owners of CAP-XX Limited		**(2,813,395)**	(2,532,507)
Earnings per share for loss attributable to the ordinary equity holders of the Company		**Cents**	Cents
Basic loss per share	29	**(0.9)**	(0.8)
Diluted loss per share	29	**(0.9)**	(0.8)

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

** Includes $183,299 relating to a prior year adjustment. Please see Note 1 (aa).*

CAP-XX Limited
Statement of comprehensive income
For the year ended 30 June 2019

		Consolidated	
Currency: Australian Dollars	**Notes**	**2019 $**	2018 (restated) $
Loss for the year		**(2,813,395)**	(2,532,507)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	19	**(38,660)**	(33,031)
Other comprehensive income for the year, net of tax		**(38,660)**	(33,031)
Total comprehensive income for the year attributable to owners of CAP-XX Limited		**(2,852,055)**	(2,565,538)

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 2019

Currency: Australian Dollars	Notes	Consolidated **2019** **$**	2018 (restated) $
ASSETS			
Current assets			
Cash and cash equivalents	9	**2,429,156**	1,911,346
Receivables	10	**616,219**	823,090
Inventories	11	**1,940,171**	1,404,205
Other	12	**1,838,662**	1,784,384
Total current assets		**6,824,208**	5,923,025
Non-current assets			
Property, plant and equipment	13	**679,336**	572,949
Other	14	**236,507**	236,507
Total non-current assets		**915,843**	809,456
Total assets		**7,740,051**	6,732,481
LIABILITIES			
Current liabilities			
Payables	15	**746,082**	1,144,289
Provisions	16	**796,695**	760,491
Total current liabilities		**1,542,777**	1,904,780
Non-current liabilities			
Provisions	17	**52,838**	41,296
Total non-current liabilities		**52,838**	41,296
Total liabilities		**1,595,615**	1,946,076
Net assets		**6,144,436**	4,786,405
EQUITY			
Contributed equity	18	**101,915,665**	98,565,062
Reserves	19	**6,032,993**	5,212,170
Accumulated losses	19	**(101,804,222)**	(98,990,827)
TOTAL EQUITY		**6,144,436**	4,786,405

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 2019

		Consolidated			
Currency: Australian Dollars	Notes	Contributed Equity $	Reserves $	Accumulated losses $	Total $
Balance as 1 July 2017 (restated)	1(aa)	98,343,719	4,324,973	(96,458,320)	6,210,372
Loss for the year as reported in the 2018 financial statements (restated)	1(aa)	-	-	(2,532,507)	(2,532,507)
Other comprehensive income		-	(33,031)	-	(33,031)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	18	221,343	-	-	221,343
Employee share options - value of employee services	19	-	920,228	-	920,228
		221,343	920,228	-	1,141,571
Balance at 30 June 2018 (restated)		**98,565,062**	**5,212,170**	**(98,990,827)**	**4,786,405**
Loss for the year as reported in the 2019 financial statements		-	**-**	**(2,813,395)**	**(2,813,395)**
Other comprehensive income		-	**(38,660)**	**-**	**(38,660)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	18	3,350,603	-	-	3,350,603
Employee share options - value of employee services	19	-	859,483	-	859,483
		3,350,603	859,483	-	4,210,086
Balance at 30 June 2019		**101,915,665**	**6,032,993**	**(101,804,222)**	**6,144,436**

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 2019

Currency: Australian Dollars	Notes	Consolidated 2019 $	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**3,429,190**	4.546,491
Payments to suppliers and employees (inclusive of goods and services tax)		**(7,603,198)**	(7,919,787)
		(4,174,008)	(3,373,296)
Tax credit received		**1,596,538**	1,551,483
Grants received		**50,918**	-
Interest received		**45,303**	47,260
Net cash (outflow)/inflow from operating activities	26	**(2,481,249)**	(1,773,553)
Cash flows from investing activities			
Payments for property, plant and equipment		**(312,884)**	(385,205)
Net cash (outflow) from investing activities		**(312,884)**	(385,205)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)	18	**3,350,603**	221,343
Net cash inflow from financing activities		**3,350,603**	221,343
Net increase/(decrease) in cash and cash equivalents		**556,470**	(1,937,415)
Cash and cash equivalents at the beginning of the financial year		**1,911,346**	3,881,792
Effects of exchange rate changes on cash and cash equivalents		**(38,660)**	(33,031)
Cash and cash equivalents at the end of the financial year		**2,429,156**	1,911,346

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

Contents of the notes to the financial statements

Note 1 Summary of significant accounting policies

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

All amounts shown are in Australian Dollars, rounded to the nearest Dollar, unless otherwise stated.

(a) Basis of preparation

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

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

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

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

b) Continuation as a going concern

During the year ended 30 June 2019, the Group incurred an operating loss before tax and net cash outflows from operating activities as disclosed in the statement of profit or loss and the statement of cash flows, respectively. The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Group being successful with respect to the following factors:

i. The Group receiving the proceeds from the R&D Tax concession which has been lodged with the Australian Taxation Office in October 2019. The quantum of the rebate is similar to previous years;

ii. The ability of the Group to raise additional funds from shareholders, new investors and debt markets. The Group has successfully conducted a number of small equity placements in recent years and therefore there is a reasonable expectation that alternate sources of funding can be sourced;

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

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

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

As a result of the above factors, there is material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

However, the Directors believe that the Group will be successful in achieving favourable outcomes on the above matters and that it will have sufficient funds to pay its debts and meet its commitments for at least the next 12 months from the date of this financial report, and accordingly, have prepared the financial report on a going concern basis. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2019. As such, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or classification of liabilities that might be necessary should the Group not continue as a going concern.

