

**CAP-XX Limited**  
**ABN 47 050 845 291**

**Annual report 2011**

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**CAP-XX Limited**  
**30 June 2011**

**Corporate directory**

**Directors**

Michael Quinn  
*Chairman*

Anthony Kongats  
*Managing Director*

Brett Sandercock

Patrick Elliott

**Secretaries**

Robert Buckingham  
Michael Taylor

**Notice of annual general meeting**

The annual general meeting of CAP-XX Limited

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

**time:** 7.00pm

**date:** 23<sup>rd</sup> November 2011

A formal notice of meeting is enclosed.

**Registered office**

Suite 126  
117 Old Pittwater Road  
Brookvale NSW 2100  
Australia

**Principal place of business**

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

**Registrars to shares**

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

**Registrars to depositary interests**

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

**Nominated adviser and broker to the Company**

Seymour Pierce Limited  
20 Old Bailey  
London EC4M 7EN  
United Kingdom

**Corporate directory (continued)**

<b>Auditor</b>	PricewaterhouseCoopers 201 Sussex Street Sydney NSW 1171 Australia
<b>Solicitors to the Company as to Australian law</b>	DibbsBarker Level 9, Angel Place 123 Pitt Street Sydney New South Wales 2000 Australia
<b>Solicitors to the Company as to English law</b>	Olswang Solicitors 90 High Holborn London WC1V 6XX United Kingdom
<b>Bankers</b>	Commonwealth Bank of Australia 120 Pitt Street Sydney, NSW 2000 Australia
<b>Stock exchange listings</b>	Shares are listed as Depositary Interests on AIM, a market regulated by the London Stock Exchange plc under the code CPX
<b>Website address</b>	<a href="http://www.cap-xx.com">www.cap-xx.com</a>

## **Chairman's statement**

Fiscal 2011 highlights were dominated by the Company's markedly improved product sales and manufacturing performance, a capital raising to boost cash reserves and impressive results generated by the technological team which have the potential to greatly increase the attractiveness of the current and next generation products.

The financial results for the year ended 30 June 2011 were noteworthy for the 56% volume increase in product sales. Volumes from traditional markets such as hand held and portable devices rebounded strongly with unit sales in the second half, being over 90% higher than the first six months of the year. Given the challenging world-wide economic conditions and increased competitive pressure, it is pleasing to note that the Average Selling Price was maintained at US\$ 3.44, on par with the price that was realised twelve months earlier. Given that the Company invoices in US Dollars, the strengthening AUD did have a negative impact on turnover. Taking the above factors into account, total product sales increased by 39% over the prior year.

The Company also reported receipt of its first royalty payments, from Murata for sales of CAP-XX supercapacitors with the first sales being generated in January 2011. Although both the volumes and quantum of the royalty payments were small, Murata continues to actively market the product and sales are expected to grow. For the fiscal year ended 30 June 2011, the Company reported total revenue of AUD \$3.8 million (2010: AUD \$ 5.9 million) The year to year decline being due to the reduction and timing of technical services payments, R&D feasibility programs and collaborative R&D agreement fees from Murata. For the current financial year, the only payments received from Murata were the final two payments associated with the R&D Agreement (2011: A\$0.7m) and the royalty payments as highlighted above. The net loss for the twelve months to 30 June 2011 was AUD \$3.3 million (2010: loss of AUD \$2.5 million) with again the reduction in the total Murata contribution being the primary factor to the increased year to year loss. Headcount remains steady. The 2011 result does include an accrued tax rebate from the Australian Taxation Office related to eligible Research & Development expenditure. It is anticipated that the Company will receive this rebate in the next three months and given the recent change in Federal legislation such a rebate will become available on an annual basis.

During the past twelve months, Nationgate has increased its production capacity with the installation and commissioning of a second line which will significantly lift its available capacity. Polar Twin Advance, with the assistance of CAP-XX, has also improved the yield, quality and volume of its output. Sales for the first quarter of the 2012 financial year are still growing and are up significantly on the previous year's volumes. The growth continues to come from CAP-XX's hand-held and portable device customers.

In June 2011, the final report associated with the collaborative Research & Development Agreement with Murata was delivered. Murata are currently in the process of reproducing the results prior to opening discussions on a possible license. The Company is pleased with the outcome of the study with the results meeting or exceeding targeted outcomes. The new technology will provide the foundation for next generation products but may also lead to improved performance of current products and open additional market opportunities. All of these initiatives are being actively explored.

In order to strengthen the balance sheet and increase the available cash reserves, the Company undertook a capital raising with 9.073m shares being issued at a £0.16p share price. This transaction occurred in May 2011 with the funds received in early June. The majority of the shares issued were acquired by current institutional investors. The additional funds will allow the Company to further develop the technology that was derived from the Murata Agreement and to explore additional markets as highlighted above. The Company is also seeking to broaden its current technology license agreements across different markets and is presently exploring opportunities with several automotive and other interested parties.

Although the world wide economic conditions have been difficult, the CAP-XX management team and staff, together with our contract manufacturers and distributors have done a sterling job achieving difficult targets especially in regard to technical development, manufacturing and sales. The Board is looking forward to another year of similar solid progress.



Michael Quinn  
Chairman

14 October 2011

## **Business review**

### **About CAP-XX Limited**

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

CAP-XX supercapacitors have a compact, thin-form design and can store higher volumes of energy and output higher power levels than competing supercapacitor products. These attributes are critical for current and future generation electronic devices, such as mobile phone cameras with a quality flash photography capability and high quality audio capabilities. Other applications include mobile phone and solid state drives (SSD), mobile phone accessories, digital still cameras, energy harvesting systems, e-books, portable drug delivery systems, wireless sensors, uninterrupted power supplies, plant condition monitors, toll tags, location tracking devices, start-stop systems and hybrid electric vehicles. Longer term, as the market for fuel cell systems develops, supercapacitors can be used to support modulated output for fuel cell systems.

In 2010-2011, CAP-XX continued to supply supercapacitors to a number of blue chip consumer electronics companies for use in current generation wireless devices such as ruggedised PDAs (personal digital assistants), SSDs and location tracking products. CAP-XX is increasingly focussed on the larger opportunities represented by these markets both directly and via different partnerships such as its licensee, Murata Manufacturing of Japan.

CAP-XX is incorporated in Australia and has its headquarters and research and development and electrode manufacturing facilities in Sydney, Australia where 22 staff are employed. These facilities have ISO 9000 status. Larger manufacturing facilities are operated in Malaysia by Polar Twin Advance Sdn Bhd and Natingate Technologies Sdn Bhd under manufacturing agreements with CAP-XX.

### **Historic Milestones**

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

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

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

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

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

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

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

On 20 April 2006, CAP-XX Limited was listed on the AIM market of the London Stock Exchange in conjunction with a placement of 18,433,333 shares at 93 pence per share, which raised gross proceeds of AUD\$41million (£17.1 million) and increased the total shares in issue to 48,565,893 shares and market capitalisation (at 93 pence per share) to about AUD\$108 million (£45.2 million). Shares in issue rose to 49,112,791 by 30 June 2008 as various Employee Shareholder Option Plan participants exercised their options. On 25 June 2009, a secondary capital raising was

### **Business review (continued)**

completed with 12,940,000 shares being placed at 12.5 pence per share. On 25 March 2010, a capital raising was completed with 5,906,493 shares being placed at 33 pence per share. On 6<sup>th</sup> June 2011, a capital raising was completed with 9,072,813 shares being placed at 16 pence per share. Total shares outstanding as at June 2011 are 77,032,097 shares.

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

In October 2008, the companies signed a Re-Sale Agreement which provides CAP-XX with a proportion of the Murata manufactured product. This product is sold to CAP-XX's existing and new customers under the CAP-XX name. While product sales from this agreement were small for the 12 months to 30 June 2011 they are expected to grow going forward.

