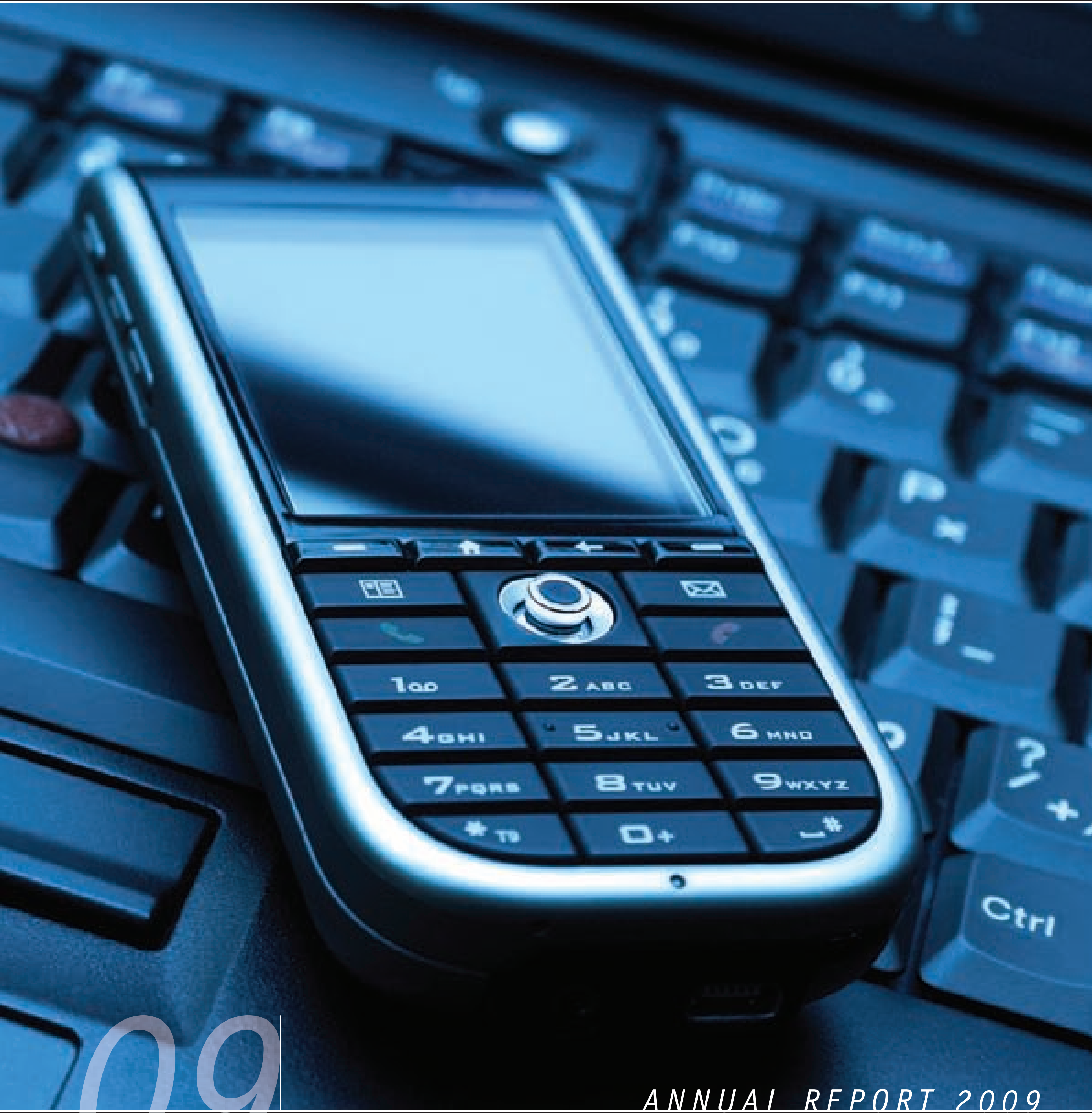
CAP-XX



09

ANNUAL REPORT 2009

CAP-XX

CAP-XX recently announced it had obtained Nationgate as a second contract manufacturer. In addition to CAP-XX's ongoing relationship with Polar Twin Advance this will provide the Company with the capacity required to meet the expected future demand.

Polar Twin Advance and Nationgate operate modern manufacturing facilities in Penang, Malaysia.

CAP-XX

CAP-XX Limited is a world leader in the design and manufacture of revolutionary thin-form capacitors for use in small portable electronic devices.

Supercapacitors can considerably extend battery run-times and provide power-hungry applications that are not possible with current battery technology.

Contents ... Page

CHAIRMAN'S STATEMENT

The financial year ending 30 June 2009 was a period of satisfying progress as CAP-XX focussed on the major strategic issues which will lead the Company toward profitability. The Company reduced its loss from $11.6m in 2008 to $3.1m in 2009.

The Company made material strides in production capacity, new business opportunities, balance sheet strength and development of the relationship with Murata Manufacturing Company. As the new financial year commences, the Company is well placed and looking forward to the challenges that lie ahead.

The relationship with Murata has continued to grow. Murata has advised that it is on schedule to produce the first products from its new supercapacitor manufacturing line by the end of this calendar year. As highlighted when the Murata agreement was made public, Murata has assumed the lead in the sales and market development for the mobile phone segment and remains on track to commence volume production for shipment to handset customers within 6 months. During the last twelve months, Murata and CAP-XX entered a Research & Development Feasibility Agreement to investigate the production of the next generation supercapacitor which can be 'surface mounted'. Following the successful outcome of the Feasibility Agreement an extensive collaborative Research & Development Agreement is expected to be signed in the near term.

CAP-XX recently announced the signing of a new contract manufacturing agreement with Nationgate Technology which is located in Penang, Malaysia. Nationgate will acquire the necessary plant and machinery from CAP-XX's Lane Cove facility and commence the assembly of supercapacitors early in calendar year 2010. Transition plans are well underway: the first items of equipment were shipped in September 2009. Initial payments have already been received from Nationgate. Polar Twin Advance, our established contract manufacturer, will continue in their current capacity as an assembler of supercapacitors for CAP-XX. These two contract manufacturers will give CAP-XX the capacity required to meet the expected market demand from areas outside the scope of the Murata agreement.

To explore and harness new markets and advance the product development of the surface mount supercapacitor, CAP-XX initiated a limited secondary capital raising in early June 2009. The capital raising was oversubscribed: 12.9m shares were issued at a £0.125 share price. The majority of the shares issued were acquired by institutional investors which now account for 70% of the total shareholding. The cash proceeds are reflected in the June 2009 financial statements.

Our customers were negatively impacted by the financial crisis and suffered reduced sales and delayed launching new products. This directly affected our sales and growth. Unit sales in the second half of the financial year were very soft as our larger customers that manufacture handheld devices and industrial PDA's, especially in the USA, had large stocks of inventory and greatly curtailed demand. I am pleased to report that sales orders are now showing the first signs of recovery with improvements evident in the retail and distribution markets. Despite the significant decline in product shipments in 2009, revenues of AUD$7.8 million for the 12 months to 30 June 2009 were significantly higher than in 2008 (2008:$5.1m) due to the Murata payments for both Technical Transfer and the Research & Development Feasibility Study. On a positive note, our average selling price increased from US$2.86 to US$2.95 per unit.

Product development remains a key strategic focus for CAP-XX. Our scientific staff has been strengthened to ensure that improved products will be available to meet new business opportunities.

With early signs of the market improving, CAP-XX enters the new financial year with a strengthening order book. This is due to CAP-XX's key customers beginning to rebuild inventory reserves to historical levels. This, together with new design wins which are expected to enter volume production quantities in the first half of the current year, gives the Board some confidence that business conditions and sales will continue to strengthen during the year.

Michael Quinn

Chairman

25 September 2009

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. 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 potential applications include mobile phone and solid state disk (SSD) power management, mobile phone accessories, digital still cameras, MP3 players, portable drug delivery systems, wireless sensors, uninterrupted power supplies, plant condition monitors, toll tags and location tracking devices. Longer term, as the market for fuel cell systems develops, supercapacitors can be used to support modulated output for fuel cell systems.

In 2008-2009, 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), AMR (automatic meter reading) devices and location tracking products. CAP-XX is increasingly focussed on the larger opportunities represented by SSD, AMR and energy harvesting markets whilst still ably supporting Murata in its discussions with the mobile phone manufacturers.

CAP-XX is incorporated in Australia and has its headquarters and research and development and manufacturing facilities in Sydney, Australia where 21 staff are employed. These facilities have ISO 9000 status. A similar but larger manufacturing facility is operated in Malaysia by Polar Twin Advance Sdn Bhd under a manufacturing agreement with CAP-XX. In early 2010, a second Malaysia-based contract manufacturer, Nationgate Technology, will commence production of CAP-XX supercapacitors. This agreement was signed in August 2009.

Historical milestones

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

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

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 has been replicated successfully in Malaysia and PTA has consistently improved its operational efficiencies and production volume.

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.

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

On 20 April 2006, CAP-XX Limited was listed on the AIM market of the London Stock Exchange in conjunction with a placement of 18,433,333 shares at 93 pence per share, which raised gross proceeds of AUD$41million (£17.1 million) and increased the total shareholding to 48,565,893 shares and market capitalisation (at 93p per share) to about AUD$108 million (£45.2 million). Shareholding had rose to 49,112,791 by 30 June 2008 as various Employee Shareholder Option Plan participants exercised their options. On 25th June, 2009 a secondary capital raising was completed with 12,940,000 shares being placed at 12.5 pence per share. Shareholding as at June 2009 stands at 62,052,791 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 electronic components and is an existing supplier to all of the top mobile handset market companies. Initially CAP-XX and Murata will work together to scale supercapacitor production to meet the anticipated demand of the global handset market. Both organisations anticipate that volume mass production and sales from this partnership will commence in the second half of 2009. In October 2008, the companies signed a Re-Sale Agreement which provides CAP-XX with a proportion of the Murata manufactured product. This product will be sold to CAP-XX's existing and new customers under the CAP-XX name. 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 successfull demonstration of a working surface mountable supercapacitor in H1 2009. It is anticipated that the companies will enter a definitive R&D Agreement. This Agreement is currently being negotiated. It is expected to be signed in the near term.

