1. Summary of Significant Accounting Policies

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes comply with International Financial Reporting Standards ("IFRS"). For the purposes of preparing the consolidated financial statements, the Company is a for profit entity.

The financial statements were authorised for issue by the Directors on 27 February 2014.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of investment property. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are expressed in Australian dollars.

(a) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest rate method.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments maturing within less than 3 months at the date of acquisition, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

(c) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of short term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

Defined contribution plans - Contributions to defined benefit contribution superannuation plans are expensed when incurred.

(d) Financial assets

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition.

Loans and receivables

Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

(e) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest

Interest is classified as an expense consistent with the statement of financial position classification of the related debt.

1. Summary of Significant Accounting Policies (Cont.)

(f) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are bought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value and historic cost that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit and loss in the period they arise.

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit and loss on disposal of the foreign operation.

(g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(h) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(i) Impairment of assets

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

1. Summary of Significant Accounting Policies (Cont.)

(j) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the assets and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settles its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(k) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. The intangible assets are written off on a straight line basis over 14 years. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(l) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the reporting date. Gains or losses arising from changes in the fair value of the investment property are included in profit or loss in the period in which they arise.

(m) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1. Summary of Significant Accounting Policies (Cont.)

(n) Payables

Trade payable and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(o) Provisions

Provisions are recognised when the entity has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(p) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

(q) Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straightline method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sales in the present condition. Management must be committed to the sale, which should be expected to qualify as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

The following estimated useful lives are used in the calculation of depreciation:

Computers and related equipment	5 to 15 years
Leasehold improvements	3 to 5 years
Office furniture and equipment	5 to 15 years

(r) Revenue Recognition

Rental revenue comprises revenue earned from the rental of the premises at 360 Pacific Highway, Crows Nest, New South Wales. Rental revenue is recognised on a straight line basis over the term of the relevant lease (See Note 1(m)).

Interest income and distributions received are recognised as it accrues.

(s) Application of New and Revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

1. Summary of Significant Accounting Policies (Cont.)

(s) Application of New and Revised Accounting Standards (Cont.)

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 10 "Consolidated Financial Statements" and AASB 2011-7 "Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards"
- AASB 12 "Disclosure of Interests in Other Entities" and AASB 2011-7 "Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards"
- AASB 127 "Separate Financial Statements" (2011) and AASB 2011-7 "Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards"
- AASB 13 "Fair Value Measurement" and AASB 2011-8 "Amendments to Australian Accounting Standards arising from AASB 13"
- AASB 119 "Employee Benefits" (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)"

Impact of the application of AASB 10

AASB 10 replaces the parts of AASB127 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and Interpretation 112 "Consolidation - Special Purpose Entities". AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. Some guidance included in AASB 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The directors of the Company made an assessment as at the date of the initial application of AASB 10 (i.e. 1 January 2013) as to whether or not the Group has control over the entities listed in Note 27 in accordance with the new definition of control and the related guidance set out in AASB 10. The directors concluded that the Company has control over the entities listed in Note 27 on the basis of it's 100% shareholding and its ability to use its power to affect its variable returns.

The application of AASB 10 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 12

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements. However this did not result in any changes to the financial statements.

Impact of the application of AASB 13

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 "Share-based Payment", leasing transactions that are within the scope of AASB 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether the price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2012 comparative period, the application of AASB 13 has not had material impact on the amounts recognised in the consolidated financial statements.

1. Summary of Significant Accounting Policies (Cont.)

(s) Application of New and Revised Accounting Standards (Cont.)

Impact of the application of AASB 119

In the current year, the Group has applied AASB 119 (as revised in 2011) "Employee Benefits" and the related consequential amendments for the first time.

The revised AASB 119 changes the definition of short-term benefits. Only benefits that are expected to be settled wholly within 12 months after the end of the end of the annual reporting period in which the employees render the service are classified as short-term employee benefits.