In November 2008, both companies signed a Feasibility Study Agreement for the first stage of a proposed Collaborative R&D program which concluded with the successful demonstration of a working surface mountable supercapacitor in H1 2009. On the 5 March 2010, CAP-XX and Murata signed the R&D Agreement which is an extension of the collaboration for developing supercapacitors with Murata. The new contract covers surface mounted devices (SMD's) which will enable manufacturers to mount supercapacitors directly onto pre-circuit boards using reflow solder techniques. These supercapacitors are particularly suitable for high volume applications. This project was successfully concluded on June 24th 2011 and Murata is currently evaluating CAP-XX's results.

On 30 July 2009, CAP-XX signed a contract manufacturing agreement with Natingate Technologies of Penang, Malaysia. Under the terms of the agreement, Natingate acquired and transferred to Penang, the supercapacitor assembly manufacturing plant, from CAP-XX's Lane Cove facility. Following the re-commissioning of the plant at its Penang facility, Natingate began producing saleable supercapacitors in the Q1 calendar year 2010. Polar Twin Advance, also in Penang, continues as a contract manufacturer, for CAP-XX.

### **Review of Operations and Activities**

Since CAP-XX launched its first supercapacitor in 2003, approximately 8 million units have been sold. Since 2008 CAP-XX has established a new revenue stream with the commencement of license fees and other related payments from Murata. These will become more prevalent as the anticipated royalty stream from Murata increases in the 2011/12 financial year.

Total revenue for the 12 months to 30 June 2011 decreased by AUD\$2.04 million to AUD\$3.84 million compared to AUD\$5.89 million in 2010. This decrease is due to the decrease in revenue from services from AUD\$3.65 million to AUD\$0.72 million, due to the end of the amortisation of the initial licence fee from Murata, received in 2008, and completed during the following two financial years.

Product sales increased by 39% from AUD\$2.24m to AUD\$3.13m, and unit sales increased 56% from 0.6 million to 0.9 million. Product sales during the year showed a steady pick up with the second half of the year stronger than the first half. The operating result for the twelve months to 30 June 2011, was a loss of AUD\$3.3 million (2010: loss of AUD\$2.5 million). The major reasons for the negative variances being the reduction in the revenue from services discussed above and the higher average AUD\$/US\$ exchange rate, partially offset by the higher product sales.

### **Business Environment**

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

Automotive applications such as Start-Stop systems, hybrid electric vehicles and electric vehicles are also very attractive opportunities for CAP-XX's products.

CAP-XX technology provides a competitive advantage over other supercapacitor manufacturers, such as AVX, Maxwell Technologies and NEC/Tokin Corporation. Other manufacturers are unable to match the CAP-XX technology for thinness, energy density and power density. Many competitors manufacture higher-capacity, large package devices and focus on applications where the combination of thinness, energy density and power density is not an issue. In the

## **Business review (continued)**

future CAP-XX's surface mount capability will offer another very significant point of difference with the competition.

### **Opportunities**

Video cameras, digital cameras and mobile phones remain a very large and attractive market for CAP-XX and its partners, as evidenced by Sony launching a range of video cameras using supercapacitors supplied by CAP-XX's licensee Murata. Royalties received by CAP-XX from Murata were AUD\$6.1K for the March 2011 Quarter and AUD\$10.9K for the June Quarter. CAP-XX expects sales to these markets to continue to grow significantly through the next 12 months and beyond.

During the year the level of enquiries for automotive solutions from CAP-XX has increased. CAP-XX is now working on a number of automotive applications including stop-start systems and hybrid electric vehicle systems.

Other applications include SSDs, energy harvesting, portable drug delivery systems, e-books, wireless sensors, uninterrupted power supplies, toll tags and location tracking devices.

Additional benefits of the Murata manufacturing agreement is that it has enabled validation of the CAP-XX supercapacitor as a mainstream consumer electronics technology and it will increase exposure to markets and customers that were previously not targeted due to the Company's limited resources. Association with Murata is helping gain recognition for and acceptance of the capabilities of the CAP-XX supercapacitor products to support high-power functions, and reduces misconceptions about their price and performance.

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

### **Strategies for Growth**

The Company continues to have discussions aimed at securing business with a number of global original equipment manufacturers active in portable consumer electronics. We are strengthening our relationships with these organisations and we have regular engineering meetings together with sub-assembly providers. We are unable to comment on specific clients but are pleased with overall progress and are confident that the available market for supercapacitors is increasing as manufacturers become increasingly familiar with the technology.

As mentioned in the past, CAP-XX is gaining broader market coverage, by increasing its number of well-qualified distributors covering Asia (inclusive of Japan, Korea and China) US, Europe and South Africa while maintaining direct sales contacts with key customers. Sales growth from this distributor network is encouraging and distributors experience in selling our product is steadily improving. Additional distributors are currently being interviewed to take advantage of significant emerging markets such as India. It is expected that CAP-XX will appoint further distributors over the next twelve months.

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

Separately, the Company is exploring the opportunities to leverage its strong intellectual property and engineering expertise through new license agreements or joint ventures. The Company believes the automotive market in particular may offer significant new opportunities for growth.

### **Research and Development**

CAP-XX has a research facility at its headquarters in Lane Cove, Australia where a research and development team comprised of 12 engineers and scientists is continuing development work to maintain CAP-XX's lead position in the engineering of electrode, separator and electrolyte material in supercapacitor devices. We also have a close association with leading research institutions, whilst our Scientific Advisory Board provides clear direction on the commercially relevant technologies for our R&D programme.

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

The Company's success depends on its ability to protect and prevent any infringements of its intellectual property. To protect this important asset the Company has considerable intellectual property embodied in patents covering the design, manufacture and use of its high performance supercapacitors. The CAP-XX patent portfolio currently consists



### **Business review (continued)**

of 19 patent families with 34 granted national patents (14 USA, 7 US continuations and 13 in Europe) with an additional 36 applications pending in various jurisdictions,. The patents cover supercapacitive devices, components for supercapacitors, techniques for manufacturing devices and applications of the devices in electronic circuits.

#### **Outlook**

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

Murata is well recognised as a worldwide components manufacturer and already supplies to large mobile handset manufacturers. Murata's worldwide distribution expertise will also assist with the sales and marketing of the CAP-XX supercapacitor. Murata has commissioned its production plant and has commenced sales, which it forecasts to be higher in the current financial year. Polar Twin Advance and Natingate are also well known in South East Asia as contract manufacturers of choice and have been operating successfully for more than 10 years. Both have impressive lists of customers.

Separately CAP-XX is in the process of identifying other potential partners who have the necessary manufacturing experience and scale to successfully partner with CAP-XX for the automotive market opportunity.

As previously reported, Murata via its already well established supply chain interaction with the mobile handset manufacturers, has assumed the business development role in acquiring a mobile design win which would incorporate the CAP-XX supercapacitor. Although progress has been impacted by the global slowdown in the electronics market, expectations remain high. Murata has advised that it commenced shipping supercapacitors in the 12 months ended 30<sup>th</sup> June and it is promoting supercapacitors strongly to mobile phone manufacturers and other applications. It is planning for strong growth in volumes in the 12 months ended 30<sup>th</sup> June 2012 and the year after. In parallel, Murata is working closely with CAP-XX in developing next generation supercapacitor solutions.

CAP-XX continues to pursue other business opportunities in addition to mobile handset manufacturers and good progress has been made in a number of other markets. Sales volumes in the second half of the 2010/11 financial year were strong. Early indicators suggest that the markets for the Company's products are in a state of recovery and the Company remains confident of growth in these markets.

The major short term focus for CAP-XX is to complete the licensing of its new surface mountable supercapacitor, ensuring that distributors are in place to capture the demand from the emerging markets, securing a partner for the automotive market which can provide the necessary manufacturing and sales assets and ensuring the new business opportunities identified above are aggressively pursued.

## **CAP-XX Limited**

### **30 June 2011**

#### **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 2011.

#### **Directors**

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

Michael Quinn	Chairman
Anthony Kongats	Managing Director
John Murray	Resigned – February 2011
Graham Titcombe	Resigned – January 2011
Brett Sandercock	
Patrick Elliott	Appointed – July 2011

#### **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 2011.

#### **Review of operations**

The Group experienced net losses of \$3,285,307 during the year ended 30 June 2011 (2010: loss of \$2,512,333). Information on the operations and financial position of the Group and its business strategies and prospects is set out on pages 6 to 9 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 2011.