Note 1 Summary of significant accounting policies (continued)

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CAP-XX Limited ("Company" or "Parent Entity") as at 30 June 2019 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 entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the entity to affect those returns through its power to direct the activities of the entity. They are de-consolidated from the date that control ceases.

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

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

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

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative transaction differences recognised in equity.

The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(d) Segment reporting

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

Note 1 Summary of significant accounting policies (continued)

(e) Foreign currency translation (continued)

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

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

(f) Revenue recognition

The Group has adopted application of AASB 15 “Revenue from contracts with customers” from 1 July 2018, applying the modified retrospective method of transition. With the exception of the additional disclosure requirements, the nature of the change in accounting policy has not had a material impact on the Group’s financial statements and there have not been any significant changes to the judgements resulting from this adoption. As such, there is no change in the financial line items, no change to basic and diluted earnings per share and no adjustment relating to prior periods before those presented . The core principle is that revenue should only be recognised as the client receives the benefit of the goods or services provided under a commercial contract, in an amount that reflects the consideration to which the provider expects to be entitled for the transfer of the goods or services. A practical expedient has been adopted whereby the impact of significant financing components have not been considered as the Group expected, at contract inception, that the period between the transfer of the good or service and when the customer pays for that good or service is less than one year.

Determining the transaction price

The Group’s revenue is derived from fixed price agreements and therefore the amount of revenues to be earned from each agreement is determined by reference to those fixed prices. There is no variable consideration with these agreements.

Allocation of amounts to performance obligations

For most agreements, there is only one performance obligation and a fixed unit price for the good or service provided. As such, there is no judgement involved in the allocation of amounts specific performance obligations. In those instances where there is more than one performance obligation, the unit price is clearly defined and is allocated against the specific performance obligation. Some goods sold by the Group include warrantees which require the Group to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with AASB 15, such warranties are not accounted for as separate obligations and hence no revenue is allocated to them.

Sale of goods revenue is recognised at a point in time when the Group have met all of their performance obligations including delivery, if applicable. There is limited judgement in identifying the point control passes; once the goods have left the warehouse or when the goods are delivered, depending on the type of good.

Royalty revenue is recognised at a point in time when the underlying goods are sold. Fixed rate royalties are recognised over the period of the underlying agreement.

Licence revenue in relation to the contracted use of the Group’s patents or technology is recognised at a point in time when the licence agreement is signed and the Group has the present right to payment.

(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.

Note 1 Summary of significant accounting policies (continued)

(h) Income tax (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.

Note 1 Summary of significant accounting policies (continued)

(j) Impairment of assets (continued)

The Group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

(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 any allowance for expected credit loss. Trade receivables are generally 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 uncollectable are written off by directly reducing the carrying amount. An allowance for expected credit loss is specifically recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor or default payments are considered objective evidence of impairment.

To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on the Group’s historical credit losses experienced over the two year period prior to the period end. The historical loss rates are then adjusted for both current and forward-looking information on macroeconomic factors affecting the Group’s customers.

(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.

Note 1 Summary of significant accounting policies (continued)

(o) Property, plant and equipment (continued)

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss**.**

(p) Research & Development

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

(q) Trade and other payables

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

(r) Provisions

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

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

(s) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(t) 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.

Note 1 Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

(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.

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.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

Note 1 Summary of significant accounting policies (continued)

(v) 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.

(w) 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.

(x) 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.

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 9 Financial Instruments

The Group has adopted application of AASB 9 “Financial Instruments” from 1 July 2018, applying the modified retrospective method of transition. The standard has replaced IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduced new classification and measurement models for financial assets. A financial asset is 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 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 more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is 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.

With the exception of the additional disclosure requirements, the most significant impact on the Group’s accounting policies was the application of the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs (such as trade and other receivables).

Note 1 Summary of significant accounting policies (continued)

(x) New, revised or amending Accounting Standards and Interpretations adopted (continued)

AASB 9 Financial Instruments (continued)
In applying AASB 9 the group considered the probability of a default occurring over the contractual life of its trade receivables balances on initial recognition of those assets.

The impact of the adoption of the expected credit loss model did not have a material impact on the historical method of provisioning for impairment of financial assets. As such, there is no change in the financial line items, no change to basic and diluted earnings per share and no adjustment relating to prior periods before those presented.

AASB 15 Revenue from Contracts with Customers
The Group has adopted application of AASB 15 "Revenue from contracts with customers" from 1 July 2018, applying the modified retrospective method of transition. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity recognises 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 requires: 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 is presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation is 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.

With the exception of the additional disclosure requirements, the nature of the change in accounting policy has not had a material impact on the Group's financial statements and there have not been any significant changes to the judgements resulting from this adoption. As such, there is no change in the financial line items, no change to basic and diluted earnings per share and no adjustment relating to prior periods before those presented.