Specific transitional provisions are applicable to first-time application of AASB 119 (as revised in 2011). The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis. The amount of these restatements is not material.

	31 December 2013 $	31 December 2012 $
Impact on total comprehensive income for the year of the application of AASB 119 (as revised in 2011)		
Impact on (loss) for the year		
Increase in employee benefits expenses	10,654	6,687
Increase in (loss) for the year	10,654	6,687

	As at 01/01/2012 as previously reported	AASB 119 adjustments	As at 01/01/2012 as restated
Impact on assets, liabilities and equity as at 1 January 2012 of the application of the above new and revised Standards			
Current employee benefits obligation	169,747	35,027	204,774
Total effect on net assets	6,247,538	(35,027)	6,212,511
Accumulated losses	(3,101,940)	(35,027)	(3,136,967)
Total effect on equity	6,247,538	(35,027)	6,212,511

1. Summary of Significant Accounting Policies (Cont.)

(s) Application of New and Revised Accounting Standards (Cont.)

	As at 31/12/2012 as previously reported	AASB 119 adjustments	As at 31/12/2012 as restated
Impact on assets, liabilities and equity as at 31 December 2012 of the application of the above new and revised Standards			
Current employee benefits obligation	240,281	27,734	268,015
Total effect on net assets	9,286,071	(27,734)	9,258,337
Reserves	(20,935,295)	606	(20,934,689)
Accumulated losses	(5,724,039)	(28,340)	(5,752,379)
Total effect on equity	9,286,071	(27,734)	9,258,337

	AASB 119 adjustments
Impact on assets, liabilities and equity as at 31 December 2013 of the application of the amendments to AASB 119 (as revised in 2011)	
Increase in current employee benefits obligation	10,654

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments	1-Jan-17	31-Dec-17
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	1-Jan-17	31-Dec-17
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	1-Jul-13	31-Dec-14

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company or the consolidated entity but may change disclosures made.

1. Summary of Significant Accounting Policies (Cont.)

(t) Share based payments

Equity-settled share-based payments are measured at fair value at the date of the grant. Fair value is measured by use of a Black-Scholes Option Pricing model. The expected life used in the model has been adjusted, based on management best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

(u) Critical accounting judgements

In the application of the consolidated entity's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making these judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Asset held for sale

The directors made a critical judgement in relation to the value of the property included in Note 8 as an asset held for resale.

Intangible asset/Goodwill

The directors made a critical judgement in relation to the value of the intangible asset included in Note 10 and the impairment model used in accessing the carrying amount of the goodwill (see Note 9).

	Consolidated Year ended 31 December 2013 $	Consolidated Year ended 31 December 2012 $
2. (Loss) from Operations		
(a) Revenue		
Interest received - other entities	142,652	29,226
Management fees - related parties	14,366	-
Rental income	147,518	132,760
Total revenue	304,536	161,986
(b) Expenses		
Reduction of fair value of investment property	100,000	140,000
Amortisation	62,000	62,000
Depreciation	95,509	104,845
Employee benefits expense:		
Other employee benefits	1,370,483	1,131,289
Superannuation	12,410	12,240
	1,382,893	1,143,529
Finance costs - interest paid - other entities	-	1,776
3. Income Taxes		
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Tax expense/(income) - prior year	-	-
Deferred tax expense/(income)	-	-
Total tax expense/(income)	-	-

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

(Loss) from operations	(2,147,576)	(2,615,412)
Amortisation	62,000	62,000
Impairment of property	100,000	140,000
	(1,985,576)	(2,413,412)

	31 December 2013 $	31 December 2012 $
3. Income Taxes (Cont.)		
Income tax expense calculated at 30%	(595,673)	(724,024)
Effect of different tax rates of subsidiaries operating in other jurisdictions	143,931	155,957
Deferred tax benefit not brought to account	451,742	568,067
	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law and 25% under Israeli law. There has been no change in the corporate tax rate when compared with the previous reporting period.