#### **Matters subsequent to the end of the financial year**

No other matter or circumstance has arisen, since 30 June 2011, that has significantly affected, or may significantly affect:

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

#### **Likely developments and expected results of operations**

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

#### **Environmental regulation**

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

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

## **Directors' report (continued)**

### **Information on directors**

**Michael Quinn** *Chairman. Age 64.*

#### **Experience and qualifications**

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

#### **Specific Board responsibilities**

Nil.

#### **Interests in shares and options**

2,333,974 ordinary shares in CAP-XX Limited (including shares held by Innovation Capital Limited, Innovation Capital LLC and Kaylara Pty Limited).

230,498 options over ordinary shares in CAP-XX Limited (including options held by Innovation Capital Limited, Innovation Capital LLC and Kaylara Pty Limited).

**Anthony Kongats** *Managing Director. Age 53.*

#### **Experience and qualifications**

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

#### **Specific Board responsibilities**

Nil.

#### **Interests in shares and options**

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

661,828 options over ordinary shares in CAP-XX Limited.

**Brett Sandercock** *Non-executive director. Age 44.*

#### **Experience and qualifications**

Brett joined ResMed in 1998 and has held various senior finance positions in the Company. He is currently the Chief Financial Officer which encompasses overall responsibility for group financial reporting, SOX 404 compliance, group treasury and foreign exchange hedging strategies. Prior to joining ResMed, Brett commenced work at Price Waterhouse in 1989 and was appointed Audit Manager in 1994 specialising in audits of clients predominantly focused on distribution and manufacturing, financial services and technology. He then became Group Management Accountant with Health Care of Australia (formerly a division of Mayne Group, one of the largest private hospital operators in Australia). In 1996 Brett joined Norton Abrasives (a division of the French multi-national Saint Gobain) as Manager, Financial Accounting and Group Reporting. He has a Bachelor of Economics degree from Macquarie University and is an Australian Chartered Accountant.

#### **Specific Board responsibilities**

Chairman of Audit Committee.

115,000 options over ordinary shares in CAP-XX Limited

**Directors' report (continued)**

**Patrick Elliott** *Non-executive director. Age 59*

***Experience and qualifications***

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

***Specific Board responsibilities***

Member of Audit Committee

Member of Remuneration Committee

***Interests in shares and options***

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

**Company Secretaries**

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

On 25 November 2008, Michael Taylor, Chief Financial Officer, was appointed as Co-Company Secretary. Michael graduated from Kuring-Gai College with a Bachelor of Business and from Macquarie University with a Master of Applied Finance. He is a member of CPA Australia.

**Directors' report (continued)**

**Meetings of Directors**

The number of meetings of the Company's board of directors and of each board committee held, during the year ended 30 June 2011, and the number of meetings attended by each director were:

	Full Meetings of Directors		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Michael Quinn	6	6			3	3
Anthony Kongats	6	6				
John Murray	4	4	3	3	2	2
Graham Titcombe	3	3			2	2
Brett Sandercock	6	6	4	4		

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 2011, are set out in the following table. The cash bonuses are dependent on the satisfaction of performance conditions. All other elements of remuneration are not directly related to performance.

**Directors of CAP-XX Limited**

2011	Primary			Post-employment		Equity	
Name	Cash salary and accrued fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Retirement benefits \$	Options \$	Total \$
<i>Executive directors</i>							
Anthony Kongats	301,402	-	-	27,126	-	40,747	369,275
<i>Non-executive directors</i>							
Michael Quinn	48,702	-	-	-	-	2,785	51,487
John Murray	24,183	-	-	-	-	-	24,183
Graham Titcombe	31,053	-	-	-	-	-	31,053
Brett Sandercock	36,526	-	-	3,287	-	2,785	42,598
<b>Total</b>	<b>441,866</b>	<b>-</b>	<b>-</b>	<b>30,413</b>	<b>-</b>	<b>46,317</b>	<b>518,596</b>

**CAP-XX Limited**  
**30 June 2011**

**Directors' report (continued)**

Details of the remuneration of each director of CAP-XX Limited, for the year ended 30 June 2010, 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**

<b>2010</b>	<b>Primary</b>			<b>Post-employment</b>		<b>Equity</b>	
<b>Name</b>	<b>Cash salary and accrued fees \$</b>	<b>Cash bonus \$</b>	<b>Non-monetary benefits \$</b>	<b>Super-annuation \$</b>	<b>Retirement benefits \$</b>	<b>Options \$</b>	<b>Total \$</b>
<i>Executive directors</i>							
Anthony Kongats	289,857	-	-	26,087	-	67,289	383,233
<i>Non-executive directors</i>							
Michael Quinn	56,718	-	-	-	-	4,798	61,516
John Murray	42,539	-	-	-	-	4,798	47,337
Graham Titcombe	57,755	-	-	-	-	-	57,755
Brett Sandercock	42,539	-	-	3,828	-	4,798	51,165
<b>Total</b>	<b>489,408</b>	<b>-</b>	<b>-</b>	<b>29,915</b>	<b>-</b>	<b>81,683</b>	<b>601,006</b>

**Loans to directors and executives**

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

**Share options granted to directors and the most highly remunerated officers**

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

<b>Directors</b>	<b>Date Granted</b>	<b>Options Granted</b>
Michael Quinn	21 April 2011	10,000
Brett Sandercock	21 April 2011	10,000

**Other executives of CAP-XX Limited**

Nil

The options were granted under the terms and conditions of the 2006 Employee Share Option Plan.

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

**CAP-XX Limited**  
**30 June 2011**

**Directors' report (continued)**

**Shares under option**

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

<b>Date Options Granted</b>	<b>Expiry Date</b>	<b>Issue Price of Shares</b>	<b>Number Under Option</b>
1 November 2002	30 September 2012	\$15.64	26,001
1 April 2004	30 September 2012	\$15.64	12,003
30 June 2004	31 May 2014	\$0.47	30,000
1 July 2005	31 May 2015	\$0.47	522,451
1 July 2005	31 May 2015	\$15.64	8,004
19 September 2006	19 September 2016	\$2.38	625,000
8 May 2007	8 May 2017	\$2.58	20,000
25 February 2008	25 February 2018	\$0.71	160,000
21 April 2008	21 April 2018	\$0.43	30,000
19 December 2008	19 December 2014	£0.25	955,000
12 January 2009	12 January 2015	£0.20	40,000
1 March 2009	1 March 2015	£0.20	10,000
21 April 2009	21 April 2009	\$0.35	30,000
6 April 2010	6 April 2016	£0.56	2,225,000
21 April 2010	21 April 2020	\$0.35	30,000
21 April 2011	21 April 2021	\$0.19	20,000
			<hr/> <b>4,743,459</b> <hr/>

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

**Shares issued on the exercise of options**

No ordinary shares of CAP-XX were issued during the year ended 30 June 2011 on the exercise of options granted under the CAP-XX Employee Option Plan. No other shares under option have been issued since that date. No amounts are unpaid on any of the shares.

**Indemnification and Insurance of Officers**

***Indemnification***

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

***Insurance Premiums***

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

**Auditor's independence declaration**

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

**Directors' report (continued)**

**Non-audit Services**

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

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

**Auditor**

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

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



Michael Quinn  
Director

Sydney  
14 October 2011



### **Auditor's Independence Declaration**

As lead auditor for the audit of Cap-XX Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

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

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



RL Wilkie  
Partner  
PricewaterhouseCoopers

Sydney  
14 October 2011

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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DX 77 Sydney, Australia  
T +61 2 8266 0000, F +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

## **Corporate Governance Statement**

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

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

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

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

The Board meets at regular scheduled intervals and follows a formal agenda. It also meets as and when required. During the year ended 30 June 2011, six Board meetings were held.

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

### **Board Committees**

The Company has an audit committee and a remuneration committee both consisting of two non-executive directors. The terms of reference and composition of the audit and remuneration committees were determined as part of the process of the listing of the Company. During the year ended 30 June 2011, four audit committee and three remuneration committee meetings were held. Each committee is to meet at least twice a year.