On 30 July 2009, CAP-XX signed a contract manufacturing agreement with Nationgate Technologies of Penang, Malaysia. Under the terms of the agreement, Nationgate will acquire, and transfer to Penang, the supercapacitor assembly manufacturing plant from CAP-XX's Lane Cove facility for a consideration of US$2M. US$300K has already been received by CAP-XX and a further US$700K will be paid in 2 instalments over the next 6 months. The second US$1M is to be paid over the subsequent 12-18 months depending on production volumes. Following the recommissioning of the plant at its Penang facility, Nationgate will supply supercapacitors to CAP-XX. It is anticipated Nationgate will start partial production in Q4 calendar year 2009 and full production in Q1 calendar year 2010. Polar Twin Advance in Penang will continue as a contract manufacturer for CAP-XX.

Review of operations and activities

More than 6 million units have been sold since 2003. In the past 12 months CAP-XX has established a new revenue stream with the commencement of license fees and other related payments from Murata. These will increase as the anticipated royalty stream from Murata commences in the current financial year. Revenue for the 12 months to 30 June 2009, increased by AUD$2.7 million to AUD$7.8 million compared to AUD$5.1 million in 2008. Unit sales of 0.6 million were down from the previous year due to worldwide drop in business confidence with the global electronics market being one of key markets hit the hardest. As highlighted earlier, the total revenue for 2008/09 includes contributions from Murata for Technology Transfer payments and the R&D Feasibility Study. The operating result for the twelve months to 30 June 2009, was a loss of AUD$3.1 million (2008: loss of AUD$11.6 million). The major variances were an overall reduction in headcount and operational expenses; the Murata contributions described above; and one-off expenses incurred last year relating to an increase in the inventory obsolescence provision and the write-down of plant and machinery.

Business environment

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

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.

Opportunities

An opportunity in the solid state disks (SSD) market was identified last year. As a result of lower prices, higher capacities, improved reliability and faster performance SSD's are rapidly replacing hard disks. The SSD market to date has been limited to the enterprise market segment, due largely to high cost. Penetration will grow from a virtual zero base in many consumer segments to substantial quantities by 2009/10. We estimate this will drive SSD growth rates many times more than those of the underlying markets. To ensure system performance is not compromised, SSDs will require an uninterrupted power supply (UPS) to assist with the write speed required by large volumes of metadata that are produced. The attractions of the CAP-XX supercapacitor to the SSD manufacturers are energy storage capability, delivered power and physical dimensions (small size and weight). CAP-XX has already achieved a number of design wins and trials of the supercapacitor product are well underway with several vendors. Volumes have been impacted by the economic conditions, but it is expected that the design wins will move into large scale production within the current financial year.

Other potential applications include digital still cameras, MP3 players, portable drug delivery systems, wireless sensors, uninterrupted power supplies, energy harvesting, hybrid automobiles, toll tags and location tracking devices.

BUSINESS REVIEW *continued*

Additional benefits of the Murata manufacturing agreement are that it will enable the CAP-XX supercapacitor to be validated as a mainstream consumer electronics technology and it will increase exposure to markets and customers that were previously not targeted due to limited resources. Being associated with Murata will help gain recognition for and acceptance of the capabilities of the CAP-XX supercapacitor products to support hi-power functions, and reduce 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 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 mobile phone and portable consumer electronics. We are strengthening are relationships with the oganisations and we have regular engineering meetings together with their integrated circuit boad providers. We are unable to comment on specific progress with individual companies but can state that we are pleased with overall progress and are confident the first mobile handset utilising CAP-XX technology will appear in the market in the current financial year.

Most sales to date have been achieved by direct sales. The Company plans to maintain direct sales contacts with key customers. To gain broader market coverage, the Company has entered into distribution agreements with a number of well-qualified distributors covering Asia (inclusive of Japan, Korea and China), US and Europe. Sales growth from this distributor network is encouraging and distributors' experience in selling our product is steadily improving.

Research and development

CAP-XX has a research facility at its headquarters in Lane Cove, Australia where a research and development team comprised of 10 scientists and engineers, ably assisted by 5 other scientists and engineers, is continuing development work to maintain CAP-XX's lead position in the engineering of electrode, separator and electrolyte material in supercapacitor devices. We have a close association with leading personnel across various research institutions. Our Scientific Advisory Board provides clear direction on the commercially relevant technologies our R&D programme should address.

The market in which the Company operates is competitive and characterised by rapid technological change. The Company believes it currently 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.

BUSINESS REVIEW *continued*

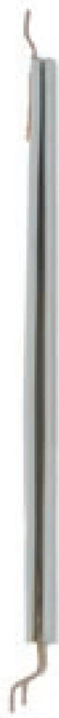
The Company's success depends on its ability to protect and prevent any infringements of its intellectual property. To protect its intellectual property CAP-XX has extensive patents covering the design, manufacture and use of its high performance supercapacitors. The CAP-XX patent portfolio currently consists of 20 patent families, 12 granted US patents, 4 US patent applications, and corresponding international patents and applications. A further 4 patent applications have yet to enter national phase. 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 reliable large scale contract manufacturers needed to be identified in order to pursue the mobile phone market and other opportunities. With the recent addition of Murata and Nationgate, CAP-XX's long term manufacturing strategy is now in place. Access to capacity for both the short and longer term is now available to meet the expected increase in demand for CAP-XX supercapacitors. 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 is on schedule to produce the first products from their new supercapacitor manufacturing line by the end of this calendar year. Nationgate is also well known in South East Asia as a contract manufacturer of choice and has been operating successfully for more than 10 years. Nationgate has an impressive list of customers such as Motorola, Sony Celestica and Swatch.

Murata, via its already well established supply chain interactions with the mobile handset manufacturers, 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 that a leading mobile phone will be produced with a CAP-XX supercapacitor within the next financial year.

CAP-XX continues to pursue other business opportunities in addition to mobile handset manufacturers and good progress has been made, especially in the SSD, energy harvesting and location tracking markets. Currently, sales volumes are modest. The company is confident in the recovery of the electronics manufacturing market and rapid growth in the newly identified CAP-XX markets. This confidence is supported by numerous design wins in the SSD space and increases in short-term order activity. The major short-term focus for CAP-XX will be ensuring successful commissioning of the Murata production line; assisting where necessary with discussions with mobile phone manufacturers; and ensuring the new business opportunities identified above are pursued aggressively.



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 2009.

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	
Graham Titcombe	
Brett Sandercock	

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 2009.

Review of operations

The Group experienced net losses of $3,114,032 during the year ended 30 June 2009 (2008: loss of $11,580,105). Information on the operations and financial position of the Group and its business strategies and prospects is set out on pages 3 to 6 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 2009.

Matters subsequent to the end of the financial year

On 30 July 2009, CAP-XX signed a contract manufacturing agreement with Nationgate Technologies of Penang, Malaysia. Under the terms of the agreement, Nationgate will acquire, and transfer to Penang, the supercapacitor assembly manufacturing plant from CAP-XX's Lane Cove facility for a consideration of US$2M. US$300K has already been received by CAP-XX and a further US$700K will be paid in 2 instalments over the next 6 months. The second US$1M is to be paid over the subsequent 12-18 months depending on production volumes. Following the recommissioning of the plant at its Penang facility, Nationgate will supply supercapacitors to CAP-XX. It is anticipated Nationgate will start partial production in Q4 calendar year 2009 and full production in Q1 calendar year 2010. Polar Twin Advance in Penang will continue as a contract manufacturer for CAP-XX.

No other matter or circumstance has arisen, since 30 June 2009, 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 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 62.

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 previously was a co-founder of Memtec Ltd, 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 the NYSE, and he 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 which 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

2,333,866 ordinary shares in CAP-XX Limited (including shares held by Innovation Capital Limited, Innovation Capital LLC and Kaylara Pty Limited).

135,498 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 51.

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) 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).

411,828 options over ordinary shares in CAP-XX Limited.

John Murray

Non-executive director. Age 50.

Experience and qualifications

John became a director on 18 September 2000. He has 15 years' experience in providing venture capital to technology companies in the Asia Pacific region with Bank of America, Australian Technology Group and Technology Venture Partners Pty Limited. John is a co-founder of Technology Venture Partners Pty Limited, one of the leading VC firms in Australia. He has been chairman of the Australian Venture Capital Association; a member of the Austrade ICT Export Advisory Panel; and a member of the 2002 Cooperative Research Centre Expert Review Panel. John has been involved personally in financing and assisting the development of a number of Australian companies which have successfully commercialised technology. He has a law degree (honours) from the University of Edinburgh and is a member of the Institute of Chartered Accountants of Scotland.

Specific Board responsibilities

Member of Audit Committee.
Member of Remuneration Committee.

Interests in shares and options

4,535,238 ordinary shares in CAP-XX Limited (including shares held by TVP No 2 Fund Nominees Pty Limited and TVP No 3 Fund Nominees Pty Limited).

33,501 options over ordinary shares in CAP-XX Limited (including options held by Technology Venture Partners Pty Limited).

DIRECTORS' REPORT *continued*

Graham Titcombe

Non-executive director. Age 67.

Experience and qualifications

Graham worked for Johnson Matthey plc for 42 years retiring in 2002 as Group Managing Director. He was a member of the Johnson Matthey board for 12 years and was responsible at various times for the Johnson Matthey Group's precious metals, catalysts and ceramics divisions. He was also the Johnson Matthey board member responsible for technology. Graham's other directorships have included Ballard Power Systems, The World Fuel Cell Council, Wagon plc, Infast Group plc and PolyFuel Inc. He was chairman of Infast before stepping down in July 2005. He is currently deputy chairman of Talvivaara Limited which listed on the London Stock Exchange in June 2007.