(b) Unrecognised deferred tax balances		
The following deferred tax assets have not been bought to account as assets:		
Tax losses - revenue	1,793,129	1,341,387
Temporary differences	(104,961)	(52,578)
	1,688,168	1,288,809
(c) Franking account balance		
Adjusted franking account balance	86,721	86,721

(d) Israeli Tax Ruling

On July 16th 2012 a Tax Ruling was issued by the Israeli Tax Authorities (ITA) under which the ITA confirmed that the Merger carried out between Audio Pixels Ltd, a private Israeli company (P.C 513853606) and Audio Pixels Holdings Limited, a public Australian company, complies with the conditions stipulated in Section 103T of the Israeli Ordinance. Consequently, the transfer of the rights by the transferring rights holders in exchange for the issuance of shares in the Australian company is not taxable at the date of the Merger pursuant to the provisions of Section 103T of the Israeli Ordinance.

4. Key Management Personnel Remuneration

The aggregate compensation of the key management personnel of the group is set out below:

Short-term employee benefits	618,715	553,453
Post employment benefits	125,668	108,821
Share-based payments	-	-
Termination benefits	-	-
	744,383	662,274

The remuneration above relates to directors fees and superannuation paid to entities associated with Fred Bart, Cheryl Bart and Ian Dennis and the remuneration of the three senior executives of Audio Pixels Limited in Israel.

	31 December 2013 $	31 December 2012 $
5. Remuneration of Auditors		
(i) Auditor of the parent entity		
Audit or review of the financial statements	27,050	23,100
Taxation service	4,500	15,000
	31,550	38,100
(ii) Network firm of the parent entity auditor		
Audit or review of the financial statements	15,586	14,599
Taxation service	-	10,044
	15,586	24,643
The auditor of Audio Pixels Holdings Limited is Deloitte Touche Tohmatsu.		
6. Cash and Cash Equivalents		
Cash on hand and at bank	4,271,573	5,415,454
Weighted average interest rate received on cash	1.98%	2.90%
7. Trade and Other Receivables		
Current		
GST receivable	69	2,831
Interest receivable	-	4,892
Prepayments	118,838	33,838
Trade debtors	13,523	-
Other debtors	-	17,274
	132,430	58,835
Current debtors are receivable within 30 days		
Non Current		
Other debtors	6,072	13,858

Other debtors comprise security deposits with government bodies.

	31 December 2013 $	31 December 2012 $

8. Asset held for sale

Strata title commercial property	1,500,000	1,600,000

In 2013 the fair value of the Strata Title commercial property was determined in accordance with a valuation carried out on 14 February 2014 by Landmark White (Sydney) Pty Limited, independent valuers not related to the company. The valuation which conforms to Australian Valuation Standards was arrived at by reference to market evidence of transaction prices for similar properties and capitalisation of the net rental income at a rate of 7.25%.

The directors have determined the fair value of the property at 31 December 2013 of $1,500,000 based on the 14 February 2014 valuation.

9. Goodwill

Being goodwill acquired on the acquisition of Audio Pixels Limited. The goodwill is allocated to the cash generating unit of digital speakers by Audio Pixels Limited of Israel.	1,992,314	1,840,135
Balance at 1 January	1,840,135	1,840,135
Net foreign currency exchange	152,179	-
Balance at 31 December	1,992,314	1,840,135

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a 11 year period, with a growth rate reflecting the expected future growth in the product market, and a discount rate of 24% per annum. The cash flow projections used in the impairment model extend beyond 5 years as the intangible assets generating the cash flows within have a remaining life of 11 years and the product is new technology and hence related cash flows have a longer operating cycle and time to market. Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation during the budget period and factor in a probability of the viability of the product.
The directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying value to exceed the aggregate recoverable amount of the cash generating unit.
Movements in the value of the goodwill are a result of the retranslation of the goodwill from the functional currency of the cash generating unit to which it is attributed.