A practical expedient has been adopted whereby the impact of significant financing components have not been considered as the Group expected, at contract inception, that the period between the transfer of the good or service and when the customer pays for that good or service is less than one year.

(y) 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 2019. 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 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax ('EBITDA') will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

An initial assessment suggests that the main impact of the adoption of the new standard is that the operating leases of 12 months or longer will be recognised on the balance sheet and depreciated as such. The consolidated entity will adopt this standard from 1 July 2019. On adoption of the standard, the present value of operating lease commitments disclosed in Note 22 will be recognised as a lease liability, with a corresponding right of use asset. The impact on the statement of profit and loss will be a reduction in operating expenses, with an increase in depreciation and finance costs. Management's initial assessment has concluded that the impact may be material to the net assets of the Group.

Note 1 Summary of significant accounting policies (continued)

(z) 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.

(aa) Restatement / reclassification of comparatives

During the preparation of the current year annual report the following error and reclassification was identified:

Understatement of inventories
An adjustment has been made to the value of the Group's inventory balances recorded in previous periods due to an understatement of work in progress costs which were incorrectly expensed rather than capitalised as inventories. This resulted in the cost of sales expense being overstated by $89,424 in the year ended 30 June 2018 and overstated by $93,875 in the year ended 30 June 2017. The closing balance of inventories was misstated in both years by the equivalent amount.

This error has been corrected by restating each of the affected financial statement line items for the prior period as detailed below.

Reclassification of eligible research and development expenditure from cost of sales to operating expenses
A reclassification of the prior period cost of sales expense and process and engineering expenses has been processed in the current period financial statements in order to more accurately reflect raw materials used for research and development purposes rather than sales to customers in the ordinary course of business.

The reclassifications above had no impact on the reported results or the financial position of the Group but the impact of reclassifying the affected financial statement line items for the prior period are detailed below.

Extracts, being only those line items affected, are disclosed below:

Consolidated Statement of profit or loss

		Consolidated	
Extract	2018 Reported $	Adjustment $	2018 Restated $
Expenses			
Cost of Sales	(2,704,077)	644,280	(2,059,797)
Process and engineering expenses	(1,213,190)	(554,856)	(1,768,046)
Loss before income tax	**(2,621,931)**	**89,424**	**(2,532,507)**
Income tax benefit	-	-	-
Net loss for the year	**(2,621,931)**	**89,424**	**(2,532,507)**
Loss attributable to the owners of CAP-XX Limited	**(2,621,931)**	**89,424**	**(2,532,507)**

	Cents Reported	Adjustment	Cents Restated
Earnings per share for (loss) attributable to the ordinary equity holders of the Company			
Basic earnings per share	(0.9)	0.1	(0.8)
Diluted earnings per share	(0.9)	0.1	(0.8)

Note 1 Summary of significant accounting policies (continued)

(aa) Restatement / reclassification of comparatives (continued)

Consolidated Statement of comprehensive income

Extract	Consolidated 2018 Reported $	Adjustment $	2018 Restated $
Loss for the year	**(2,621,931)**	**89,424**	**(2,532,507)**
Total comprehensive income for the year attributable to owners of CAP-XX Limited	**(2,654,962)**	**89,424**	**(2,565,538)**

Consolidated Statement of financial position at the beginning of the earliest comparative period – 1 July 2017

Extract **Current assets**	Consolidated 1/07/2017 Reported $	Adjustment $	1/07/2017 Restated $
Inventories	1,321,327	93,875	1,415,202
Total current assets	7,298,883	93,875	7,392,758
Total assets	**7,905,169**	**93,875**	**7,999,044**
Net assets	**6,116,497**	**93,875**	**6,210,372**
Equity			
Accumulated losses	(96,552,195)	93,875	(96,458,320)
Total equity	**6,116,497**	**93,875**	**6,210,372**

Consolidated Statement of financial position at the end of the earliest comparative period – 30 June 2018

Extract **Current assets**	Consolidated 30/06/2018 Reported $	Adjustment $	30/06/2018 Restated $
Inventories	1,220,906	183,299	1,404,205
Total current assets	5,739,726	183,299	5,923,025
Total assets	**6,549,182**	**183,299**	**6,732,481**
Net assets	**4,603,106**	**183,299**	**4,786,405**
Equity			
Accumulated losses	(99,174,126)	183,299	(98,990,827)
Total equity	**4,603,106**	**183,299**	**4,786,405**

Note 1 Summary of significant accounting policies (continued)

(aa) Restatement / reclassification of comparatives (continued)

Expenses
Loss before income tax includes the following specific expenses:

		Consolidated	
	2018 Reported	**Adjustment**	**2018 Restated**
Cost of sales of goods	**$**	**$**	**$**
Direct materials and labour	2,163,484	(644,280)	1,519,204
Indirect manufacturing expenses	540,593	-	540,593
Total cost of sale of goods	**2,704,077**	**(644,280)**	**2,059,797**

Current assets – Inventories (as restated and correctly reported in note 11 of these financial statements)

		Consolidated	
	2018 Reported	**Adjustment**	**2018 Restated**
	$	**$**	**$**
Raw materials and stores – net realisable value	698,042	-	698,042
Work in progress – net realisable value	-	183,299	183,299
Finished goods – net realisable value	522,864	-	522,864
	1,220,906	**183,299**	**1,404,205**

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	
	2019	2018
	$	$
Financial assets		
Cash and cash equivalents	**2,429,156**	1,911,346
Trade and other receivables	**2,085,218**	2,451,596
	4,514,374	4,362,942
Financial liabilities		
Trade and other payables	**746,082**	1,144,289
	746,082	1,144,289

(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.