Specific Board responsibilities

Chairman of Remuneration Committee.
Senior independent director.

Interests in shares and options

120,000 ordinary shares.

Brett Sandercock

Non-executive director. Age 42.

Experience and qualifications

Brett joined ResMed in 1998 and has held various senior finance positions in the Company. He is currently Chief Financial Officer which encompasses overall responsibility for group financial reporting, SOX 404 compliance, group treasury and foreign exchange hedging strategies.

Brett commenced work at Price Waterhouse in 1989 and was appointed Audit Manager in 1994. He specialised 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.

Brett has a Bachelor of Economics degree from Macquarie University and he is an Australian Chartered Accountant.

Specific Board responsibilities

Chairman of Audit Committee.

Interests in shares and options

20,000 options over ordinary shares in CAP-XX Limited.

Company Secretaries

The Company Secretary is Robert Buckingham.

Robert has been Managing Partner of Allan Hall Partnership, Chartered Accountants, since 1989. He has a Bachelor of Commerce degree (honours) from the University of New South Wales and he 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 degree and from Macquarie University with a Master of Applied Finance degree. 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 2009, 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	5	5				
Anthony Kongats	5	5				
John Murray	5	5	2	2	2	2
Graham Titcombe	5	5			2	2
Brett Sandercock	5	5	2	2		

A = Number of meetings attended

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

Directors' remuneration

Details of the remuneration of each director of CAP-XX Limited for the year ended 30 June 2009, 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.

2009	Primary			Post-employment		Equity	
	Cash salary and accrued fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Options $	Total $
Executive directors							
Anthony Kongats	273,673	62,250	-	30,233	-	54,797	420,953
Non-executive directors							
Michael Quinn	86,863	-	-	-	-	12,428	99,291
John Murray	65,148	-	-	-	-	9,464	74,612
Christer Harkonen	-	-	-	-	-	(6,765)	(6,765)
Graham Titcombe	86,863	-	-	-	-	-	86,863
Brett Sandercock	65,148	-	-	5,864	-	2,210	73,222
Totals	577,695	62,250	-	36,097	-	72,134	748,176

DIRECTORS' REPORT *continued*

Details of the remuneration of each director of CAP-XX Limited for the year ended 30 June 2008, 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.

2008	Primary		Post-employment		Equity		
	Cash salary and accrued fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Options $	Total $
Executive directors							
Anthony Kongats	288,990	-	-	26,009	-	51,272	366,271
Non-executive directors							
Michael Quinn	91,937	-	-	-	-	8,697	100,634
John Murray	68,952	-	-	-	-	6,146	75,098
Christer Harkonen	68,952	-	-	-	-	6,060	75,012
Graham Titcombe	91,937	-	-	-	-	-	91,937
Brett Sandercock	67,146	-	-	6,043	-	1,831	75,020
Totals	677,914	-	-	32,052	-	74,006	783,972

Loans to directors and executives

The Group has no loans to directors 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 the directors and the 5 most highly remunerated officers of the Company and Group as part of their remuneration were:

Directors	Date Granted	Options Granted
Brett Sandercock	21 April 2009	10,000
John Murray	21 April 2009	10,000
Michael Quinn	21 April 2009	10,000
Anthony Kongats	19 December 2008	150,000
Other executives of CAP-XX Limited		
Thomas Boesen	19 December 2008	150,000
Peter Buckle	19 December 2008	150,000
Jean Pierre Mars	19 December 2008	150,000
Robert Schuster	19 December 2008	150,000
Michael Taylor	19 December 2008	150,000

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.

DIRECTORS' REPORT *continued*

Shares under option

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

Date Options Granted	Expiry Date	Issue Price of Shares	Number Under Option
28 August 2001	10 October 2009	$8.88	510
1 November 2002	30 September 2012	$15.64	40,002
1 April 2004	30 September 2012	$4.19	4,500
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	645,919
1 July 2005	31 May 2015	$15.64	8,004
20 April 2006	22 February 2011	$1.40	60,000
19 September 2006	19 September 2016	$2.38	1,145,000
15 November 2006	15 November 2016	$1.73	75,000
8 May 2007	8 May 2017	$2.58	20,000
4 June 2007	4 June 2017	£1.09	150,000
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	1,910,000
12 January 2009	12 January 2015	£0.20	40,000
1 March 2009	1 March 2015	£0.20	50,000
21 April 2009	21 April 2009	$0.35	30,000
Total			4,410,938

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 2009 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.

DIRECTORS' REPORT *continued*

Indemnification and insurance of officers

Indemnification

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

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 contracts.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 16.

Rounding of amounts

Amounts in the Directors' Report have been rounded to the nearest dollar.

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
25 September 2009

CORPORATE DIRECTORY

Directors	Michael Quinn Chairman
	Anthony Kongats Managing Director
	Graham Titcombe
	John Murray
	Brett Sandercock
Secretaries	Robert Buckingham
	Michael Taylor
Notice of annual general meeting	The annual general meeting of CAP-XX Limited will be held at: :
	CAP-XX Limited Unit 9, 12 Mars Road Lane Cove NSW 2066 Australia
	time: 7.00pm date: 9 November 2009
	A formal notice of meeting is enclosed.
Registered office	Suite 126 117 Old Pittwater Road Brookvale NSW 2100 Australia
Principal place of business	Units 9 and 10 12 Mars Road Lane Cove NSW 2066 Australia
Registrars to shares	Computershare Investor Services Pty Ltd Yarra Falls 452 Johnston Street Abbotsford Victoria 3067 Australia
Registrars to depositary interests	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS99 6ZY United Kingdom

CORPORATE DIRECTORY *continued*

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

INDEPENDENCE DECLARATION

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Auditor's Independence Declaration

As lead auditor for the audit of Cap-XX Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

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

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

Willie Seaton
Partner
PricewaterhouseCoopers

Sydney
25 September 2009

CORPORATE GOVERNANCE STATEMENT

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

While companies with shares 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 as 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 five directors: four are non-executive directors and three of them 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. Five Board meetings were held during the year ended 30 June 2009.

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. Two audit committee and two remuneration committee meetings were held during the year ended 30 June 2009. Each committee is required to meet at least twice a year.

The audit committee comprises Brett Sandercock (Chairman), and John Murray. The remuneration committee comprises Graham Titcombe (Chairman), and John Murray.

The audit committee reviews the financial statements of the Company and monitors the integrity of the financial statements. The audit committee also keeps the effectiveness of the Company's internal controls and risk management systems under review.

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 annually reviews and notes 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 communication with its shareholders. In addition to presentations after publication of results and the annual general meeting, meetings are held with fund managers, analysts, and institutional investors. Information is posted on the Company's web site, www.cap-xx.com.

Intellectual Property

The Board has always been vigilant in managing the Company's intellectual property (IP) portfolio which currently consists of 20 patent families, 12 granted US patents, 4 US patent applications and a further 4 patent applications which have yet to enter national phase. The Company's IP strategy has been to build value by focusing on opportunities to capture market share and exclude competition with an IP portfolio capable of generating licensing revenue.

The directors believe 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.

FINANCIAL STATEMENTS *30 June 2009*

Contents **Page**

This financial report covers both CAP-XX Limited as an individual entity and 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 2, the Business Review on pages 3 to 6 and in the Directors' Report on pages 7 to 13, all of which are not part of this financial report.

The financial report was authorised for issue by the directors on 25 September 2009. 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.

Income statements

For the year ended 30 June 2009

Currency: Australian Dollars	Notes	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Revenue from sale of goods & services	5	7,826,198	5,119,842	-	-
Cost of sale of goods & services	7	(3,605,889)	(6,274,620)	-	-
Gross margin (loss) on sale of goods & services		**4,220,309**	**(1,154,778)**	**-**	**-**
Other revenue	5	69,292	371,619	380,535	688,519
Other income	6	439,609	89,533	8,310,627	-
General and administrative expenses		(3,091,449)	(4,026,759)	(1,301,192)	(1,579,740)
Process and engineering expenses		(986,653)	(1,302,325)	-	-
Selling and marketing expenses		(1,148,693)	(1,608,299)	(1,258)	-
Research and development expenses		(1,833,732)	(1,887,867)	(8,306,717)	(8,603,363)
Finance costs	7	-	(94)	-	-
Impairment loss on plant & equipment	3(b)	-	(1,622,607)	-	-
Other expenses	7	(782,715)	(438,528)	(273)	(324,266)
(Loss) before income tax		**(3,114,032)**	**(11,580,105)**	**(918,278)**	**(9,818,850)**
Income tax benefit/(expense)	8	-	-	-	-
Net (loss) for the year		**(3,114,032)**	**(11,580,105)**	**(918,278)**	**(9,818,850)**
(Loss) attributable to members of CAP-XX Limited		**(3,114,032)**	**(11,580,105)**	**(918,278)**	**(9,818,850)**
Earnings per share for (loss) attributable to the ordinary equity holders of the Company		**Cents**	**Cents**		
Basic earnings/(loss) per share	31	(6.3)	(23.6)		
Diluted earnings/(loss) per share	31	(6.3)	(23.6)		