The audit committee comprises Brett Sandercock (Chairman), and Patrick Elliott. The remuneration committee comprises Michael Quinn (Chairman), and Patrick Elliott.

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

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

### **Code of Conduct**

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

### **Relationships with Shareholders**

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

### **Intellectual Property**

The Board has always been vigilant in managing the Company's intellectual property ("IP") portfolio which currently consists of 19 patent families with 34 granted national patents (14 USA, 7 US continuations and 13 in Europe) with an additional 36 applications pending in various jurisdictions. The Company's IP strategy has been to build company value by focusing on opportunities to capture market share and exclude competition with an IP portfolio capable of generating licensing revenue. The directors believe comprehensive embodiments and interlocking patent groups, combined with a 'quick to file, quick to abandon' policy, have given the Company a strong and focused IP portfolio.

**CAP-XX Limited**  
**Financial statements**  
**– 30 June 2011**

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

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

Units 9-10  
12 Mars Road  
Lane Cove NSW 2066

Its registered office is:

Suite 126  
117 Old Pittwater Road  
Brookvale NSW 2100

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

The financial report was authorised for issue by the directors on 14 October 2011. The Company has the power to amend and reissue the financial report.

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

**CAP-XX Limited**  
**30 June 2011**

**CAP-XX Limited**  
**Income statement**  
**For the year ended 30 June 2011**

	Notes	Consolidated	
		2011 \$	2010 \$
<i>Currency: Australian Dollars</i>			
<b>Revenue from continuing operations</b>	5	<b>3,844,296</b>	5,889,531
Cost of sale of goods & services	7	<b>(3,237,993)</b>	(3,567,381)
<b>Gross margin on sale of goods &amp; services</b>		<b>606,303</b>	2,322,150
Other revenue	5	<b>110,471</b>	54,610
Other income	6	<b>14,281</b>	148,617
General and administrative expenses		<b>(2,231,798)</b>	(2,107,262)
Process and engineering expenses		<b>(386,547)</b>	(592,194)
Selling and marketing expenses		<b>(432,807)</b>	(385,664)
Research and development expenses		<b>(1,522,909)</b>	(1,577,420)
Other expenses	7	<b>(117,301)</b>	(375,170)
<b>Loss before income tax</b>		<b>(3,960,307)</b>	(2,512,333)
Income tax benefit	8	675,000	-
<b>Net loss for the year</b>		<b>(3,285,307)</b>	(2,512,333)
<b>Loss attributable to members of CAP-XX Limited</b>		<b>(3,285,307)</b>	(2,512,333)
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company</b>			
Basic loss per share	30	<b>(4.8)</b>	(4.0)
Diluted loss per share	30	<b>(4.8)</b>	(4.0)

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

**CAP-XX Limited**  
**30 June 2011**

**CAP-XX Limited**  
**Statement of comprehensive income**  
**For the year ended 30 June 2011**

	Notes	Consolidated	
		2011	2010
<i>Currency: Australian Dollars</i>		\$	\$
<b>Loss for the year</b>		<b>(3,285,307)</b>	(2,512,333)
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations	20	113,214	26,146
<b>Other comprehensive income for the year, net of tax</b>		<u><b>113,214</b></u>	<u>26,146</u>
<b>Total comprehensive income for the year attributable to owners of CAP-XX Limited</b>		<u><b>(3,172,093)</b></u>	<u>(2,486,187)</u>

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

**CAP-XX Limited**  
**30 June 2011**

**CAP-XX Limited**  
**Balance sheet**  
**As at 30 June 2011**

<i>Currency: Australian Dollars</i>	Notes	Consolidated	
		2011 \$	2010 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	<b>3,073,481</b>	4,113,970
Receivables	10	<b>1,272,221</b>	368,906
Inventories	11	<b>1,466,257</b>	1,031,873
Other	12	<b>59,260</b>	58,448
Total current assets		<b>5,871,219</b>	5,573,197
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>755,111</b>	981,230
Other	14	<b>208,233</b>	208,233
Total non-current assets		<b>963,344</b>	1,189,463
<b>Total assets</b>		<b>6,834,563</b>	6,762,660
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	15	<b>1,247,073</b>	1,157,646
Provisions	16	<b>516,226</b>	531,949
Other	17	<b>1,742,212</b>	1,149,653
Total current liabilities		<b>3,505,511</b>	2,839,248
<b>Non-current liabilities</b>			
Provisions	18	<b>164,264</b>	119,441
Total non-current liabilities		<b>164,264</b>	119,441
<b>Total liabilities</b>		<b>3,669,775</b>	2,958,689
<b>Net assets</b>		<b>3,164,788</b>	3,803,971
<b>EQUITY</b>			
Contributed equity	19	<b>83,979,118</b>	81,878,750
Reserves	20	<b>3,037,500</b>	2,491,744
Accumulated losses	20	<b>(83,851,830)</b>	(80,566,523)
<b>TOTAL EQUITY</b>		<b>3,164,788</b>	3,803,971

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

**CAP-XX Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2011**

		<b>Consolidated</b>			
		<b>Contributed Equity \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total \$</b>
	Notes				
<b>Balance at 1 July 2009</b>		78,906,340	2,244,733	(78,054,190)	3,096,883
<b>Total comprehensive income for the year as reported in the 2010 financial statements</b>		-	26,146	(2,512,333)	(2,486,187)
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity, net of transaction costs	19	2,972,410	-	-	2,972,410
Employee share options - value of employee services	20	-	220,865	-	220,865
		2,972,410	220,865	-	3,193,274
<b>Balance at 30 June 2010</b>		<b>81,878,750</b>	<b>2,491,744</b>	<b>(80,566,523)</b>	<b>3,803,971</b>
<b>Total comprehensive income for the year</b>		-	<b>113,214</b>	<b>(3,285,307)</b>	<b>(3,172,093)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity, net of transaction costs and tax	19	2,100,368	-	-	2,100,368
Employee share options - value of employee services	20	-	432,542	-	432,542
		2,100,368	432,542	-	2,532,910
<b>Balance at 30 June 2011</b>		<b>83,979,118</b>	<b>3,037,500</b>	<b>(83,851,830)</b>	<b>3,164,788</b>

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

**CAP-XX Limited**  
**Cash flow statement**  
**For the year ended 30 June 2011**

		<b>Consolidated</b>	
		2011	2010
<b>Currency: Australian Dollars</b>	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		5,101,183	6,456,817
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(8,293,212)</u>	<u>(9,554,890)</u>
		<b>(3,192,029)</b>	<b>(3,098,073)</b>
Grants received		14,281	148,617
Interest received		<u>110,471</u>	<u>54,610</u>
<b>Net cash (outflow) from operating activities</b>	27	<u><b>(3,067,277)</b></u>	<u><b>(2,894,846)</b></u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(73,580)	(23,835)
Proceeds from sale of property, plant and equipment		-	-
<b>Net cash (outflow) from investing activities</b>		<u><b>(73,580)</b></u>	<u><b>(23,835)</b></u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares (net of costs)	19	<u>2,100,368</u>	2,972,410
<b>Net cash inflow from financing activities</b>		<u><b>2,100,368</b></u>	<u><b>2,972,410</b></u>
<b>Net increase in cash and cash equivalents</b>		<b>(1,040,489)</b>	53,729
Cash and cash equivalents at the beginning of the financial year		<u>4,113,970</u>	4,060,241
<b>Cash and cash equivalents at the end of the financial year</b>	9	<u><b>3,073,481</b></u>	<u><b>4,113,970</b></u>

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



**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011**

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**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011**

**Note 1 Summary of significant accounting policies**

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

All amounts shown are in Australian Dollars unless otherwise stated.