Note 2 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity analysis

The Group's after tax loss and equity for the year would have been $36,485 lower/ $40,133 higher (2018: $65,333 lower/$79,851 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, was as follows:

		2019			2018	
	USD	**GBP**	**Euro**	USD	GBP	Other
	$	**£**	**€**	$	£	$
Cash and cash equivalents	**453,353**	**4,045**	**1,636**	452,981	15,602	6.974
Trade receivables	**288,830**	**-**	**-**	532,540	-	-
Trade payables	**161,685**	**2,458**	**6,939**	291,579	14,712	-

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. 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. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year. These indicators also suggest whether there has been an increase in credit risk.

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 2019 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.

(e) Fair value estimation

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

Note 3 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

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

(i) Impairment loss on plant and equipment

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

(ii) Fair value of share options

Share-based compensation benefits are provided to employees via the 2006 Share Option Exchange Plan and the CAP-XX Limited Employee Share Option Plan. The fair value of options granted under the 2006 Share Option Exchange Plan and the CAP-XX Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The fair value at grant date is determined using the Black-Scholes option pricing model. The key inputs and assumptions used in the model is set out in note 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 he expected performance of the products, the number and frequency of customers who will actually claim under the stated warranty and the costs of fulfilling the conditions of the warranty. The provision is based on estimates generated from historical warranty data associated with similar products and services.

Note 4 Segment information

(a) Description of segments

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

Although the Group is managed on a global basis, it generates revenue in 3 main geographical areas being Asia Pacific, North America and Europe. Segment revenues are allocated based on the country in which the user is located. Cost of sales are allocated based on the country in which the production of supercapacitors occur.

30 June 2019	Geographical Segments			
	Asia Pacific $	Europe $	North America $	Total $
Revenue	**1,407,016**	**881,730**	**915,805**	**3,204,551**
Cost of sales	**(1,441,927)**	**-**	**-**	**(1,441,927)**
Gross (Loss)/Profit	**(34,911)**	**881,730**	**915,805**	**1,762,624**
Interest revenue	**45,303**	**-**	**-**	**45,303**
Other income	**1,600,033**	**-**	**-**	**1,600,033**
General and administrative expenses	**(2,084,468)**	**-**	**-**	**(2,084,468)**
Process and engineering expenses	**(914,543)**	**-**	**-**	**(914,543)**
Selling and marketing expenses	**(743,678)**	**-**	**-**	**(743,678)**
Research and development expenses	**(1,547,361)**	**-**	**-**	**(1,547,361)**
Share Based Payment expenses	**(859,483)**			**(859,483)**
Other expenses	**(71,822)**	**-**	**-**	**(71,822)**
(Loss)/Profit before income tax	**(4,610,930)**	**881,730**	**915,805**	**(2,813,395)**
Net (loss)/profit for the year	**(4,610,930)**	**881,730**	**915,805**	**(2,813,395)**
Other comprehensive income				
Exchange differences arising in translation of foreign operations	**(38,660)**	**-**	**-**	**(38,660)**
Total comprehensive income, net of tax	**(4,649,590)**	**881,730**	**915,805**	**(2,852,055)**
Total assets	**7,740,051**	**-**	**-**	**7,740,051**
Total liabilities	**1,595,615**	**-**	**-**	**1,595,615**
(Loss)/Profit before income tax includes the following specific expenses:				
Depreciation	206,497	-	-	206,497
Share based payments	859,483	-	-	859,483

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Note 4 Segment information (continued)

30 June 2018 (restated)	Geographical Segments			
	Asia Pacific $	**Europe $**	**North America $**	**Total $**
Revenue	1,392,474	878,780	2,634,433	4,905,687
Cost of sales	(2,059,797)	-	-	(2,059,797)
Gross (Loss)/Profit	(667,323)	878,780	2,634,433	2,845,890
Interest revenue	47,260	-	-	47,260
Other income	1,525,419	-	-	1,525,419
General and administrative expenses	(1,915,080)	-	-	(1,915,080)
Process and engineering expenses	(1,768,046)	-	-	(1,768,046)
Selling and marketing expenses	(736,663)	-	-	(736,663)
Research and development expenses	(1,482,894)	-	-	(1,482,894)
Share Based Payment expenses	(920,228)			(920,228)
Other expenses	(128,165)	-	-	(128,165)
(Loss)/Profit before income tax	(6,045,720)	878,780	2,634,433	(2,532,507)
Net (loss)/profit for the year	(6,045,720)	878,780	2,634,433	(2,532,507)
Other comprehensive income				
Exchange differences arising in translation of foreign operations	(33,031)	-	-	(33,031)
Total comprehensive income, net of tax	(6,078,751)	878,780	2,634,433	(2,565,538)
Total assets	6,732,481	-	-	6,743,481
Total liabilities	1,946,076	-	-	1,946,076