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

CAP-XX

Balance sheets

As at 30 June 2009

		Consolidated		Parent Entity	
		2009	2008	2009	2008
Currency: Australian Dollars	Notes	$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents	9	4,060,241	3,481,060	3,735,621	883,491
Receivables	10	293,218	360,440	-	7,073
Inventories	11	1,455,715	1,087,009	-	-
Other	12	36,195	109,036	16,746	13,327
Total current assets		5,845,369	5,037,545	3,752,367	903,891
Non-current assets					
Property, plant and equipment	13	1,695,338	1,597,217	-	-
Other	14	208,233	208,233	-	-
Total non-current assets		1,903,571	1,805,450	-	-
Total assets		**7,748,940**	**6,842,995**	**3,752,367**	**903,891**
LIABILITIES					
Current liabilities					
Payables	15	1,189,679	2,017,126	230,172	163,382
Provisions	16	409,644	559,496	-	-
Other	17	2,894,214	1,532,390	-	-
Total current liabilities		**4,493,537**	**4,109,012**	**230,172**	**163,382**
Non-current liabilities				-	-
Provisions	18	158,520	153,752	-	-
Total non-current liabilities		**158,520**	**153,752**	**-**	**-**
Total liabilities		**4,652,057**	**4,262,764**	**230,172**	**163,382**
Net assets		**3,096,883**	**2,580,231**	**3,522,195**	**740,509**
EQUITY					
Contributed equity	19	78,906,340	75,786,603	78,906,340	75,786,603
Reserves	20	2,244,733	1,733,786	2,359,793	1,779,566
Accumulated losses	20	(78,054,190)	(74,940,158)	(77,743,938)	(76,825,660)
TOTAL EQUITY		**3,096,883**	**2,580,231**	**3,522,195**	**740,509**

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

Statements of changes in equity

For the year ended 30 June 2009

Currency: Australian Dollars	Notes	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Total equity at the beginning of the financial year		**2,580,231**	**13,394,608**	**740,509**	**9,747,582**
Exchange differences on translation of foreign operations	20	(69,280)	(46,050)	-	-
Net income (loss) recognised directly in equity		(69,280)	(46,050)	-	-
(Loss) for the year		**(3,114,032)**	**(11,580,105)**	**(918,278)**	**(9,818,851)**
Total recognised income and expenses for the year		**(3,183,312)**	**(11,626,155)**	**(918,278)**	**(9,818,851)**
Transactions with equity holders in their capacity as equity holders:					
Employee share options	20	580,227	747,289	580,227	747,289
Exercise of options	19	-	64,489	-	64,489
New share equity	19	3,283,598	-	3,283,598	-
Share issuance costs	19	(163,861)	-	(163,861)	-
		3,699,964	811,778	3,699,964	811,778
Total equity at the end of the financial year		**3,096,883**	**2,580,231**	**3,522,195**	**740,509**

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

Cash flow statements

For the year ended 30 June 2009

		Consolidated		Parent Entity	
		2009	2008	2009	2008
Currency: Australian Dollars	Notes	$	$	$	$
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		7,762,358	7,485,925	-	-
Payments to suppliers and employees (inclusive of goods and services tax)		(9,519,118)	(13,945,001)	(1,001,927)	(1,177,594)
		(1,756,760)	(6,459,076)	(1,001,927)	(1,177,594)
Grants received		35,000	89,533	-	-
Interest received		69,292	371,619	55,337	342,274
Net cash (outflow) inflow from operating activities	28	**(1,652,468)**	**(5,997,924)**	**(946,590)**	**(835,320)**
Cash flows from investing activities					
Payments for property, plant and equipment		(890,862)	(1,329,940)	-	-
Proceeds from sale of property, plant and equipment		2,774	-	-	-
Loans from/(to) related parties (net)		-	-	678,983	(8,192,165)
Net cash (outflow) inflow from investing activities		**(888,088)**	**(1,329,940)**	**678,983**	**(8,192,165)**
Cash flows from financing activities					
Proceeds from issue of shares (net of costs)	19	3,119,737	64,489	3,119,737	64,489
Net cash inflow from financing activities		**3,119,737**	**64,489**	**3,119,737**	**64,489**
Net increase (decrease) in cash and cash equivalents		579,181	(7,263,375)	2,852,130	(8,962,996)
Cash and cash equivalents at the beginning of the financial year		3,481,060	10,744,435	883,491	9,846,487
Cash and cash equivalents at the end of the financial year	9	**4,060,241**	**3,481,060**	**3,735,621**	**883,491**

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

Notes to the financial statements 30 June 2009

Contents of the notes to the financial statements

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been applied consistently to all years presented, unless otherwise stated. The financial report includes separate financial statements for CAP-XX Limited, an individual entity, and the Group 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).

Historical cost convention

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

Critical accounting estimates

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

(b) Continuation as a going concern

During the year ended 30 June 2009, 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 Group has made significant progress over the past 12 months in improving its overall cash position. However, the ability of the Group and the Company to continue as a going concern and meet their debts and commitments as they fall due is dependent upon the following factors:

i) The continuation of the strong relationship with Murata Manufacturing Co. Ltd including:

  a) Murata's participation in a collaborative Research and Development study and the provision of additional funding to the Group;

  b) Murata commences production and shipment of finished product within the next 6 months:

ii) The Group's operating results are likely to continue to depend on a small number of customers who operate in both mature and emerging markets. Customers' ability to sell their own products in competitive and volatile markets which incorporate the Group's products to end users is an identifiable risk.

As a result of these matters, there remains significant uncertainty as to whether the Company will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business, and at the amounts stated in the financial report.

The financial report contains no adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary if the Company does not continue as a going concern.

However, the directors believe the Company will be successful in 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 as at 30 June 2009.

Note 1 Summary of significant accounting policies (continued)

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CAP-XX Limited (Company or parent entity) as at 30 June 2009 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 (refer to Note 1(j)).

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.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements of the parent entity.

(d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(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 of 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.

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.

Note 1 Summary of significant accounting policies (continued)

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

(f) Revenue recognition

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

Sales of 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 to be 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 balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

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

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

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

Note 1 Summary of significant accounting policies (continued)

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 inception of the lease 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 24). Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

(j) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(k) 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.

(l) Cash and cash equivalents

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

(m) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying

Note 1 Summary of significant accounting policies (continued)

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.

(n) 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 expenditures, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on a first-in first-out basis. 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 of making 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.

(o) 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.

(p) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges),
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

Note 1 Summary of significant accounting policies (continued)

(p) Derivatives and hedging activities (continued)

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or other expenses.

(q) Property, plant and equipment

Property, plant and equipment is 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 estimated useful lives as follows:

Leasehold improvements	2-05 years
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(k)).

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

(r) Intangibles

Expenditure on research activities undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible, and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred.

Note 1 Summary of significant accounting policies (continued)

Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit. The directors believe the Group has not incurred development expenditure that met the conditions for capitalisation.

Expenditure on patents is capitalised when technical feasibility is achieved. Otherwise, the expenditure is capitalised or expensed on a similar basis as for development activities.

(s) 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.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects. The directors determined that there is no remainder of proceeds which could be allocated to the conversion option.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(u) Borrowing costs

Borrowing costs are currently expensed. The Company has decided not to early adopt AASB 123 and will only apply when the Standard comes into effect from January 2009 - see Note1 (ab)(iii). Under this standard, borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs will be expensed.

(v) 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 estimated reliably. 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.

(w) 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.

Notes to the financial statements 30 June 2009 continued

Note 1 Summary of significant accounting policies (continued)

(ii) Long service leave

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

(iii) Retirement benefit obligations

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

Contributions to the defined contribution complying third party superannuation funds are recognised as an 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 2006 Share Option Exchange Plan and the 2006 Employee Share Option Plan. Information relating to these schemes is set out in Note 29.

The fair value of options granted under the 2006 Share Option Exchange Plan and the 2006 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 the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised for each period takes into account the most recent estimate.

Upon the exercise of options, the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

(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.

(x) 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.

If the entity reacquires its own equity instruments, e.g. as the result of a share buy back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Note 1 Summary of significant accounting policies (continued)

(y) 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.

(z) 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 GST 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.

(aa) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective 1 January 2009).

AASB 8 will result in a significant change in the approach to segment reporting as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group intends to apply the revised Standard from 1 July 2009. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective 1 January 2009).

AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised Standard from 1 July 2009.

(iii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective 1 January 2009).

AASB 123 has removed the option to expense all borrowing costs and will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group as the Group already capitalises borrowing costs relating to qualifying assets. The Group intends to apply the revised Standard from 1 July 2009.

Note 1 Summary of significant accounting policies (continued)

(aa) New accounting standards and UIG interpretations (continued)

(iv) AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective 1 January 2009).

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised Standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(v) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009).

The revised AASB 3 continues to apply the acquisition method to business combinations but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in Note 1(j) above.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see Note 1(j). The Standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply the revised Standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(vi) AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009).

In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AABS 127 Consolidated and Separate Financial Statements. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if dividends are paid out of pre-acquisition profits. However, the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(vii) AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008).

AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and which hedging instruments may be held by any entity or entities within the group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The Group will apply the interpretation prospectively from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

(viii) AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009).

AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended Standard from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

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.

In general, the Group only uses derivative financial instruments to hedge the effect of foreign currency risk of large receipts or payments.

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Financial assets				
Cash and cash equivalents	4,060,241	3,481,060	3,735,621	883,491
Trade and other receivables	293,218	360,440	-	7,073
	4,353,459	3,841,500	3,735,621	890,564
Financial liabilities				
Trade and other payables	1,189,679	2,017,126	230,172	163,382
	1,189,679	2,017,126	230,172	163,382

(a) Market risk

(i) Foreign exchange 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 its products in US dollars, buys the majority of its raw materials and pays its contract tolling fees in US dollars. Its USA operations are financed out of the net proceeds. The unhedged positions were relatively small. Forward currency contracts are used to manage foreign exchange risk where the exposures are significant.

Sensitivity analysis

The Group's after tax profit and equity for the year would have been $59,712 lower and $65,683 higher (2008: $155,690 lower/ $171,259 higher) had the Australian dollar strengthened or weakened by 10% against the US dollar, mainly as a result of foreign exchange gains or 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 reporting date was:

	2009			2008		
	USD	EUR	GBP	USD	EUR	GBP
	$	€	£	$	€	£
Cash and cash equivalents	242,886	2,809	1,295,858	817,418	179,524	62,534
Trade receivables	243,283	-	-	238,888	-	-
Trade payables	284,050	-	6,499	498,230	-	7,209

Note 2 Financial risk management (continued)

The carrying amounts of the parent entity's financial assets and liabilities are denominated in Australian dollars except as set out below:

	2009			2008		
	USD	EUR	GBP	USD	EUR	GBP
	$	€	£	$	€	£
Cash and cash equivalents	32,139	2,809	1,295,858	82,990	179,524	2,534
Forward exchange contracts						
- buy foreign currency (cash flow hedges)	-	-	-	200,000	-	-
- sell foreign currency (cash flow hedges)	(400,000)	-	-	(200,000)	-	-

(ii) Price risk

The Group is not exposed to equity securities price risk nor to commodity price risk.