10. Intangible Asset

Being the independent valuation of In Process Research and Development determined at the acquisition date of 24 September 2010 by Ernst & Young, Israel in their report dated 17 August 2011.	868,000	868,000
Exchange differences on translation	55,120	-
Less accumulated amortisation	(201,500)	(139,500)
	721,620	728,500

	31 December 2013 $	31 December 2012 $
11. Property, Plant and Equipment		
Computers and related equipment - at cost	255,609	211,659
Less accumulated depreciation	(237,415)	(180,508)
	18,194	31,151
Leasehold improvements - at cost	183,065	156,595
Less accumulated depreciation	(182,604)	(156,129)
	461	466
Office furniture and equipment - at cost	742,611	603,883
Less accumulated depreciation	(591,080)	(439,659)
	151,531	164,224
Total net book value of Property, Plant and Equipment	170,186	195,841
Cost		
Computers and related equipment		
Balance at 1 January	211,659	199,003
Additions	8,172	16,455
Net foreign currency exchange differences	35,778	(3,799)
Balance as at 31 December	255,609	211,659
Leasehold improvements		
Balance at 1 January	156,595	159,642
Net foreign currency exchange differences	26,470	(3,047)
Balance as at 31 December	183,065	156,595

	31 December 2013 $	31 December 2012 $
11. Property, Plant and Equipment (Cont.)		
Office furniture and equipment		
Balance at 1 January	603,883	580,697
Additions	36,652	28,479
Net foreign currency exchange differences	102,076	(5,293)
Balance as at 31 December	742,611	603,883
Accumulated depreciation		
Computers and related equipment - at cost		
Balance as at 1 January	(180,508)	(159,243)
Net foreign currency exchange differences	(32,569)	3,275
Depreciation expense	(24,338)	(24,540)
Balance at 31 December	(237,415)	(180,508)
Leasehold improvements		
Balance as at 1 January	(156,129)	(159,095)
Net foreign currency exchange differences	(26,398)	3,038
Depreciation expense	(77)	(72)
Balance at 31 December	(182,604)	(156,129)
Office furniture and equipment		
Balance as at 1 January	(439,659)	(367,200)
Net foreign currency exchange differences	(80,327)	7,774
Depreciation expense	(71,094)	(80,233)
Balance at 31 December	(591,080)	(439,659)
12. Trade and Other Payables		
Current		
Trade payables and accruals	668,014	303,115
Other creditors - related parties	-	23,156
	668,014	326,271

The payables are non interest bearing and have an average credit period of 30 days.

	31 December 2013 $	31 December 2012 $
13. Current Borrowings		
At amortised cost		
Commercial bill - secured	-	-
Financing arrangements		
Total facilities available	-	920,000
Facilities utilised at balance date	-	-
Facilities not used at balance date	-	920,000

The commercial bills were denominated in Australian dollars. The commercial bill facility of $900,000 was a committed facility secured by a registered first mortgage against the Strata Title property. The $900,000 commercial bill expired on 28 February 2013. The average weighted interest rate on the interest bearing liabilities was Nil (2012 - 5.85%). The unused facility of $20,000 relates to a credit card facility. The carrying amount is equal to the fair value.

14. Provisions		
Employee benefits	419,843	268,015
15. Issued Capital		
Issued and paid up capital		
Fully paid Ordinary Shares		
Balance at the beginning of the financial year	35,945,405	30,360,295
Issue of shares at $5.00 each for cash	1,000,000	5,585,110
Issue of shares at $1.59 each for cash	48,123	-
Issue of shares on exercise of options	405,414	-
Balance at the end of the financial year	37,398,942	35,945,405

Fully paid Ordinary Shares	Number	Number
Balance at the beginning of the financial year	24,409,985	23,292,963
Issue of shares at $5.00 each for cash	200,000	1,117,022
Issue of shares $1.59 each for cash	30,183	-
Issue of shares on exercise of options	1,066,879	-
Balance at the end of the financial year	25,707,047	24,409,985

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

Changes in the Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefor the company does not have a limited amount of authorised capital and issued shares do not have a par value.