**(a) Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

**Compliance with IFRSs**

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**Historical cost convention**

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

**Critical accounting estimates**

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

**Financial statement presentation**

The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2010. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

**(b) Continuation as a going concern**

During the year ended 30 June 2011, the Group incurred an operating loss before tax and net cash outflows from operating activities as disclosed in the income statement and the cash flow statement, respectively. The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the following factors:

- i. The ability of the Group to raise additional funds from its shareholders, new investors or from other funding sources. The Company has successfully conducted a number of small equity placements over the last three years. The Company is also seeking to further enhance its technology license agreements and is currently in preliminary discussions with several interested parties.
- ii. Continuing the long term relationship between Murata and CAP-XX as CAP-XX begins to realise its potential. In this regard it is anticipated that :-
  - a. Murata will finalise their testing requirements associated with the R&D Agreement and remit the final instalment within the next three months
  - b. Murata product sales of their supercapacitor product, which commenced in January 2011, will continue to grow and become a material contributor to CAP-XX's future revenue.
  - c. Negotiations which are due to commence in relation to the outcome of the recently completed collaborative R&D Agreement are completed in a timely manner to the satisfaction of both parties.
- iii. The R&D Tax concession claim for the year ended June 2011 is lodged and processed successfully.

As a result of these matters, there is material uncertainty with regards to the Group's ability to continue as a going concern for the next 12 months and, therefore whether the Group will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 1 Summary of significant accounting policies (continued)**

The Directors believe that the Group will be successful in achieving favourable outcomes on the above matters 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 2011. Accordingly, 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

**(c) Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CAP-XX Limited ("Company") as at 30 June 2011 and the results of all subsidiaries for the year then ended. CAP-XX Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

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

**(d) Segment reporting**

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

**(e) Foreign currency translation**

**(i) Functional and presentation currency**

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

**(ii) Transactions and balances**

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

**(iii) Group companies**

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

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

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 1 Summary of significant accounting policies (continued)**

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

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

**(f) Revenue recognition**

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

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

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

**(g) Government grants**

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

**(h) Income tax**

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

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

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

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

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

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

***Tax consolidation legislation***

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

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

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 1 Summary of significant accounting policies (continued)**

In addition to its own current and deferred tax amounts, CAP-XX Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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

**(i) Leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables.

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

**(j) Impairment of assets**

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

**(k) Cash and cash equivalents**

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

**(l) Trade receivables**

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

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

**(m) Inventories**

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

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

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 1 Summary of significant accounting policies (continued)**

**(n) Fair value estimation**

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

**(o) Property, plant and equipment**

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

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

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

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

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

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

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

**(p) 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.

**(q) 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.

**(r) 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 payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

**(ii) Long service leave**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 1 Summary of significant accounting policies (continued)**

***(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 29.

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

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

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

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

***(v) Bonus plans***

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

**(s) Contributed equity**

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

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

**(t) Earnings per share**

***(i) Basic earnings per share***

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

***(ii) Diluted earnings per share***

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

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 1 Summary of significant accounting policies (continued)**

**(u) 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 balance sheet.

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

**(v) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's has not adopted these new standards and interpretations and is it is not expected that their adoption will have a material impact on future financial statements.

**(w) Parent entity financial information**

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

**(i) Investments in subsidiaries**

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

**Note 2 Financial risk management**

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

The Group holds the following financial instruments:

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>		
Cash and cash equivalents	<b>3,073,481</b>	4,113,970
Trade and other receivables	<b>1,272,221</b>	368,906
	<b>4,345,702</b>	4,482,876
<b>Financial liabilities</b>		
Trade and other payables	<b>1,247,073</b>	1,157,646
	<b>1,247,073</b>	1,157,646

**(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



**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 2 Financial risk management (continued)**

its raw materials and pays its contract tolling fees in US dollars. Its USA operations are financed out of the net proceeds.

*Sensitivity analysis*

The Group's after tax profit and equity for the year would have been \$79,843 lower/ \$88,828 higher (2010: \$80,812 lower/\$88,893 higher) had the Australian dollar strengthened/weakened by 10% against the US dollar, mainly as a result of foreign exchange gains/losses on the translation of US dollar denominated sales and purchases of goods and services.

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

	2011			2010		
	USD \$	GBP \$	Other \$	USD \$	GBP \$	Other \$
Cash and cash equivalents	287,763	35,452	3,474	566,765	109,144	5,380
Trade receivables	225,913	-	-	370,832	-	-
Trade payables	675,047	7,541		395,452	22,844	

**(b) Credit risk**

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

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash, to ensure debts are paid as and when they fall due. The Group has experienced recurring operating losses and operating cash outflows since inception to 30 June 2011 as the Group is transitioning from development stage. Due to the negative cash flow position the Group has not committed to any credit facilities rather relied upon equity financing through private and public equity investors.

**(d) Interest rate risk**

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

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

As at 30 June 2011, the Group had no borrowings.

**(e) Fair value estimation**

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

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 3 Critical accounting estimates and judgements**

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

**(a) Critical accounting estimates and assumptions**

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

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

***(i) Impairment loss on plant and equipment***

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

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

***(ii) Fair value of share options***

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

**Note 4 Segment information**

**(a) Description of segments**

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

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

**(b) Other segment information**

***(i) Segment revenue***

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

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

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 4 Segment information (continued)**

	<b>Segment revenues from sales to external customers</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Asia Pacific	<b>2,565,272</b>	4,952,007
Europe	<b>647,330</b>	594,363
North America	<b>631,694</b>	343,161
<b>Total revenue from sale of goods and services (note 5)</b>	<b>3,844,296</b>	5,889,531

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is \$26,077 (2010: \$ 29,157) and the total revenue from external customers in other countries is \$3,818,219 (2010: \$5,860,373). Segment revenues are allocated based on the country in which the customer is located.

**(ii) Segment assets**

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

Reportable segment assets are reconciled to total assets as follows:

	<b>Segment assets</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Asia Pacific	<b>6,740,040</b>	6,378,621
Europe	-	76,430
North America	<b>94,525</b>	307,608
<b>Total assets as per balance sheet</b>	<b>6,834,565</b>	6,762,659

The total of non-current assets located in Australia is \$586,346 (2010: \$1,189,463) and the total of non-current assets located in other countries is \$ 376,998 (2010: \$ Nil). The value of the non-current assets located in other countries represents the manufacturing equipment that has been re-located to the Natingate manufacturing facility in Penang, Malaysia during the current financial year.

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>

**Note 5 Revenue**

<b>Sales revenue</b>		
Sale of goods	<b>3,127,197</b>	2,242,879
Sale of services	<b>717,099</b>	3,646,652
	<b>3,844,296</b>	5,889,531
<b>Other revenue</b>		
Interest	<b>110,471</b>	54,610
<b>Total revenue</b>	<b>3,954,767</b>	5,944,141

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Consolidated**  
**2011**                      **2010**  
**\$**                              **\$**

**Note 6 Other income**

Government grants (note 1(g))	<u>14,281</u>	148,617
	<u>14,281</u>	<u>148,617</u>

**Government grants**

A NSW Global Growth grant of \$14,281 (2010: \$148,617) was recognised as other income by the Group during the year ended 30 June 2011. There are no unfulfilled conditions attached to this grant.

The Group did not benefit directly from any other forms of government assistance.