(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. The Group has no credit exposure to any financial institution.

(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 2009 as the Group is transitioning from development stage. Due to the negative cash flow position the Group has not committed to any credit facilities but has relied upon equity 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.

Sensitivity analysis

At 30 June 2009, if interest rates had changed by +/-100 basis points (1%) from the average interest rate received with all other variables held constant, post-tax profit for the year and equity would have been $314 higher or $311 lower (2008: $3,700 higher/ $3,400 lower), mainly as a result of higher or lower interest income from cash and cash equivalents.

As at 30 June 2009, 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 determined in accordance with the accounting policies disclosed in Note 1, unless otherwise noted.

Note 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated. They 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 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 in 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 continued to use the Sydney, Australia manufacturing site for the production of electrode material and selected supercapacitor product lines, while larger volume supercapacitor production lines were being 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. Taking into account the 2008 agreement with Murata and the 2009 agreement with Nationgate to bring additional volume manufacturing capacity on-line, in the next 6 to12 months, no adjustment is required for the year ended 30 June 2009. In the year ended 30 June 2008, the Group recognised a one-off impairment loss on plant and equipment of $1,622,607.

In summary the Group incurred the following one-off charges:

	$
Year ended 30 June 2009	
	-
	-
Year ended 30 June 2008	
	1,622,607
	1,622,607

Notes to the financial statements 30 June 2009 continued

Note 4 Segment information

(a) Description of segments

Business segments – primary reporting

The Group operates in a single business segment which is the development, manufacture and sale of supercapacitors.

Geographical segments – secondary reporting

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

Geographical segments can be summarised as follows:

	Segment revenues from sales to external customers		Segment assets	
	2009	2008	2009	2008
	$	$	$	$
Australia	-	-	6,443,945	5,798,039
Asia Pacific	6,947,218	3,229,593	1,119,427	730,750
Europe	453,765	1,337,805	53,208	63,305
North America	425,215	552,444	132,360	250,901
	7,826,198	**5,119,842**	**7,748,940**	**6,842,995**

Segment revenues are allocated based on the country in which the customer is located.

Segment assets and capital expenditure are allocated based on where the assets are located.

(b) Notes to and forming part of the segment information

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and accounting standard AASB 114 Segment Reporting. Segment revenues and assets are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories and property, plant and equipment, net of related provisions. Segment assets do not include income taxes.

Note 5 Revenue

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Sales revenue				
Sale of goods	2,519,828	4,552,232	-	-
Sale of services	5,306,370	567,610	-	-
	7,826,198	**5,119,842**	**-**	**-**
Other revenue				
Licence fees	-	-	325,198	346,245
Interest	69,292	371,619	55,337	342,274
	69,292	**371,619**	**380,535**	**688,519**
Total revenue	**7,895,490**	**5,491,461**	**380,535**	**688,519**

Note 6 Other income

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Foreign exchange gains (net)	404,609	-	156,598	-
Government grants (Note 1(g))	35,000	89,533	-	-
Reduction in provision for non-recovery of related party loans	-	-	8,154,029	-
	439,609	**89,533**	**8,310,627**	**-**

(a) Government grants

An export market development grant of $Nil (2008: $89,533) was recognised as other income by the Group during the year ended 30 June 2009. There are no unfulfilled conditions attaching to this grant.

An Enterprise Connect – Researchers in Business funding grant of $35,000 (2008: $ Nil) was recognised as other income by the Group during the year ended 30 June 2009. There are no unfulfilled conditions attaching to this grant.

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

Notes to the financial statements 30 June 2009 continued

Note 7 Expenses

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Loss before income tax includes the following specific expenses:				
Cost of sale of goods				
Direct materials and labour	2,346,647	3,582,527	-	-
Inventory write downs/(back)	-	916,543	-	-
Indirect manufacturing expenses	1,259,242	1,775,550	-	-
Total cost of sale of goods	**3,605,889**	**6,274,620**	**-**	**-**
Depreciation				
Plant and equipment	669,257	747,871	-	-
Furniture and fittings	4,192	4,098	-	-
Leasehold improvements	-	-	-	-
Total depreciation	**673,449**	**751,969**	**-**	**-**
Finance costs – net				
Interest and finance charges paid	-	94	-	-
Finance costs expensed	**-**	**94**	**-**	**-**
Other expenses				
Foreign exchange losses	-	123,154	-	42,741
Net loss on disposal of plant and equipment	704	-	-	-
Disposal/write off of fixed assets	87,287	81,664	-	-
Cost recovery on fixed assets	28,528	-	-	-
Engineering concept design fees	-	(4,401)	-	-
Consultants	237,850	94,500	-	-
Provision for credit notes/doubtful debts	24,617	(26,376)	-	-
Provision for make-good on premises	40,000	40,000	-	-
Provision for returns and rework	51,589	-	-	-
Provision for diminution in recoverable value - withholding taxes	427,955	211,651	273	1,065
Provision for non recovery related parties loans	-	-	-	280,460
	898,530	**520,192**	**273**	**324,266**
Impairment loss on plant and equipment (refer Note 3(b))	-	1,622,607	-	-
Rental expense relating to operating leases				
Minimum lease payments	385,621	427,383	-	-
Employee benefits expense	3,976,246	5,027,869	309,885	394,967
Share based payments	580,227	747,289	580,227	747,289

Notes to the financial statements 30 June 2009 continued

Note 8 Income tax expense

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
(a) Income tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-
(b) Numerical reconciliation of income tax benefit to prima facie tax benefit				
(Loss) before income tax benefit	(3,114,032)	(11,580,105)	(918,278)	(9,818,851)
Tax at the Australian tax rate of 30%	(934,210)	(3,474,032)	(275,483)	(2,945,655)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	174,068	224,187	174,068	224,187
Research & Development additional claims	-	(400,000)	-	-
Sundry items	-	-	-	-
	(760,141)	(3,649,845)	(101,415)	(2,721,469)
Adjustments for current tax of prior periods	(25,503)	(214,688)	-	-
Benefit arising from temporary differences not recognised	35,103	510,442	(2,373,668)	260,933
Benefit arising from tax losses not recognised	750,541	3,354,091	2,475,083	2,460,535
Income tax benefit	-	-	-	-
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	75,058,800	72,556,997	75,058,800	72,556,997
Potential tax benefit @ 30%	22,517,640	21,767,099	22,517,640	21,767,099

All unused tax losses were incurred by Australian entities. The deferred tax assets in relation to the tax losses will only be obtained if:

i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and

ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation, and

iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

(d) Unrecognised temporary differences

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Temporary difference for which no deferred tax asset has been recognised	3,262,441	3,145,430	22,666,231	30,578,458
Potential tax benefit @ 30%	978,732	943,629	6,799,869	9,173,537

(e) Tax consolidation legislation

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

Notes to the financial statements 30 June 2009 continued

Note 9 Current assets – Cash and cash equivalents

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Cash at bank and on hand	799,286	2,621,518	470,186	23,949
Cash on deposit	3,260,955	859,542	3,265,435	859,542
	4,060,241	**3,481,060**	**3,735,621**	**883,491**

(a) Cash at bank and on hand

These are bearing floating interest rates between 0% and 3% (2008: 0% and 3%).

(b) Cash on deposit

The deposits are bearing floating interest rates between 2.75% and 7.5% (2008: 3% and 7.7%). These deposits have an average maturity of 44 days (2008: 83 days).

Note 10 Current assets – Receivables

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Trade receivables	313,464	249,624	-	-
Provision for doubtful receivables	(31,702)	(7,148)	-	-
	281,762	**242,476**	**-**	**-**
Amounts due from related parties	-	-	22,066,720	30,220,750
Provision for doubtful receivables	-	-	(22,066,720)	(30,220,750)
	-	-	-	-
Other receivables	11,456	117,964	-	7,073
	293,218	**360,440**	**-**	**7,073**

(a) Impaired trade receivables

There were no impaired trade receivables for the Group in 2009 or 2008. The parent entity has recognised a gain of $8,154,030 (2008: loss of $280,460) in respect of impaired amounts due from related parties during the year ended 30 June 2009. The gain/(loss) has been included in other income in the income statement.

(b) Past due but not impaired

As at 30 June 2009 trade receivables of $108,208 (2008: $136,944) 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 follows:

Up to 3 months	108,208	136,944	-	-
3 to 6 months	-	-	-	-
	108,208	136,944	-	-

Note 10 Current assets – Receivables (Continued)

(c) Other receivables

As at 30 June 2009, $Nil other receivables (2008: $67,945) were past due but not impaired. Based on the credit history of these other classes, it is expected that these amounts will be received. These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Up to 3 months	-	21,504	-	-
3 to 6 months	-	46,441	-	-
	-	67,945	-	-

(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 number of customers, internationally dispersed.

(e) Foreign exchange and interest rate risk

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

Note 11 Current assets – Inventories

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Raw materials and stores - at cost and net realisable value	909,216	583,214	-	-
Finished goods - at cost	546,499	424,719	-	-
Finished goods - at net realisable value	-	79,076	-	-
Total finished goods	546,499	503,795	-	-
Total Inventories	1,455,715	1,087,009	-	-

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2009 amounted to $Nil (2008: ($916,543)). The expense for finished goods has been included in 'cost of sale of goods' in the Income Statement.