16. Options Issued to Founders and Staff

On 13 January 2011, shareholders approved the issue of 1,066,879 unlisted options at an exercise price of 38 cents to the founders and staff of Audio Pixels Limited of Israel. These 1,066,879 unlisted options were issued on 11 February 2011. All the 1,066,879 options were exercised during the year raising $405,414. There are no options outstanding at balance date or the date of this report.

Each share option converted to one ordinary share in Audio Pixels Holdings Limited. The options carry neither rights to dividends nor voting rights.

The allocation of the options between the founders and staff is as follows:

	Number	Value
Founders	919,879	3,891,088
Staff	147,000	621,810
	1,066,879	4,512,898

The value of the options issued to the three founders was allocated to the minority acquisition reserve and the value of the options issued to staff was treated as share based payments in the 31 December 2011 profit and loss account.

	2013		2012	
	Number	Weighted Average Exercise price $	Number	Weighted Average Exercise price $
Balance at the beginning of the financial year	1,066,879	0.38	1,066,879	0.38
Exercised during the year	(1,066,879)	0.38	-	-
Balance at the end of the financial year	-	-	1,066,879	0.38
Exercisable at end of year	-	-	-	0.38

These 1,066,879 options were subject to a voluntary escrow which expired on 11 February 2013.

	31 December 2013 $	31 December 2012 $
17. Reserves		
Foreign currency translation		
Balance at the beginning of the financial year	91,105	14,977
Translation of foreign operations	(857,960)	76,128
Balance at end of financial year	(766,855)	91,105

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit and loss on the disposal of the foreign operation.

Equity settled option reserve		
Balance at the beginning of the financial year	4,512,898	4,512,898
Balance at end of financial year	4,512,898	4,512,898

The above equity-settled option reserve relates to share options granted by the Company.

Minority acquisition reserve		
Balance at the beginning of the financial year	(25,538,692)	(25,538,692)
Balance at end of financial year	(25,538,692)	(25,538,692)

The minority interest reserve comprises amounts related to the acquisition of a minority interest shareholding in a subsidiary company in a prior period.

Total Reserves	**(21,792,649)**	**(20,934,689)**
18. Accumulated Losses		
Balance at the beginning of the financial year	(5,752,379)	(3,136,967)
(Loss) for the year attributable to owners of the company	(2,147,576)	(2,615,412)
Balance at the end of the financial year	(7,899,955)	(5,752,379)

	31 December 2013 $	31 December 2012 $

19. Notes to the Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than 3 months at the date of acquisition. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	4,271,573	5,415,454

(b) Restricted cash

Cash held as security for future lease payments	30,667	23,251

(c) Reconciliation of (loss) for the period to net cash flows from operating activities

(Loss) after related income tax	(2,147,576)	(2,615,412)
Prior period adjustment	-	(6,687)
Reduction in fair value of investment property	100,000	140,000
Amortisation	62,000	62,000
Depreciation	95,509	104,845
Foreign exchange	(1,214,263)	104,783
Changes in assets and liabilities		
(Increase)/decrease in assets		
Current trade and other receivables	(73,595)	(13,608)
Non-current trade and other receivables	7,786	445
Increase/(decrease) in liabilities		
Provisions	151,828	70,534
Current trade payables	341,743	(53,734)
Net cash used in operating activities	(2,676,568)	(2,206,834)

20. Related Party Transactions

(a) Directors

The Directors of Audio Pixels Holdings Limited in office during the year were Fred Bart, Ian Dennis and Cheryl Bart.

(b) Directors' Shareholdings

	2013 Number	2012 Number
Fred Bart	5,441,250	5,291,250
Ian Dennis	570,050	520,050
Cheryl Bart	500,000	500,000

Mr Fred Bart purchased 200,000 ordinary shares during the year ended 31 December 2013 via a placement approved by shareholders in general meeting. On 4 September 2013, Ian Dennis purchased 50,000 ordinary shares from Fred Bart at $2.00 each.