**Consolidated**  
**2011**                      **2010**  
**\$**                              **\$**

**Note 7 Expenses**

Loss before income tax includes the following specific expenses:

*Cost of sale of goods*

Direct materials and labour	<b>2,035,332</b>	2,190,954
Indirect manufacturing expenses	<u>1,202,661</u>	<u>1,376,427</u>
Total cost of sale of goods	<u>3,237,993</u>	<u>3,567,381</u>

*Depreciation*

Plant and equipment	<b>452,909</b>	732,869
Furniture and fittings	<u>3,790</u>	<u>4,192</u>
Total depreciation	<u>456,699</u>	<u>737,061</u>

*Other expenses*

Net foreign exchange losses (net gain in 2010 - see note 6)	<b>279,384</b>	324,470
Net loss on disposal of plant and equipment	-	882
Reversal of impairment on plant and equipment	<b>(157,000)</b>	-
Provision for credit notes / doubtful debts	<b>(12,462)</b>	(6,183)
Provision for make good on premises	<b>40,000</b>	40,000
Provision for returns and rework	<u><b>(32,621)</b></u>	<u>16,001</u>
	<u>117,301</u>	<u>375,170</u>

*Rental expense relating to operating leases*

Minimum lease payments	<b>399,711</b>	388,546
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<i>Employee benefits expense</i>	<b>2,514,322</b>	2,505,653
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<i>Share based payments</i>	<b>432,542</b>	220,865
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**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

	2011	2010
	\$	\$
<b>Note 8 Income tax benefit</b>		
<b>(a) Income tax benefit</b>		
Current tax	675,000	-
Deferred tax	-	-
	<u>675,000</u>	<u>-</u>
<b>(b) Numerical reconciliation of income tax benefit to prima facie tax benefit</b>		
(Loss) before income tax benefit	<u>(3,960,307)</u>	(2,512,333)
Tax at the Australian tax rate of 30%	(1,188,092)	(753,700)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	129,762	66,260
Research & Development additional claims	(585,471)	(650,000)
Sundry items	-	-
	<u>(1,643,801)</u>	(1,337,440)
Adjustments for current tax of prior periods	(293,852)	(838,325)
Benefit arising from temporary differences not recognised	129,164	355,894
Benefit arising from tax losses not recognised	<u>2,483,489</u>	1,819,871
Income tax benefit	<u>675,000</u>	<u>-</u>
<b>(c) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	<u>89,267,429</u>	84,407,216
Potential tax benefit @ 30%	<u>26,780,300</u>	25,322,164
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.		
<b>(d) Unrecognised temporary differences</b>		
Temporary difference for which no deferred tax asset has been recognized	<u>2,506,677</u>	2,076,129
Potential tax benefit @ 30%	<u>752,003</u>	622,839
<b>(e) Tax consolidation legislation</b>		

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

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

<b>Consolidated</b>	
<b>2011</b>	<b>2010</b>
<b>\$</b>	<b>\$</b>

**Note 9 Current assets – Cash and cash equivalents**

Cash at bank and on hand	<b>366,876</b>	669,224
Cash on deposit	<b>2,706,605</b>	3,444,746
	<b>3,073,481</b>	4,113,970

<b>Consolidated</b>	
<b>2011</b>	<b>2010</b>
<b>\$</b>	<b>\$</b>

**Note 10 Current assets – Receivables**

Trade receivables	<b>228,930</b>	333,162
Provision for doubtful receivables	<b>(11,100)</b>	(25,477)
	<b>217,830</b>	307,685

R&D – tax receivable	<b>675,000</b>	-
Other receivables	<b>379,391</b>	61,221
	<b>1,272,221</b>	368,906

**(a) Impaired trade receivables**

There were no impaired trade receivables for the Group in 2011 (2010:Nil).

**(b) Past due but not impaired**

As at 30 June 2011, trade receivables of \$46,166 (2010: \$48,486) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

<b>Consolidated</b>		
<b>2011</b>	<b>2010</b>	
<b>\$</b>	<b>\$</b>	
Up to 3 months	<b>46,166</b>	48,486
3 to 6 months	-	-
	<b>46,166</b>	48,486

**(d) Fair value and credit risk**

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The current receivables are non-interest bearing. Further information relating to amounts due from related parties is set out in note 25. There is some concentration of credit risk with respect to current receivables, as the Group has a limited

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 10 Current assets – Receivables (continued)**

number of customers, internationally dispersed. The total amount outstanding is comprised of 17 customers with the top 4 making up 94% of the total balance.

**(e) Foreign exchange and interest rate risk**

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

<b>Consolidated</b>	
2011	2010
\$	\$

**Note 11 Current assets – Inventories**

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

<b>Consolidated</b>	
2011	2010
\$	\$
764,534	715,327
<b>701,723</b>	<b>316,546</b>
<b>1,466,257</b>	<b>1,031,873</b>

<b>Consolidated</b>	
2011	2010
\$	\$

**Note 12 Current assets – Other**

Prepayments  
Other

51,896	45,617
<b>7,364</b>	<b>12,831</b>
<b>59,260</b>	<b>58,448</b>

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Consolidated**  
**2011**                      **2010**  
**\$**                              **\$**

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

Plant and equipment at cost	<b>16,176,264</b>	15,945,684
Accumulated depreciation	<b>(15,438,162)</b>	(14,985,253)
Net book amount	<u><b>738,102</b></u>	<u>960,431</u>
Furniture and fittings at cost	<b>66,779</b>	66,779
Accumulated depreciation	<b>(49,770)</b>	(45,980)
Net book amount	<u><b>17,009</b></u>	<u>20,799</u>
Leasehold improvements at cost	<b>436,877</b>	436,877
Accumulated depreciation	<b>(436,877)</b>	(436,877)
Net book amount	<u><b>-</b></u>	<u>-</u>
Total property, plant and equipment	<b>16,679,920</b>	16,449,340
Total accumulated depreciation	<b>(15,924,809)</b>	(15,468,110)
Total net book amount	<u><b>755,111</b></u>	<u>981,230</u>

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

<b>Movement in classes of assets: Consolidated</b>	<b>Plant and equipment \$</b>	<b>Furniture and fittings \$</b>	<b>Total \$</b>
<b>Year ended 2010</b>			
Opening net book amount	1,670,347	24,991	1,695,338
Additions	23,835	-	23,835
Disposals	(882)	-	(882)
Cost recovery on fixed assets	-	-	-
Depreciation	(732,869)	(4,192)	(737,061)
Closing net book amount	<u>960,431</u>	<u>20,799</u>	<u>981,230</u>

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

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



**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

<b>Consolidated</b>	
2011	2010
\$	\$

**Note 14 Non-current assets – Other**

Rental bond	<u>208,233</u>	208,233
-------------	----------------	---------

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

<b>Consolidated</b>	
2011	2010
\$	\$

**Note 15 Current liabilities – Payables**

Trade payables	1,097,092	920,786
Other payables and accrued expenses	<u>149,981</u>	<u>236,860</u>
	<u>1,247,073</u>	1,157,646

<b>Consolidated</b>	
2011	2010
\$	\$

**Note 16 Current liabilities – Provisions**

Employee benefits	320,226	342,692
Product returns and warranties	36,000	69,257
Make good provision	<u>160,000</u>	<u>120,000</u>
	<u>516,226</u>	531,949

**(a) Make good provision**

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

**(b) Risk exposure**

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

**(c) Product returns and warranties**

**CAP-XX Limited**  
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**Note 16 Current liabilities - Provisions (continued)**

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

**(d) Movements in provisions**

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

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Carrying amount at start of year	<b>69,258</b>	53,257
Charged/(credited) to profit or loss - provision adjustment	<b>(33,258)</b>	16,001
Carrying amount at end of year	<b>36,000</b>	69,258

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

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

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Carrying amount at start of year	<b>120,000</b>	80,000
Charged to profit or loss - additional provisions recognised	<b>40,000</b>	40,000
Carrying amount at end of year	<b>160,000</b>	120,000

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>

**Note 17 Current liabilities – Other liabilities**

Advance payment on sale of plant and equipment	1,742,212	1,149,653
	<b>1,742,212</b>	<b>1,149,653</b>

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

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	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Note 18 Non-current liabilities – Provisions</b>		
Employee benefits	<u>164,264</u>	<u>119,441</u>

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>Shares</b>	<b>Shares</b>
<b>Note 19 Contributed equity</b>		
<b>(a) Share capital</b>		
Fully paid ordinary shares (no par value)	<u>77,032,097</u>	<u>67,959,284</u>

**(b) Movement in ordinary share capital:**

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>Issue price</b>	<b>\$</b>
1 July 2009	Opening balance	62,052,791		78,906,340
25 March 2010	Allotment of shares	5,906,493	\$0.54	3,197,937
25 March 2010	Share issuance costs			(225,527)
30 June 2010	Balance	<u>67,959,284</u>		<u>81,878,750</u>
1 July 2010	Opening balance	67,959,284		81,878,750
6 June 2011	Allotment of shares	9,072,813	\$0.24	2,215,246
6 June 2011	Share issuance costs			(114,878)
30 June 2011	Balance	<u>77,032,097</u>		<u>83,979,118</u>