Note 12 Current assets – Other

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Prepayments	36,195	109,036	16,746	13,327

Notes to the financial statements 30 June 2009 continued

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

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Plant and equipment at cost	15,933,677	13,334,506	-	-
Accumulated depreciation	(14,263,330)	(12,615,896)	-	-
Net book amount	1,670,347	718,610	-	-
Capital works in progress	-	2,472,032	-	-
Impairment	-	(1,622,607)	-	-
Net book amount	-	849,425	-	-
Furniture and fittings at cost	66,779	66,778	-	-
Accumulated depreciation	(41,788)	(37,596)	-	-
Net book amount	24,991	29,182	-	-
Leasehold improvements at cost	436,877	436,877	-	-
Accumulated depreciation	(436,877)	(436,877)	-	-
Net book amount	-	-	-	-
Total property, plant and equipment	16,437,333	14,687,586	-	-
Total accumulated depreciation	(14,741,995)	(13,090,369)	-	-
Total net book amount	**1,695,338**	**1,597,217**	**-**	**-**

Movement in classes of assets: Consolidated	**Plant and equipment**	**Capital works in progress**	**Furniture and fittings**	**Leasehold improvements**	**Total**
	$	$	$	$	$
Year ended 2009					
Opening net book amount	718,610	849,425	29,183	-	1,597,218
Additions	-	890,861	-	-	890,861
Transfers to plant and equipment	1,652,999	(1,652,999)	-	-	-
Disposals	(3,477)	(87,287)	-	-	(90,764)
Impairment	-	-	-	-	-
Cost recovery on fixed assets	(28,528)	-	-	-	(28,528)
Depreciation	(669,257)	-	(4,192)	-	(673,449)
Closing net book amount	**1,670,347**	**-**	**24,991**	**-**	**1,695,338**
Year ended 2008					
Opening net book amount	1,141,731	1,606,249	30,770	-	2,778,750
Additions	-	1,329,940	-	-	1,329,940
Transfers to plant and equipment	324,750	(327,260)	2,510	-	-
Disposals	-	(136,897)	-	-	(136,897)
Impairment	-	(1,622,607)	-	-	(1,622,607)
Depreciation	(747,871)	-	(4,098)	-	(751,969)
Closing net book amount	**718,610**	**849,425**	**29,183**	**-**	**1,597,217**

Plant & equipment impairment loss (Note 3(b)).

Parent entity

There were no movements in property, plant and equipment in the parent entity.

Notes to the financial statements 30 June 2009 continued

Note 14 Non-current assets – Other

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Rental bond	208,233	208,233	-	-
	208,233	**208,233**	**-**	**-**

Note 15 Current liabilities – Payables

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Trade payables	861,379	1,302,242	138,236	79,096
Other payables and accrued expenses	328,300	714,884	91,936	84,286
	1,189,679	2,017,126	230,172	163,382

Note 16 Current liabilities – Provisions

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Employee benefits – annual Leave	276,387	456,211	-	-
Product returns and warranties	53,257	63,285	-	-
Other provisions	80,000	40,000	-	-
	409,644	**559,496**	**-**	**-**

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

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

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Annual leave obligation expected to be settled after 12 months	135,739	196,249	-	-

(b) Risk exposure

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in Note 2.

(c) Product returns and warranties

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

Notes to the financial statements 30 June 2009 continued

Note 16 Current liabilities – Provisions (continued)

(d) Movements in provisions

Movements in product returns and warranty provisions are:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Carrying amount at start of year	63,285	57,252	-	-
Additional/(write-back) of provisions	51,589	12,604	-	-
Claims paid during year (includes compensation paid to contract manufacturer for rework)	(61,617)	(6,571)	-	-
Carrying amount at end of year	**53,257**	**63,285**	**-**	**-**

Movements in the make-good on premises provision during the financial years are:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Carrying amount at start of year	40,000	-	-	-
Additional/(write-back) of provision	40,000	40,000	-	-
Carrying amount at end of year	**80,000**	**40,000**	**-**	**-**

Note 17 Current liabilities – Other Liabilities

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Deferred revenue – Service contracts (Note 1(f))	**2,894,214**	**1,532,390**	**-**	**-**

Note 18 Non-current liabilities – Provisions

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Employee benefits – long service leave	**158,520**	**153,752**	**-**	**-**

Note 19 Contributed equity

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	Shares	Shares	$	$
(a) Share capital				
Fully paid ordinary shares (no par value)	**62,052,791**	49,112,791	**78,906,340**	75,786,603

(b) Movement in ordinary share capital

Date	Details	Number of shares	Issue price	$
1 July 2008	Opening balance	49,112,791		75,786,603
25 June 2009	Allotment of shares	12,940,000	$0.2538	3,283,598
25 June 2009	Share issuance costs			(163,861)
30 June 2009	Balance	**62,052,791**		**78,906,340**

Date	Details	Number of shares	Issue price	$
1 July 2007	Opening balance	48,926,559		75,722,114
1 July 2007	Exercise of stock options	2,147	$0.47	1,009
6 July 2007	Exercise of stock options	7,437	$0.47	3,495
7 November 2007	Exercise of stock options	96,000	$0.23	22,080
11 December 2007	Exercise of stock options	68,648	$0.47	32,264
19 December 2007	Exercise of stock options	12,000	$0.47	5,641
30 June 2008	Balance	49,112,791		75,786,603

(c) Ordinary shares

At 30 June 2009 there were 62,052,791 (2008: 49,112,791) 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 on a poll, each share is entitled to one vote.

(d) Options

Information relating to the 2006 Share Option Exchange and 2006 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 29.

Notes to the financial statements 30 June 2009 continued

Note 20 Reserves and accumulated losses

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	Shares	Shares	$	$
(a) Reserves				
Foreign currency translation reserve Note 20(c)(i)	(115,262)	(45,981)	(202)	(202)
Share-based payments reserve	2,359,995	1,779,767	2,359,995	1,779,768
	2,244,733	1,733,786	2,359,793	1,779,566
Movements				
Foreign currency translation reserve				
Balance at 1 July	(45,981)	67	-	-
Currency translation differences arising during the year	(69,281)	(46,048)	-	-
Balance at 30 June	(115,262)	(45,981)	-	-
Share-based payments reserve				
Balance at 1 July	1,779,767	1,032,478	1,779,768	1,032,479
Option expense	580,227	747,289	580,227	747,289
Balance at 30 June	2,359,995	1,779,767	2,359,995	1,779,768
(b) Accumulated losses				
Movements in accumulated losses were as follows:				
Balance at 1 July	(74,940,158)	(63,360,053)	(76,825,660)	(67,006,809)
Net (loss) for the year	(3,114,032)	(11,580,105)	(918,278)	(9,818,851)
Balance at 30 June	**(78,054,190)**	**(74,940,158)**	**(77,743,938)**	**(76,825,660)**

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve

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

(ii) Share-based payments reserve

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

Note 21 Key management personnel disclosures

(a) Directors

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

Executive director
Anthony Kongats (Managing Director)

Non-executive directors
Michael Quinn (Chairman)
John Murray
Brett Sandercock
Graham Titcombe

(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
Stim Robinson, Acting Chief Financial Officer (Terminated July 2008)
Vaclav George Karhan, Chief Operations Officer (Resigned July 2008)
Robert Schuster, VP Operations
Thomas Boesen, VP Sales & Business Development (Resigned April 2009)
Peter Buckle, VP Sales & Marketing Asia
Warren King, Chief Technical Officer

	Consolidated Entity		Parent Entity	
	2009	**2008**	**2009**	**2008**
	Shares	**Shares**	**$**	**$**
Short-term benefits	1,852,582	1,737,840	304,022	388,924
Post-employment benefits	119,769	93,343	5,863	6,043
Share-based payments	166,177	300,330	17,337	22,734
Total	**2,138,528**	**2,131,513**	**327,222**	**417,701**

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

There were no other transactions with key management personnel.

Notes to the financial statements 30 June 2009 continued

Note 22 Remuneration of auditors

	Consolidated Entity		Parent Entity	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**

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:

(a) Assurance services

Audit services				
PricewaterhouseCoopers Australian firm				
Audit of financial report	98,000	98,000	98,000	98,000
Additional services re audit of 2008 financial report	32,500	-	32,500	-
Total remuneration for assurance services	**130,500**	**98,000**	**130,500**	**98,000**

(b) Taxation services

PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns and ATO risk review response	57,150	97,251	-	-
International tax consulting and tax advice on demerger and company restructure	1,500	24,150	-	-
Related practices of PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns	34,950	32,156	-	-
International consulting and tax advice on demerger and company restructure	-	1,987	-	-
Total remuneration for taxation services	**93,600**	**155,544**	**-**	**-**

It is the Group's policy to employ PricewaterhouseCoopers on assignments in addition to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally for tax advice and 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 Contingencies

While no claims have been made as yet, the research and development start grants are subject to a limited discretionary right of the Australian government to 'claw-back' a proportion of the funding on a sliding scale for up to five years from 30 March 2005. However, directors believe the Company has met all the conditions attached to the grants.

Note 24 Commitments

(a) Capital commitments

Capital expenditure contracted for at reporting date but not recognised as liabilities is as follows:

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Property, plant and equipment				
Within one year	-	632,660	-	-
Later than one year but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	-	**632,660**	**-**	**-**

(b) Lease commitments: Group/Company as lessee

The Group leases factory space with an office and warehouse under a non-cancellable operating lease due to expire on 30 June 2011. The lease was entered into effective 1 July 2007.

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

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	356,777	353,230	-	-
Later than one year but not later than 5 years	373,017	721,751	-	-
Later than 5 years	-	-	-	-
	729,794	**1,074,981**	**-**	**-**

Note 25 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 26.