(Loss)/Profit before income tax includes the following specific expenses:				
Depreciation	182,035	-	-	182,035
Share based payments	920,228	-	-	920,228

Note 5 Revenue

	Consolidated	
	2019	2018
	$	$
Sales revenue		
Sale of goods (recognised at a point in time)	**2,127,926**	2,690,617
Licence Fees & Royalties (recognised at a point in time)	**1,076,625**	2,215,070
	3,204,551	4,905,687
Other revenue		
Interest	**45,303**	47,260

Disaggregation of Revenue

The Group has disaggregated revenue into various categories in the following table which is intended to

- Depict how the nature, timing and uncertainty of revenue and cash flows are affected by economic date; and
- Enable users to understand the relationship with revenue segment information provided in Note 4.

Consolidated - 2019	Supercapacitors	Licence Fees and Royalties	Total
Geographical regions			
Asia Pacific	**886,835**	**520,181**	**1,407,016**
Europe	**881,730**	**-**	**881,730**
Americas	**359,361**	**556,444**	**915,805**
	2,127,926	**1,076,625**	**3,204,551**

Consolidated – 2018	Supercapacitors	Licence Fees and Royalties	Total
Geographical regions			
Asia Pacific	1,005,864	386,610	1,392,474
Europe	878,780	-	878,780
Americas	805,973	1,828,460	2,634,433
	2,690,617	2,215,070	4,905,687

Note 6 Other income

	Consolidated	
	2019	2018
	$	$
Foreign Exchange Gains – (net)	**8,995**	-
R&D Tax Incentive	**1,540,119**	1,525,419
Government Grants	**50,919**	-
	1,600,033	1,525,419

Note 7 Expenses

	Consolidated	
	2019	2018
	$	$
Loss before income tax includes the following specific expenses:		
Cost of sale of goods		
Direct materials and labour*	**1,261,360**	1,519,204
Indirect manufacturing expenses	**180,567**	540,593
Total cost of sale of goods	**1,441,927**	2,059,797
Depreciation		
Plant and equipment	**196,811**	175,508
Furniture and fittings	**50**	143
Leasehold improvements	**9,636**	6,384
Total depreciation	**206,497**	182,035
Other expenses – movement in provisions		
Allowance for expected credit loss	**17,567**	-
Provision for make good on premises	**5,807**	5,665
Provision for Withholding Tax Diminution	**48,448**	110,755
Foreign Exchange Loss	**-**	11,745
	71,822	128,165
Rental expense relating to operating leases		
Minimum lease payments	**387,162**	219,328
Employee benefits expense	**3,194,355**	3,356,519
Share based payments	**859,483**	920,228

** Includes $183,299 relating to a prior year adjustment. Please see Note 1 (aa).*

Note 8 Income tax benefit

	Consolidated	
	2019	2018 (restated)
	$	$
(a) Numerical reconciliation of income tax benefit to prima facie tax benefit		
Loss before tax	**(2,813,395)**	(2,532,507)
Tax at the Australian tax rate of 27.5%	**(773,684)**	(696,439)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	**236,358**	253,063
(Non-assessable) / non-deductible items	**537,326**	-
R&D additional claims	**-**	(587,236)
	773,684	(1,030,612)
Deferred income tax (revenue)/expense not recognised	**-**	-
Benefit arising from tax losses not recognised	**-**	1,030,612
Income tax benefit	**-**	-

(b) Tax losses

	2019	2018
Unused tax losses for which no deferred tax asset has been recognised	**92,622,157**	92,622,157
Potential tax benefit @ 27.5%	**25,471,093**	25,471,093

No additional tax losses were generated during the financial year by the offset created by the R&D tax benefit and the foreign withholding tax benefit.

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 - not recognised

	2019	2018
The balance comprised temporary differences attributable to employee benefits & other provisions	**348,972**	308,483
Set- off of deferred tax liabilities	**(47,961)**	(51,266)
Net deferred tax assets	**301,011**	257,217

(d) Unrecognised temporary differences

	2019	2018
Temporary differences for which no deferred tax asset has been recognised	**1,268,987**	1,121,758
Potential tax benefit @ 27.5%	**348,972**	308,483

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

Note 9 Current assets – Cash and cash equivalents

	Consolidated	
	2019	2018
	$	$
Cash at bank and on hand	**453,279**	202,112
Cash on deposit	**1,975,877**	1,709,234
	2,429,156	1,911,346

Note 10 Current assets – Receivables

	Consolidated	
	2019	2018
	$	$
Trade receivables	**413,186**	733,110
	413,186	733,110
Other receivables	**203,033**	89,980
	616,219	823,090

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

	Consolidated	
	2019	**2018**
	$	**$**
Opening balance	**-**	-
Allowance for expected credit loss	**17,567**	-
Closing balance	**17,567**	-

(b) Past due but not impaired

There were no trade receivables at 30 June 2019 that were past due but not impaired (2018: Nil).