**(c) Ordinary shares**

At 30 June 2011, there were 77,032,097 (2010: 67,959,284) issued ordinary shares which were fully paid, with no par value. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

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

**(d) Options**

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

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

<b>Consolidated</b>	
2011	2010
\$	\$

**Note 20 Reserves and accumulated losses**

**(a) Reserves**

Foreign currency translation reserve note 20(c)(i)	<b>24,098</b>	(89,116)
Share-based payments reserve note 20(c) (ii)	<b>3,013,402</b>	2,580,860
	<u><b>3,037,500</b></u>	<u>2,491,744</u>

**Movements:**

*Foreign currency translation reserve*

Balance 1 July	<b>(89,116)</b>	(115,262)
Currency translation differences arising during the year	<b>113,214</b>	(69,281)
Balance 30 June	<u><b>24,098</b></u>	<u>(89,116)</u>

*Share-based payments reserve*

Balance 1 July	<b>2,580,860</b>	2,359,995
Option expense	<b>432,542</b>	220,865
Balance 30 June	<u><b>3,013,402</b></u>	<u>2,580,860</u>

**(b) Accumulated losses**

Movements in accumulated losses were as follows:

Balance 1 July	<b>(80,566,523)</b>	(78,054,190)
Net loss for the year	<b>(3,285,307)</b>	(2,512,332)
Balance 30 June	<u><b>(83,851,830)</b></u>	<u>(80,566,523)</u>

**(c) Nature and purpose of reserves**

**(i) Foreign currency translation reserve**

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

**(ii) Share-based payments reserve**

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

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 21 Key management personnel disclosures**

**(a) Directors**

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

*Executive director*

Anthony Kongats (Managing Director)

*Non-executive directors*

Michael Quinn (Chairman)  
 John Murray (Resigned February 2011)  
 Brett Sandercock  
 Graham Titcombe (Resigned January 2011)

**(b) Key management personnel compensation**

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

Jean Pierre Mars, VP Applications Engineering  
 Michael Taylor, Chief Financial Officer/Chief Operating Officer  
 Robert Schuster, VP Operations (Resigned December 2010)  
 Peter Buckle, VP Sales & Marketing Asia (Resigned August 2010)  
 Ritchie Bloomfield, VP Sales & Marketing  
 Phil Aitchison, VP Research

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Short-term benefits	<b>1,290,452</b>	1,349,232
Post-employment benefits	<b>106,786</b>	107,300
Share-based payments	<b>187,781</b>	258,667
Total	<b>1,585,019</b>	1,715,199

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

There were no other transactions with key management personnel.

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 22 Remuneration of auditors**

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

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>(a) PricewaterhouseCoopers Australia</b>		
<i>Audit services</i>		
Audit and review of financial statements	<b>104,250</b>	102,500
Additional services re audit of 2010 financial report	-	3,408
<b>Total remuneration for audit services</b>	<b>104,250</b>	<b>105,908</b>
 <i>Taxation services</i>		
Tax compliance services, including review of company income tax returns , employee share scheme and R&D Tax concession	<b>34,000</b>	38,000
<b>Total remuneration of PricewaterhouseCoopers Australia</b>	<b>34,000</b>	<b>38,000</b>
 <b>(b) Related practices of PricewaterhouseCoopers Australia</b>		
<i>Taxation services</i>		
Tax compliance services, including review of company income tax returns	<b>12,500</b>	24,639
<b>Total remuneration for related practices of PricewaterhouseCoopers Australia</b>	<b>12,500</b>	<b>24,639</b>

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

**Note 23 Commitments**

**(a) Lease commitments: Group / company as lessee**

The Group leases factory space with an office and warehouse under a non-cancellable operating lease which to expired on 30 June 2011. A new two year lease has been negotiated with the lessor which becomes effective on the 1<sup>st</sup> July 2011.

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

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Commitments for minimum lease payments in relation to operating leases are payable as follows:		
Within one year	<b>355,700</b>	390,960
Later than one year but not later than 5 years	<b>372,839</b>	12,905
Later than 5 years	-	-
	<b>728,539</b>	<b>403,865</b>

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 24 Related party transactions**

**(a) Parent entity**

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

**(b) Subsidiaries**

Interests in subsidiaries are set out in note 25.

**(c) Key management personnel**

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

**Note 25 Subsidiaries**

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

Name of entity	Country of incorporation	Class of shares	Equity holding *	
			30 June 2011 %	30 June 2010 %
CAP-XX (Australia) Pty Ltd	Australia	Ordinary	100	100
CAP-XX Research Pty Ltd	Australia	Ordinary	100	100
CAP-XX USA, Inc	United States	Ordinary	100	100

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

**Note 26 Events occurring after the balance sheet date**

No matter or circumstances have arisen since 30 June 2011 that has significantly affected or may significantly affect the following :-

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

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

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

	<b>Consolidated</b>	
	2011	2010
	\$	\$
Net loss	<b>(3,285,307)</b>	(2,512,333)
Depreciation and amortisation	<b>(124,038)</b>	737,061
Non-cash employee benefit expense – share based payments	<b>432,542</b>	220,865
Reversal of impairment	<b>(157,000)</b>	-
Disposal of fixed assets	-	882
Net unrealised exchange (loss)/gain	<b>113,216</b>	26,146
<b><i>Changes in assets and liabilities:</i></b>		
(Increase) in receivables	<b>(903,316)</b>	(75,688)
(Increase)/Decrease in inventories	<b>(434,384)</b>	423,842
(Increase) decrease in other assets	<b>(814)</b>	(22,253)
Increase /(Decrease) in payables	<b>1,262,724</b>	(1,776,594)
Increase in provisions	<b>29,100</b>	83,226
Net cash (outflow) from operating activities	<b><u>(3,067,277)</u></b>	<b><u>(2,894,846)</u></b>



**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 28 Share-based payments**

**(a) CAP-XX Limited Share Option Exchange**

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

Set out below are summaries of options granted under the CAP-XX Limited Exchange:

Grant Date	Expiry date	Exercise price A\$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited & expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
<b>Consolidated – 2011</b>								
28 August 2001	10 October 2010	\$8.88	-	-	-	-	-	-
1 November 2002	30 September 2012	\$15.64	29,502	-	-	(3,501)	26,001	26,001
1 April 2004	30 September 2012	\$4.19	-	-	-	-	-	-
1 April 2004	30 September 2012	\$15.64	12,003	-	-	-	12,003	12,003
30 June 2004	31 May 2014	\$0.47	30,000	-	-	-	30,000	30,000
1 July 2005	31 May 2015	\$0.47	528,451	-	-	(6,000)	522,451	522,451
1 July 2005	31 May 2015	\$15.64	8,004	-	-	-	8,004	8,004
			607,960	-	-	(9,501)	598,459	598,459
<b>Weighted Average Exercise Price</b>			<b>\$1.71</b>	-	-	<b>\$6.06</b>	<b>\$1.64</b>	<b>\$1.64</b>

Grant Date	Expiry date	Exercise price A\$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited & expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
<b>Consolidated – 2010</b>								
28 August 2001	10 October 2010	\$8.88	510	-	-	(510)	-	-
1 November 2002	30 September 2012	\$15.64	40,002	-	-	(10,500)	29,502	29,502
1 April 2004	30 September 2012	\$4.19	4,500	-	-	(4,500)	-	-
1 April 2004	30 September 2012	\$15.64	12,003	-	-	-	12,003	12,003
30 June 2004	31 May 2014	\$0.47	30,000	-	-	-	30,000	30,000
1 July 2005	31 May 2015	\$0.47	645,919	-	-	(117,468)	528,451	528,451
1 July 2005	31 May 2015	\$15.64	8,004	-	-	-	8,004	8,004
			740,938	-	-	(132,978)	607,960	607,960
<b>Weighted Average Exercise Price</b>			<b>\$1.73</b>	-	-	<b>\$1.83</b>	<b>\$1.71</b>	<b>\$1.71</b>

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

9,501 share options were forfeited during the year ended 30 June 2011 (2010: 132,978).

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 28 Share-based payments (continued)**

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.7 years (2010: 4.7 years).