(c) Key management personnel

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

Notes to the financial statements 30 June 2009 continued

Note 25 Related party transactions (continued)

(d) Transactions with related parties and outstanding balances

The following transactions occurred with related parties other than key management personnel or entities related to them:	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Expenses				
Research and development services from subsidiaries	-	-	7,847,985	8,232,356
Revenue				
Licence fees from subsidiaries	-	-	325,198	346,243
Interest income from other related parties	-	-	2,723	10,653
The amounts outstanding at the reporting date together with their movements during the year can be summarised as follows:				
Loans to subsidiaries				
Beginning of year	-	-	30,220,750	29,940,290
Net loans advanced	-	-	7,627,644	10,196,482
Loan repayments received	-	-	(8,306,627)	(2,004,317)
Revenue charges and credits received	-	-	325,198	346,243
Expense charges and costs incurred applied	-	-	(7,847,985)	(8,232,356)
Interest charged	-	-	2,723	10,653
Foreign exchange variance	-	-	45,017	(36,245)
Total related party transactions	-	-	22,066,720	30,220,750
Provision for doubtful debts	-	-	(22,066,720)	(30,220,750)
End of year	-	-	-	-

Provisions raised for doubtful debts have been disclosed above. Expenses recognised in respect of bad or doubtful debts due from related parties are disclosed in Note 7.

(e) Terms and conditions

There were no fixed terms for the repayment of amounts due/loans between entities and unless, otherwise stated, amounts due/loans were unsecured and repayable in cash. A loan of $10,853,036 (2008: $10,853,036) advanced by the Parent to a subsidiary is secured by a fixed and floating charge over the assets of that subsidiary.

No interest is charged on amounts due/loans between entities within Australia. The average interest rate on amounts due/loans with overseas entities during the year was 1.4% (2008: 3.4%).

All other transactions within the Group were made on normal commercial terms and conditions, and at market rates.

Note 26 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 2009	30 June 2008
			%	%
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 27 Events occurring after the balance sheet date

On 30 July 2009, CAP-XX signed a contract manufacturing agreement with Nationgate Technologies of Penang, Malaysia. Under the terms of the agreement, Nationgate will acquire, and transfer to Penang, the supercapacitor assembly manufacturing plant from CAP-XX's Lane Cove facility for a consideration of US$2M. US$300K has already been received by CAP-XX and a further US$700K will be paid in 2 instalments over the next 6 months. The second US$1M is to be paid over the subsequent 12-18 months depending on production volumes. Following the recommissioning of the plant at its Penang facility, Nationgate will supply supercapacitors to CAP-XX. It is anticipated Nationgate will start partial production in Q4 calendar year 2009 and full production in Q1 calendar year 2010. Polar Twin Advance in Penang will continue as a contract manufacturer for CAP-XX.

No other matter or circumstance has arisen since 30 June 2009 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.

Notes to the financial statements 30 June 2009 continued

Note 28 Reconciliation of profit after tax to net cash (outflow) from operating activities

	Consolidated		Parent Entity	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Net loss	(3,114,032)	(11,580,105)	(918,278)	(9,818,851)
Depreciation and amortisation	673,449	751,969	-	-
Loss on disposal of plant and equipment	704	-		
Impairment loss on plant and equipment	-	1,622,607	-	-
Disposal of fixed assets	87,287	81,664	-	-
Cost recovery on fixed assets	28,528	-	-	-
Non-cash employee benefit expense – share-based payments	580,227	747,289	580,227	747,289
Provision for non-recovery of related party loans	-	-	(8,154,028)	280,460
Net unrealised exchange (loss)/gain	(69,281)	(46,050)	-	-
Changes in assets and liabilities:				
(Increase)/decrease in receivables	67,222	597,353	7,073	31,759
(Increase)/decrease in inventories	(368,706)	(166,600)	-	-
(Increase)/decrease in amounts with related parties	-	-	7,475,047	7,911,705
(Increase)/decrease in other assets	72,841	(15,872)	(3,420)	(8,847)
Increase/(decrease) in provisions	(145,084)	81,709	-	-
Increase/(decrease) in payables	534,377	1,928,112	66,789	21,165
Net cash (outflow) from operating activities	**(1,652,468)**	**(5,997,924)**	**(946,590)**	**(835,320)**

Note 29 Share-based payments

(a) 2006 Share Option Exchange

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

Summaries for 2008 and 2009 of options granted under the 2006 Share Option Exchange are provided below:

Consolidated and parent entity – 2009

Grant Date	Expiry date	Exercise price	Balance at start of the year No.	Granted during the year No.	Exercised during the year No.	Forfeited & expired during the year No.	Balance at end of the year No.	Exercisable at end of the year No.
28 August 2001	29 January 2009	$11.84	13,500	-	-	(13,500)	-	-
28 August 2001	10 October 2009	$8.88	510	-	-	-	510	510
1 November 2002	30 September 2012	$15.64	44,502	-	-	(4,500)	40,002	-
1 April 2004	29 January 2009	$11.84	1,509	-	-	(1,509)	-	-
1 April 2004	30 September 2012	$4.19	4,500	-	-	-	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	964,879	-	-	(318,960)	645,919	645,919
1 July 2005	31 May 2015	$15.64	9,006	-	-	(1,002)	8,004	8,004
			1,080,409	-	-	(339,471)	740,938	700,936
Weighted Average Exercise Price			**$1.57**		**-**	**$1.22**	**$1.73**	**$0.93**

Consolidated and parent entity – 2008

Grant Date	Expiry date	Exercise price	Balance at start of the year No.	Granted during the year No.	Exercised during the year No.	Forfeited & expired during the year No.	Balance at end of the year No.	Exercisable at end of the year No.
28 August 2001	31 May 2008	$2.96	28,497	-	-	(28,497)	-	-
28 August 2001	29 January 2009	$11.84	13,500	-	-	-	13,500	13,500
28 August 2001	10 October 2009	$8.88	510	-	-	-	510	510
1 November 2002	30 September 2012	$15.64	44,502	-	-	-	44,502	44,502
1 April 2004	31 May 2008	$2.96	9,999	-	-	(9,999)	-	-
1 April 2004	29 January 2009	$11.84	1,509	-	-	-	1,509	1,509
1 April 2004	30 September 2012	$4.19	4,500	-	-	-	4,500	4,500
1 April 2004	30 September 2012	$15.64	14,502	-	-	(2,499)	12,003	12,003
30 June 2004	31 May 2014	$0.47	30,000	-	-	-	30,000	30,000
26 August 2004	25 July 2014	$0.23	48,000	-	(48,000)	-	-	-
21 March 2005	20 February 2015	$0.23	48,000	-	(48,000)	-	-	-
1 July 2005	31 May 2015	$0.47	1,075,111	-	(90,232)	(20,000)	964,879	963,124
1 July 2005	31 May 2015	$15.64	17,508	-	-	(8,502)	9,006	9,006
			1,336,138	**-**	**(186,232)**	**(69,497)**	**1,080,409**	**1,078,654**
Weighted Average Exercise Price			**$1.54**	**-**	**$0.35**	**$4.25**	**$1.57**	**$1.57**

Notes to the financial statements 30 June 2009 continued

Note 29 Share-based payments (continued)

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.

324,462 share options were forfeited during the year ended 30 June 2009 (2008: 31,001).

15,009 share options expired during the year ended 30 June 2009 (2008: 38,496). The weighted average remaining contractual life of share options outstanding at the end of the period was 5.7 years (2008: 6.6 years).

(b) 2006 Employee Share Option Plan

The 2006 Employee Share Option Plan (the '2006 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 2006 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.

Summaries for 2008 and 2009 of options granted under the 2006 Employee Share Option Plan Plan are provided below:

Consolidated and parent entity – 2009

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited & expired during the year	Balance at end of the year	Exercisable at end of the year
			No.	No.	No.	No.	No.	No.
20 April 2006	22 February 2011	$1.40	60,000	-	-	-	60,000	-
19 September 2006	19 September 2016	$2.38	1,450,000	-	-	(305,000)	1,145,000	796,795
15 November 2006	15 November 2016	$1.73	75,000	-	-	-	75,000	49,264
08 May 2007	08 May 2017	$2.58	30,000	-	-	(10,000)	20,000	20,000
04 June 2007	04 June 2017	£1.09	150,000	-	-	-	150,000	31,875
25 February 2008	25 February 2018	$0.71	150,000	20,000	-	(10,000)	160,000	53,918
21 April 2008	21 April 2018	$0.43	40,000	-	-	(10,000)	30,000	30,000
19 December 2008	19 December 2014	£0.25	-	1,910,000	-	-	1,910,000	-
12 January 2009	12 January 2015	£0.25	-	40,000	-	-	40,000	-
01 March 2009	01 March 2015	£0.20	-	50,000	-	-	50,000	50,000
21 April 2009	21 April 2019	£0.1675	-	30,000	-	-	30,000	30,000
			1,955,000	**2,050,000**	**-**	**(335,000)**	**3,670,000**	**1,061,851**
Weighted Average Exercise Price			**$2.15**	**$0.51**	**-**	**$2.28**	**$1.22**	**$2.06**

Notes to the financial statements 30 June 2009 continued

Note 29 Share-based payments (continued)

Consolidated and parent entity – 2008

Grant Date	Expiry date	Exercise price	Balance at starts of the year No.	Granted during the year No.	Exercised during the year No.	Forfeited & expired during the year No.	Balance at end of the year No.	Exercisable at end of the year No.
20 April 2006	22 February 2011	$1.40	60,000	-	-	-	60,000	-
19 September 2006	19 September 2016	$2.38	1,532,500	-	-	(82,500)	1,450,000	646,538
15 November 2006	15 November 2016	$1.73	75,000	-	-	-	75,000	30,514
08 May 2007	08 May 2017	$2.58	30,000	-	-	-	30,000	30,000
04 June 2007	04 June 2017	£1.09	150,000	-	-	-	150,000	40,377
25 February 2008	25 February 2018	$0.71	-	150,000	-	-	150,000	-
21 April 2008	21 April 2018	$0.43	-	40,000	-	-	40,000	40,000
			1,847,500	**190,000**	**-**	**(82,500)**	**1,955,000**	**787,429**
Weighted Average Exercise Price			**$2.35**	**$0.65**	**-**	**$2.38**	**$2.15**	**$2.26**

The share options are governed by their original terms and conditions and will continue to vest pursuant to the same vesting schedule. 335,000 share options were forfeited during the year ended 30 June 2009 (2008: 82,500). 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 6.1 years (2008: 8.3 years).