(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 23. 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 12 customers with the top 6 making up over 90% 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	
	2019	2018 (restated)
	$	$
Raw materials and stores - net realisable value	**811,769**	698,042
Work in progress – net realisable value	**-**	183,299
Finished goods - net realisable value	**1,128,402**	522,864
	1,940,171	1,404,205

Note 12 Current assets – Other

	Consolidated	
	2019	2018
	$	$
Research & Development - Tax Credit	**1,469,000**	1,525,419
Prepayments	**358,489**	155,660
Other Receivables	**11,173**	103,305
	1,838,662	1,784,384

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

	Consolidated	
	2019	2018
	$	$
Plant and equipment at cost	**17,083,858**	16,962,903
Accumulated depreciation	**(16,602,852)**	(16,507,539)
Capital Works in Progress	**188,498**	98,067
Net book amount	**669,504**	553,431
Furniture and fittings at cost	**66,779**	66,779
Accumulated depreciation	**(66,591)**	(66,541)
Net book amount	**188**	238
Leasehold improvements at cost	**470,099**	470,099
Accumulated depreciation	**(460,455)**	(450,819)
Net book amount	**9,644**	19,280
Total property, plant and equipment	**17,809,235**	17,597,848
Total accumulated depreciation	**(17,129,899)**	(17,024,899)
Total net book amount	**679,336**	572,949

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

Movement in classes of assets: Consolidated	Plant and equipment $	Leasehold improvements $	Furniture and fittings $	Total $
Year ended 2019				
Opening net book amount	553,431	19,280	238	572,949
Additions	312,884	-	-	312,884
Retirements	-	-	-	-
Depreciation	(196,811)	(9,636)	(50)	(206,497)
Closing net book amount	669,504	9,644	188	679,336

Movement in classes of assets: Consolidated	Plant and equipment $	Leasehold improvements $	Furniture and fittings $	Total $
Year ended 2018				
Opening net book amount	365,823	3,575	381	369,779
Additions	363,116	22,089	-	385,205
Retirements	-	-	-	-
Depreciation	(175,508)	(6,384)	(143)	(182,035)
Closing net book amount	553,431	19,280	238	572,949

Note 14 Non-current assets – Other

	Consolidated	
	2019 $	2018 $
Rental bond	**236,507**	236,507

A term of the current lease agreement for the Lane Cove premises is a requirement for the Group to have a bank guarantee in place as security for the landlord against loss or damage from any event of default. The rental bond of $236,507 represents the current value of this bank guarantee.

Note 15 Current liabilities – Payables

	Consolidated	
	2019 $	2018 $
Trade payables	**501,011**	792,931
Other payables and accrued expenses	**245,071**	351,358
	746,082	1,144,289

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	
	2019 $	2018 $
Employee benefits – annual leave and long service leave	**551,489**	519,004
Product returns and warranties	**7,130**	9,218
Make good provision	**238,076**	232,269
	796,695	760,491

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	
	2019	2018
	$	$
Annual leave obligation not expected to be settled after 12 months	**86,939**	105,152

(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	
	2019	2018
	$	$
Carrying amount at start of year	**9,218**	9,218
Charged to profit or loss		
- provision adjustment	**(2,088)**	-
Carrying amount at end of year	**7,130**	9,218

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

	Consolidated	
	2019	2018
	$	$
Carrying amount at start of year	**232,269**	226,604
Charged to profit or loss		
- additional provisions recognised	**5,807**	5,665
Carrying amount at end of year	**238,076**	232,269

Note 17 Non-current liabilities – Provisions and Other liabilities

	2019 $	2018 $
Employee benefits – long service leave	**52,838**	41,296
	52,838	41,296

Note 18 Contributed equity

	Consolidated	
	2019 Shares	2018 Shares

(a) Share capital

	2019 Shares	2018 Shares
Fully paid ordinary shares (no par value)	**324,514,775**	299,886,087

(b) Movement in ordinary share capital:

Date	Details	Number of shares	Issue price	$
1 July 2017	Balance	298,006,055		98,343,719
19 December 2017	Issue of Shares	206,010	$0.22	45,761
04 May 2018	Issue of Shares	387,508	$0.09	35,964
27 June 2018	Issue of Shares	1,042,196	$0.09	92,818
27 June 2018	Issue of Shares	244,318	$0.19	46,800
30 June 2018	Balance	299,886,087		98,565,062
1 July 2018	Balance	299,886,087		98,565,062
23 July 2018	Issue of Shares	937,500	$0.09	82,608
26 October 2018	Issue of Shares	2,340,886	$0.09	202,241
09 November 2018	Issue of Shares	20,588,236	$0.14	2,970,995
31 December 2018	Issue of Shares	263,132	$0.18	46,602
28 June 2019	Issue of Shares	498,934	$0.10	48,157
30 June 2019	**Balance**	**324,514,775**		**101,915,665**

(c) Ordinary shares

At 30 June 2019, there were 324,514,775 (2018: 299,886,087) 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.

Note 18 Contributed equity (continued)

(e) Capital management plan

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern that it can provide returns for shareholders and benefits to other stakeholders and to maintain an optimum structure to reduce the cost of capital.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was value adding value relative to the current company's share price at the time of the investment. The consolidated entity would actively pursue additional investments in the short term as it continues to integrate and grow its existing business in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given pricing capital market decisions. There have been no events of default on the financing arrangements in the financial year.