**(b) CAP-XX Limited Employee Share Option Plan**

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

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

Grant Date	Expiry date	Exercise price A\$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited & expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
<b>Consolidated – 2011</b>								
19 September 2006	19 September 2016	\$2.38	875,000	-	-	(250,000)	625,000	625,000
08 May 2007	08 May 2017	\$2.58	20,000	-	-	-	20,000	20,000
25 February 2008	25 February 2018	\$0.71	160,000	-	-	-	160,000	133,918
21 April 2008	21 April 2018	\$0.43	30,000	-	-	-	30,000	30,000
19 December 2008	19 December 2014	£0.25	1,205,000	-	-	(250,000)	955,000	604,397
12 January 2009	12 January 2015	£0.25	40,000	-	-	-	40,000	40,000
01 March 2009	01 March 2015	£0.20	50,000	-	-	(40,000)	10,000	10,000
21 April 2009	21 April 2019	£0.167	30,000	-	-	-	30,000	30,000
06 April 2010	06 April 2016	£0.56	2,450,000	-	-	(225,000)	2,225,000	687,312
21 April 2010	21 April 2020	£0.33	30,000	-	-	-	30,000	30,000
21 April 2011	21 April 2021	£0.19	-	20,000	-	-	20,000	20,000
			<b>4,950,000</b>	<b>20,000</b>	<b>-</b>	<b>(765,000)</b>	<b>4,205,000</b>	<b>2,230,627</b>
<b>Weighted Average Exercise Price</b>			<b>\$1.08</b>	<b>\$0.29</b>	<b>-</b>	<b>\$1.76</b>	<b>\$1.05</b>	<b>\$1.19</b>

**CAP-XX Limited**  
**Notes to the financial statements**  
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**Note 28 Share-based payments (continued)**

Grant Date	Expiry date	Exercise price A\$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited & expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
<b>Consolidated – 2010</b>								
20 April 2006	22 February 2011	\$1.40	60,000	-	-	-	60,000	60,000
19 September 2006	19 September 2016	\$2.38	1,145,000	-	-	(270,000)	875,000	827,654
15 November 2006	15 November 2016	\$1.73	75,000	-	-	(75,000)	-	-
08 May 2007	08 May 2017	\$2.58	20,000	-	-	-	20,000	20,000
04 June 2007	04 June 2017	£1.09	150,000	-	-	(150,000)	-	-
25 February 2008	25 February 2018	\$0.71	160,000	-	-	-	160,000	93,918
21 April 2008	21 April 2018	\$0.43	30,000	-	-	-	30,000	30,000
19 December 2008	19 December 2014	£0.25	1,910,000	-	-	(705,000)	1,205,000	461,051
12 January 2009	12 January 2015	£0.25	40,000	-	-	-	40,000	14,658
01 March 2010	01 March 2015	£0.20	50,000	-	-	-	50,000	50,000
21 April 2009	21 April 2019	£0.167	30,000	-	-	-	30,000	30,000
06 April 2010	06 April 2016	£0.56	-	2,450,000	-	-	2,450,000	-
21 April 2010	21 April 2020	£0.33	-	30,000	-	-	30,000	30,000
			<b>3,670,000</b>	<b>2,480,000</b>	<b>-</b>	<b>(1,200,000)</b>	<b>4,890,000</b>	<b>1,557,281</b>
<b>Weighted Average Exercise Price</b>			<b>\$1.18</b>	<b>\$0.98</b>	<b>-</b>	<b>\$2.25</b>	<b>\$1.08</b>	<b>\$1.51</b>

The Stock Options are governed by their original terms and conditions and will continue to vest pursuant to the same vesting schedule. 765,000 share options were forfeited during the year ended 30 June 2011 (2010: 1,200,000). No share options expired during the years covered by the above tables. The weighted average remaining contractual life of share options outstanding at the end of the period was 4.2 years (2010: 5.6 years).

**Fair value of options granted**

The assessed fair value at grant date of options granted, during the year ended 30 June 2011, under the CAP-XX Limited Plan was A\$0.31 on 21 April 2011 per option, respectively. The assessed fair value at grant date of options granted, during the year ended 30 June 2010, under the CAP-XX Limited Plan were A\$0.92 on 6 April 2010 per option and A\$0.55 on 21 April 2010, respectively. The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted included:

- (a) options are granted for nil consideration, have a:
  - o 6-10 year life and 25% vest 12 months after the Vesting Commencement Date, and 1/48 of Total Option shall vest on each monthly anniversary of the Vesting Commencement Date thereafter;
  - o specific vesting criteria in some minor instances.
- (b) exercise price: refer tables above
- (c) grant date: refer tables above
- (d) expiry date: refer tables above
- (e) share price at grant date
- (f) expected price volatility of the Company's shares: 50% (2010: 40%)

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 28 Share-based payments (continued)**

- (g) no expected dividend yield  
(h) risk-free interest rate: 3.56% (2010: 1.54%)

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

**(c) Expenses arising from share-based payment transactions**

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

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Options issued under CAP-XX Limited Employee Share Option Plan	<b>432,542</b>	220,866
	<b>432,542</b>	220,866

**Note 29 Economic dependency**

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

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

**Note 30 Earnings per share**

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

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>Cents</b>	<b>Cents</b>
<b>(a) Basic earnings per share</b>		
Loss attributable to the ordinary equity holders of the Company	<b>(4.8)</b>	(4.0)
<b>(b) Diluted earnings per share</b>		
Loss attributable to the ordinary equity holders of the Company	<b>(4.8)</b>	(4.0)
	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>Number</b>	<b>Number</b>
<b>(c) Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>68,704,995</b>	63,638,644
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<b>68,704,995</b>	63,638,644

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

**CAP-XX Limited**  
**Notes to the financial statements**  
**30 June 2011 (continued)**

**Note 31 Parent Entity**

**(a) Summary financial information**

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

	2011	2010
	\$	\$
<b>Balance sheet</b>		
Current assets	3,414,982	3,544,046
<b>Total assets</b>	<b>3,414,982</b>	<b>3,545,087</b>
Current liabilities	188,397	237,247
<b>Total liabilities</b>	<b>188,397</b>	<b>237,247</b>
Net Assets	<b>3,226,585</b>	3,307,840
<i>Shareholders' equity</i>		
Issued capital	83,979,118	81,878,750
Reserves		
Share-based payments	3,013,402	2,359,995
Retained earnings (i)	<b>(83,765,935)</b>	(80,667,287)
<b>Loss for the year</b>	<b>(3,098,648)</b>	(3,407,831)
<b>Total comprehensive income</b>	<b>(3,098,648)</b>	(3,407,831)
<b>(i) Reconciliation to prior year retained earnings</b>		
Balance at beginning of period 1/07/2010	(80,667,287)	
Net loss for the year	(3,096,648)	
Balance at end of period 30/06/2011	<b>(83,765,935)</b>	

**Directors' declaration**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 19 to 54 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's and Group's financial position as at 30 June 2011 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

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



Michael Quinn  
Director

Sydney  
14 October 2011



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

### ***Report on the financial report***

We have audited the accompanying financial report of CAP-XX Limited (the company), which comprises the balance sheet as at 30 June 2011, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Cap-XX Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year end or from time to time during the financial year.

### ***Directors' responsibility for the financial report***

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

### ***Auditor's responsibility***

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

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

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

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

**PricewaterhouseCoopers, ABN 52 780 433 757**

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**Independent auditor's report to the members of  
CAP-XX Limited (continued)**

*Independence*

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

*Auditor's opinion*

In our opinion:

- (a) the financial report of CAP-XX Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

**Emphasis of matter**

*Significant Uncertainty Regarding Continuation as a Going Concern*

Without qualification of our opinion, we draw attention to Note 1 in the financial report which indicates that the Company incurred an operating loss and net cash outflows during the year ended 30 June 2011. This condition, along with other matters as set forth in Note 1, indicates the existence of a significant uncertainty whether the Company will continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business and at the amount stated in the financial report.

PricewaterhouseCoopers

RL Wilkie  
Partner

Sydney  
14 October 2011

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