(c) Transactions with Related Entities

The company has paid Nil (year ended 31 December 2012: $35,464) in respect of rental of the Sydney offices premises to 4F Investments Pty Limited, a company associated with Fred Bart. These rentals were based on a share of actual costs incurred and did not include a profit mark up.

The company received $14,366 (year ended 31 December 2012: Nil) in respect of management fees from 4F Investments Pty Limited, a company associated with Fred Bart. These management fees are based on a share of actual costs incurred and do not include a profit mark up.

During the year ended 31 December 2013, the Company paid a total of $107,488 (year ended 31 December 2012 - $107,365) to 4F Investments Pty Limited, a company associated with Mr Fred Bart in respect of directors fees and superannuation for Mr Fred Bart and Mrs Cheryl Bart.

During the year ended 31 December 2013, the Company paid a total of $40,922 (year ended 31 December 2012 - $40,875) to Dennis Corporate Services Pty Limited, a company associated with Mr Ian Dennis in respect of directors fees and superannuation.

During the year, the Company paid $30,000 (31 December 2012 - $30,000) to Dennis Corporate Services Pty Limited, a company associated with Mr Ian Dennis in respect of consulting fees for company secretarial and accounting services.

On 29 October 2012, the company entered into a sublease in respect of office premises at Level 12, 75 Elizabeth Street Sydney for a period of seventeen months to 30 March 2014. The company recharges 20% of the rent to Electro Optic Systems Holdings Limited, a company of which Fred Bart and Ian Dennis are directors, 20% to 4F Investments Pty Limited, a company controlled by Fred Bart and 40% to another tenant who is a shareholder in the company. The related parties have advanced Nil (2012: $23,156) to the company as advance rent which is included in other creditors in Note 12.

	31 December 2013 $	31 December 2012 $
21. Earnings per Share		
Basic (loss) per share	(8.46 cents)	(11.23 cents)
Diluted (loss) per share	(8.46 cents)	(11.23 cents)
(Loss) (a)	(2,147,576)	(2,615,412)
Weighted average number of Ordinary Shares	25,395,498	23,292,963

(a) (Loss) used in the calculation of basic earnings per share are the same as the net (loss) in the Statement of profit or loss and other comprehensive income.

Diluted (loss) per share

There were 1,066,879 unlisted options exercisable at 38 cents which expire on 31 March 2013 which were potential ordinary shares which were considered to be antidilutive as they would result in a reduction in the loss per share if exercised. Accordingly as per AASB 133 the basic earnings per share is the same as diluted earnings per share as no adjustment has been made for the antidilutive potential ordinary shares.

22. Segment Information

Since 24 September 2010, the company acquired an equity interest in Audio Pixels Limited of Israel which is involved in the development of digital speakers.

Segment Revenues		
Property investment	147,518	132,760
Digital speakers	-	-
Total of all segments	147,518	132,760
Unallocated	157,018	29,226
Total	304,536	161,986
Segment Results		
Property investment	10,475	100,806
Digital speakers	(2,315,069)	(2,745,444)
Total of all segments	(2,304,594)	(2,644,638)
Unallocated	157,018	29,226
(Loss) before income tax	(2,147,576)	(2,615,412)
Income tax gain/(expense)	-	-
(Loss) for the period	(2,147,576)	(2,615,412)

The consolidated entity had one customer who provided 100% of the rental income for the year ended 31 December 2013 and 100% for the year ended 31 December 2012.

22. Segment Information (Cont.)

Segment Assets and Liabilities

	Assets		Liabilities	
	31 December 2013 $	31 December 2012 $	31 December 2013 $	31 December 2012 $
Property investment	1,513,523	1,600,000	-	-
Other investments	-	-	-	-
Digital speakers	3,009,030	2,834,338	1,087,857	594,286
Total all segments	4,522,553	4,434,338	1,087,857	594,286
Unallocated	4,271,642	5,418,285	-	-
Consolidated	8,794,195	9,852,623	1,087,587	594,286

Assets used jointly by reportable segments are allocated on the basis of the revenue earned by the individual reportable segments.