The capital risk management policy remains unchanged from the 2018 Annual report.

Note 19 Reserves and accumulated losses

	Consolidated	
	2019	2018
	$	$
(a) Reserves		
Foreign currency translation reserve	**(294,096)**	(255,436)
Share-based payments reserve	**6,327,089**	5,467,606
	6,032,993	5,212,170
Movements:		
Foreign currency translation reserve		
Balance 1 July	**(255,436)**	(222,405)
Currency translation differences arising during the year	**(38,660)**	(33,031)
Balance 30 June	**(294,096)**	(255,436)
Share-based payments reserve		
Balance 1 July	**5,467,606**	4,547,378
Option expense	**859,483**	920,228
Balance 30 June	**6,327,089**	5,467,606

(b) Accumulated losses

	Consolidated	
	2019	2018
Movements in accumulated losses were as follows:		(restated)
	$	$
Balance 1 July	**(98,990,827)**	(96,458,320)
Net (loss) for the year	**(2,813,395)**	(2,532,507)
Balance 30 June	**(101,804,222)**	(98,990,827)

(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 (Non-Executive Chairman)
Bruce Grey (Non-Executive Director)

(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. The following were key management personnel up to the date of the report unless otherwise stated:-

Alex Bilyk, VP Research
Mark Hulme, VP Operations Song Au Lau, VP Sales & Marketing Asia (resigned June 2018)
Song Hee Lau, General Manager Sales & Marketing Asia Pacific
Jean Pierre Mars, VP Applications Engineering
Michael Taylor, Chief Financial Officer/Chief Operating Officer
Dan Trujic, General Manager Sales & Marketing Europe and America

	Consolidated	
	2019	2018
	$	$
Short-term benefits	**1,309,242**	1,529,171
Post-employment benefits	**124,378**	145,271
Share-based payments	**766,360**	777,026
Total	**2,199,980**	2,451,468

(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	
	2019	2018
	$	$
BDO East Coast Partnership		
Audit services		
Audit of financial statements	**61,500**	61,500
Total remuneration for audit services	**61,500**	61,500
Taxation services		
Tax compliance services, including review of company income tax returns, employee share scheme and R&D Tax concession	**36,500**	36,600
Total remuneration of BDO East Coast Partnership	**98,000**	98,100

Note 21 Remuneration of auditors (continued)

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

Note 22 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 2016 and was due to expire on 30th June 2017. The lease has been extended by a further 48 months to 30th June, 2020.

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	
	2019	2018
	$	$
Commitments for minimum lease payments in relation to operating leases are payable as follows:		
Within one year	**378,772**	368,230
Later than one year but not later than 5 years	**27,337**	379,433
	406,109	747,663

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 2019	30 June 2018
			%	%
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 2019 financial year has been lodged with the relevant Government authorities and the quantum expected to be received is similar to past years.

No other matters or circumstances have arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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

	Consolidated	
	2019	2018 (restated)
	$	$
Net loss	**(2,813,395)**	(2,532,507)
Depreciation and amortisation	**206,497**	182,035
Non-cash employee benefit expense – share based payments	**859,483**	920,228
Changes in assets and liabilities:		
Decrease / (Increase) in receivables	**206,870**	(375,963)
(Increase)/Decrease in inventories	**(535,966)**	10,997
Increase in other assets	**(125,913)**	(135,746)
(Decrease)/Increase in payables	**(326,571)**	130,334
Increase in provisions	**47,746**	27,069
Net cash outflow from operating activities	**(2,481,249)**	(1,773,553)

Note 27 Share-based payments

(a) CAP-XX Limited Employee Share Option Plan

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

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

Grant Date	**Expiry date**	**Exercise price**	**Balance at start of the year**	**Granted during the year**	**Exercised during the year**	**Forfeited & expired during the year**	**Balance at end of the year**	**Exercisable at end of the year**
		$	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Consolidated – 2019								
04 December 2015	04 December 2020	£0.057	18,587,492	-	(3,278,386)	(562,500)	14,746,606	13,181,042
11 November 2016	11 November 2021	£0.035	1,500,000	-	-	-	1,500,000	988,456
11 December 2017	11 December 2022	£0.115	17,710,000	-	-	(1,200,000)	16,510,000	6,411,760
			37,797,492	-	**(3,278,386)**	**(1,762,500)**	**32,756,606**	**20,581,258**
Weighted Average Exercise Price			**$0.15**		**$0.10**	**$0.17**	**$0.15**	**$0.13**

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

Note 27 Share-based payments (continued)

Fair value of options granted

There were nil share options issued for the year ended 30 June 2019 (2018: 17,935,000).