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2009 under the 2006 Plan were AUD$0.51 on 19 December 2008, AUD$0.51 on 12 January 2009, AUD$0.41 on 1 March 2009 and AUD$0.35 on 21 April 2009, respectively. The assessed fair value at grant date of options granted during the year ended 30 June 2008 under the 2006 Plan were AUD$0.71 on 25 February 2008, AUD$0.43 on 21 April 2008 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 granted for no consideration have a:

- 10 year life and 25% vest 12 months after the vesting commencement date, and 1/48 of the total option shall vest on each monthly anniversary of the vesting commencement date thereafter;
- specific vesting criteria in some minor instances.

(b) exercise price: refer tables above

(c) grant date: refer tables above

(d) expiry date: refer tables above

(e) share price at grant date

(f) expected price volatility of the Company's shares: 47% (2008: 43%)

(g) no expected dividend yield

(h) risk free interest rate: 1.54% (2008: 3.5%)

Notes to the financial statements 30 June 2009 continued

Note 29 Share-based payments (continued)

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

(c) Collins Stewart Limited Share Option Deed

In consideration of covenants and obligations that Collins Stewart Limited (Collins Stewart) agreed under the Company AIM Placing Agreement and its services provided there under, the Board on 12 April 2006 approved the Collins Stewart Limited Share Option Deed (the CS Deed). The CS Deed provided for the grant of share options of up to 1% of the issued ordinary share capital of the Company on a fully diluted basis immediately following admission to AIM, conditional upon admission occurring no later than 4 May 2006. Admission was completed on 20 April 2006 whereon the Company issued share options to Collins Stewart as detailed below. The options were fully vested at date of grant and could be exercised over a 3 year period through to 20 April 2009, at the exercise price of £0.93 (A$2.23).

Set out below are summaries for 2008 and 2009 of options granted under the deed:

Consolidated and parent entity – 2009

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited & expired during the year	Balance at end of the year	Exercisable at end of the year
			No.	No.	No.	No.	No.	No.
20 April 2006	20 April 2009	£0.93	503,350	-	-	(503,350)	-	-
			503,350	**-**	**-**	**(503,350)**	**-**	**-**
Weighted Average Exercise Price			**£0.93**	**-**	**-**	**£0.93**		

Consolidated and parent entity – 2008

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited & expired during the year	Balance at end of the year	Exercisable at end of the year
			No.	No.	No.	No.	No.	No.
20 April 2006	20 April 2009	£0.93	503,350	-	-	-	503,350	503,350
			503,350	**-**	**-**	**-**	**503,350**	**503,350**
Weighted Average Exercise Price			**£0.93**	**-**	**-**	**-**	**£0.93**	**£0.93**

The share options are governed by their original terms and conditions. No share options were forfeited during the year covered by the above tables. 503,350 share options expired during the year covered by the above tables. The weighted average remaining contractual life of share options outstanding at the end of the period was Nil (2008: 0.8 years).

(d) Expenses arising from share-based payment transactions

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

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Options issued under 2006 Share Option Exchange	47,646	42,743	47,646	53,244
Options issued under 2006 Employee Share Option Plan	532,563	704,546	532,563	563,331
	580,209	747,289	580,209	616,575

Total expenses arising from share-based payment transactions recognised during the period as part of cost of issue on new capital were as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Options issued under Collins Stewart Limited Share Option Deed	-	-	-	-

Note 30 Economic dependency

The Group is highly dependent upon a small number of customers and potential customers, in particular Murata Manufacturing Co. Ltd. from which A$5,306,370 of revenue was generated by the Group in the year ended 30th June 2009 .(2008: A$567,610) .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 31 Earnings per share

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

	Consolidated	
	2009	2008
	Cents	Cents
(a) Basic earnings per share		
(Loss) attributable to the ordinary equity holders of the Company	(6.3)	(23.6)
(b) Diluted earnings per share		
(Loss) attributable to the ordinary equity holders of the Company	(6.3)	(23.6)

	Consolidated	
	2009	2008
	No.	No.
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	49,325,503	49,042,674
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	49,325,503	49,042,674

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

Directors' declaration

In the directors' opinion:

(a) The financial statements and notes set out on pages 19 to 58 are in accordance with the Corporations Act 2001, including:

  (i) complying with Accounting Standards, the Corporations Regulations 2001 and mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Company's and Group's financial position as at 30 June 2009 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.

(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.

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

25 September 2009

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

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

Report on the financial report

We have audited the accompanying financial statements of CAP-XX Limited (the "Company") which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both CAP-XX Limited and the CAP-XX Limited Group. The consolidated entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

PRICEWATERHOUSECOOPERS

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

Auditor's opinion

In our opinion:

(a) the financial report of CAP-XX Limited is in accordance with the *Corporation Act 2001*, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their 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 consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

This opinion must be read in conjunction with the rest of our audit report.

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 from operating activities during the year ended 30 June 2009. 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 realize its assets and extinguish its liabilities in the normal course of business and at the amount stated in the financial report.

PricewaterhouseCoopers

Willie Seaton
Partner

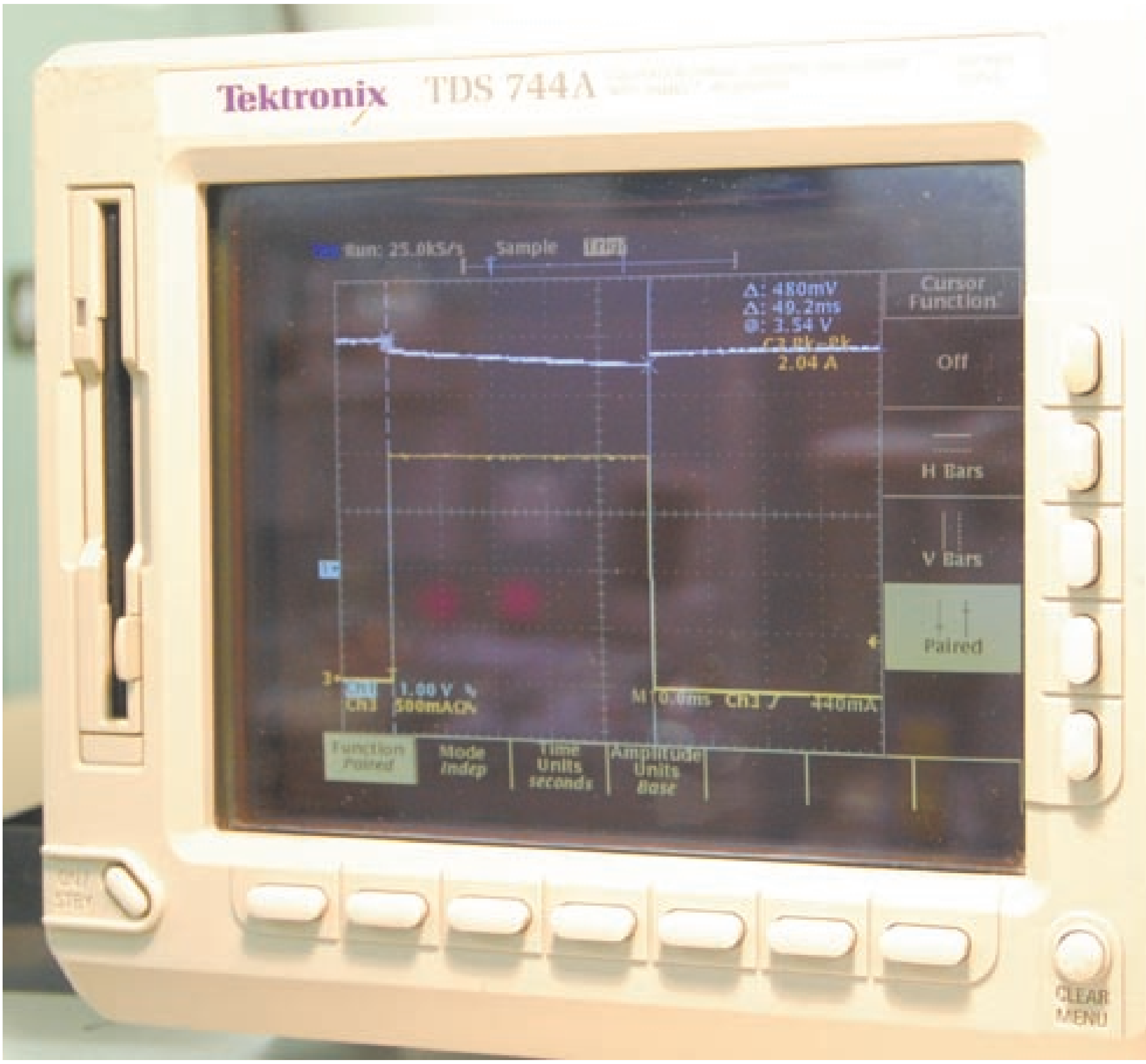
Sydney
25 September 2009

Notes

Notes

Notes

CAP-XX



The illustration shows an oscilloscope demonstrating the effectiveness of a CAP-XX HW 203 supercapacitor in supporting a high power load. The bottom trace shows a 2A current pulse lasting 50msecs. The top trace shows the supercapacitor voltage while supporting this load. The voltage only drops from 4V to approximately 3.5V.

CAP-XX

ANNUAL REPORT 2009

09

CAP-XX Limited
ABN 47 050 845 291

Units 9 & 10,
12 Mars Road
Lane Cove NSW 2066
Australia

Ph +61 2 9420 0690
Fax +61 2 9420 0692
email sales@cap-xx.com
www.cap-xx.com