Other Segment Information

	Depreciation and amortisation of segment assets		Acquisition of segment assets	
	31 December 2013 $	31 December 2012 $	31 December 2013 $	31 December 2012 $
Property investment	-	-	-	-
Other investments	-	-	-	-
Digital speakers	157,509	166,845	44,824	44,934
Total all segments	157,509	166,845	44,824	44,934
Unallocated	-	-	-	-
Consolidated	157,509	166,845	44,824	44,934

22. Segment Information (Cont.)

Information on Geographical Segments

Geographical Segments	Revenue from External Customers $	Segment Assets $	Acquisition of Segment Assets $
31 December 2013			
Australia	304,536	5,674,251	-
Israel	-	3,119,944	44,824
Total	304,536	8,794,195	44,824
31 December 2012			
Australia	161,952	6,885,407	-
Israel	34	2,967,216	44,934
Total	161,986	9,852,623	44,934

23. Financial Risk Management Objectives and Policies

The consolidated entity's principal financial instruments comprise receivables, payables, cash and short term deposits.

Due to the small size of the group significant risk management decisions are taken by the board of directors. These risks include market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Directors do not plan to eliminate risk altogether, rather they plan to identify and respond to risks in a way that creates value for the company and its shareholders. Directors and shareholders appreciate that in order for the consolidated entity to compete and grow, a long term strategy needs to involve risk taking for reward.

The consolidated entity does not use derivative financial instruments to hedge these risk exposures.

Risk Exposures and Responses

(a) Interest Rate Risk

The Group's exposure to market interest rates relates primarily to the consolidated entity's cash holdings and short term deposits.

At balance date, the consolidated entity had the following mix of financial assets exposed to Australian interest rate risk that are not designated in cash flow hedges:

	31 December 2013 $	31 December 2012 $
Financial assets		
Cash and cash equivalents	4,271,573	5,415,454

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

At 31 December 2013, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax (loss) and equity would have been affected as follows:

Judgements of reasonably possible movements	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	31 December 2013 $	31 December 2012 $	31 December 2013 $	31 December 2012 $
Consolidated entity				
+1% (100 basis points)	21,273	54,244	21,273	54,244
-.5% (50 basis points)	(21,443)	(26,987)	(21,443)	(26,987)

The movements in profits are due to higher/lower interest rates on cash and cash equivalents balances. The cash and cash equivalents balances were lower in December 2013 than in December 2012 and accordingly the sensitivity is lower.

23. Financial Risk Management Objectives and Policies (Cont.)

(b) Foreign Currency Risk

The consolidated entity has a foreign currency risk since the acquisition of Audio Pixels Limited. Audio Pixels Limited operates in Israel and all transfer of funds to Audio Pixels Limited are denominated in US dollars. The consolidated entity does not hedge its US dollar exposure.

The carrying amounts of the Group's foreign currency (US$) denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	31 December 2013 $	31 December 2012 $	31 December 2013 $	31 December 2012 $
Cash and cash equivalents	-	-	1,024,765	941,813
Trade and other receivables	-	-	116,349	25,157
Trade and other payables	392,479	275,267	-	-

All US$ denominated financial instruments were translated to A$ at 31 December 2013 at the exchange rate of 0.8874 (2012: 1.0374).

At 31 December 2013 and 31 December 2012, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

Judgements of reasonably possible movements	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2013 $	2012 $	2013 $	2012 $
Consolidated				
AUD/USD +10%	261,693	173,386	261,693	173,386
AUD/USD -5%	(151,506)	(100,381)	(151,506)	(100,381)

Management believes the balance date risk exposures are representative of risk exposure inherent in financial instruments.

(c) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties which are continuously monitored. Rental revenue is due in advance.