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited & expired during the year	Balance at end of the year	Exercisable at end of the year
		$	Number	Number	Number	Number	Number	Number
Consolidated – 2018								
25 February 2008	25 February 2019	$0.71	160,000	-	-	(160,000)	-	-
09 October 2013	09 October 2019	£0.085	2,960,000	-	-	(2,960,000)	-	-
21 April 2014	21 April 2019	£0.057	100,000	-	(100,000)	-	-	-
04 December 2015	04 December 2020	£0.057	20,150,000	-	(1,329,704)	(232,804)	18,587,492	11,644,515
11 November 2016	11 November 2021	£0.035	1,500,000	-	-	-	1,500,000	613,356
11 December 2017	11 December 2022	£0.0115	-	17,935,000	-	(225,000)	17,710,000	-
			24,870,000	17,935,000	(1,429,704)	(3,577,804)	37,797,492	12,257,871
Weighted Average Exercise Price			$0.11	$0.20	$0.10	$0.17	$0.15	$0.10

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.

The assessed fair value at grant date of options granted, during the year ended 30 June 2018, under the CAP-XX Limited Plan was A$0.13 on 11 December 2017. The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option

The model inputs for options granted included:

(a) options are granted for nil consideration, have a:

- 4 -10 year life and 25% vest 12 months after the Vesting Commencement Date, and 1/48 of Total Option shall vest on each monthly anniversary of the Vesting Commencement Date thereafter;
- specific vesting criteria in some minor instances.

(b) exercise price: refer tables above

(c) grant date: refer tables above

(d) expiry date: refer tables above

(e) share price at grant date

(f) expected price volatility of the Group’s shares: 84% which was determined based on the historical share price movement over a one year period prior to the grant date.

(g) no expected dividend yield

(h) risk-free interest rate: 0.99%

Note 27 Share-based payments (continued)

(b) 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	
	2019	2018
	$	$
Options issued under CAP-XX Limited Employee Share Option Plan	**859,483**	920,228
	859,483	920,228

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.

Note 29 Earnings per share

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

	Consolidated	
	2019	2018 (restated)
	Cents	Cents
(a) Basic earnings per share		
(Loss) attributable to the ordinary equity holders of the Company	**(0.9)**	(0.8)
(b) Diluted earnings per share		
(Loss) attributable to the ordinary equity holders of the Company	**(0.9)**	(0.8)

	Consolidated	
	2019	2018
	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	**315,691,940**	298,191,206
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**315,691,940**	298,191,206

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

Note 30 Parent Entity

(a) Summary financial information

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

	2019	2018
	$	$
Statement of financial position		
Current assets	**3,836,079**	3,425,232
Total assets	**3,836,079**	3,425,232
Current liabilities	**291,925**	121,628
Total liabilities	**291,925**	121,628
Net Assets	**3,544,154**	3,303,604
Shareholders' equity		
Issued capital	**101,915,664**	98,565,062
Reserves		
Share-based payments	**6,327,089**	5,467,606
Retained earnings ***(i)***	**(104,698,599)**	(100,729,004)
Loss for the year	**(3,969,595)**	(2,936,488)
Total comprehensive income	**(3,969,595)**	(2,936,488)

(i) Reconciliation to prior year retained earnings	
Balance at beginning of period 1/07/2018	(100,729,004)
Net loss for the year	(3,969,595)
Balance at end of period 30/06/2019	**(104,698,599)**

Contingent Liabilities
The parent had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment
The parent had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

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

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 26 to 63 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Australian 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 2019 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
8 November 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of Cap-XX Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cap-XX Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1 (b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Share-based payments

Key audit matter	***How the matter was addressed in our audit***
As disclosed in Note 27 and the Directors' report, the Group has issued numerous traches of shares options to directors, management and employees pursuant to the Group's Employee Share Option Plan which are subject to vesting conditions. These share-based payment arrangements are a complex accounting area which include assumptions utilised in the fair value calculation and estimation regarding the number of options that are ultimately expected to vest. Due to these factors, we considered this area a key audit matter.	To determine whether share-based payment arrangements had been appropriately accounted for and disclosed, we undertook, amongst others, the following audit procedures: • Considered whether the Group used an appropriate model in valuing the options. • Reconciled to underlying share based payment valuation reports and calculations. • Assessed the reasonableness of employee retention rates by reviewing historical employee terminations by employee category. • Evaluated management's assumptions used in the calculation being interest rate, volatility, the expected vesting period, the probability of achievement and the number of options expected to vest. • Evaluated the adequacy and accuracy of the disclosure of the share-based payment arrangements within the financial report including disclosures comprising key management personnel remuneration.

Prior period inventory restatement

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 1 (aa), the Group identified a prior period restatement in relation to the accounting treatment for work in progress inventory. Due to the amount of additional disclosure requirements within the financial statements and the extent of auditor effort performed in substantiating the restatement, we considered this area to be a key audit matter.	To determine whether the restatement of inventory had been appropriately accounted for and disclosed, we undertook, amongst others, the following audit procedures: • Obtained reports from an external third party of the estimated work in progress inventory at the end of each impacted reporting period, recalculating the respective values to ensure the balances reported in the current year financial statements were materially correct. • Critically evaluated the requirements of Australian Accounting Standard AASB 102 Inventories, as well as the accounting policy described in Note 1 to ensure that the accounting treatment for work in progress inventories was reasonable. • Considered the requirements of Australian Accounting Standard AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, to ensure that disclosures of the prior period restatement were compliant with the requirements of the accounting standards.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

BDO East Coast Partnership

BDO

Martin Coyle
Partner

Sydney, 8 November 2019