The credit risk on liquid funds is limited because the counterparties are major banks with high credit-ratings assigned by international credit agencies.

23. Financial Risk Management Objectives and Policies (Cont.)

(d) Liquidity Risk Management

The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The consolidated entity's investments in money market instruments all have a maturity of less than 3 months.

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate risk management framework for the management of the consolidated entity's short, medium and long term funding and liquidity requirements. The consolidated entity manages liquidity by maintaining adequate cash reserves by continuously monitoring forecast and actual cash flows and managing maturity profiles of financial assets.

Prior to being repaid, the consolidated entity's commercial bill borrowings of $900,000 were rolled over on a monthly basis at prevailing commercial interest rates. The commercial bill facility expired on 28 February 2013.

The following tables detail the consolidated entity's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on these assets except where the consolidated entity anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than 1 month $	1-3 months $	3 months to 1 year $	1-5 years $
31 December 2013					
Non interest bearing	0.00	962,021	-	-	-
Fixed rate instruments	1.98	3,316,608	14,110	63,497	-
31 December 2012					
Non interest bearing	0.00	864,181	-	-	-
Fixed rate instruments	2.90	4,532,514	26,160	31,839	-

(e) Commodity Price Risk

The consolidated entity has no exposure to commodity price risk.

(f) Other Price Risks

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

24. Financial Instruments

Fair value of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

The Strata Title property held for resale is the only asset in the Group measured at fair value. The fair value determined at 31 December 2013 was $1,500,000 (2012: $1,600,000).

The fair value hierarchy was Level 3.

Movement schedule

Opening balance	1,600,000
Total gains/(losses) in profit/(loss)	(100,000)
Closing balance	1,500,000

Sensitivity schedule

Movements in the valuation of the property have sensitivity to the capitalisation rate. Increases in the capitalisation rate would result in a lower property valuation and vice versa.

25. Subsequent Events

The Directors are not aware of any significant events since the end of the financial year and up to the date of this report.

	31 December 2013 $	31 December 2012 $
26. Parent Entity Disclosures		
Financial position		
Assets		
Current assets	12,215,449	10,003,453
Non-current assets	4,028,209	4,028,209
Total assets	16,243,658	14,031,662
Liabilities		
Current liabilities	16,415	51,002
Non-current liabilities	-	-
Total liabilities	16,415	51,002
Net assets	16,227,243	13,980,660
Equity		
Issued capital	37,398,942	35,945,405
Reserves	(21,025,794)	(21,025,794)
(Accumulated losses)/Retained earnings	(145,905)	(938,951)
Total equity	16,227,243	13,980,660
Financial performance		
Profit/(Loss) for the period	793,046	(652,851)
Other comprehensive income	-	-
	793,046	(652,851)

27. Controlled Entity

Name of Entity	Country of Incorporation	31 December 2013 %	31 December 2012 %
Parent Entity			
Audio Pixels Holdings Limited	Australia		
Controlled Entity			
Audio Pixels Limited	Israel	100.00	100.00

28. Leases

Operating leases - leasing arrangements (the Company as Lessor)

Operating leases relate to the strata title property owned by the consolidated entity with a remaining lease term of thirty three months to 30 September 2016, with an option for a further term of three years. The operating leases contain rental review clauses. The lessee does not have an option to buy the property at the expiry of the lease period.

	31 December 2013 $	31 December 2012 $
Non-cancellable operating lease receivables		
Not longer than 1 year	147,518	110,639
Longer than 1 year and not longer than 5 years	358,153	-
Longer than 5 years	-	-
	405,671	110,639

Operating leases - leasing arrangements (the Company as lessee)

The parent company entered into a sublease arrangement in respect of its head office premises at Level 12, 75 Elizabeth Street, Sydney NSW commencing on 29 October 2012 for a period of 17 months to 30 March 2014.

	31 December 2013 $	31 December 2012 $
Non-cancellable operating lease payables		
Not longer than 1 year	1,412	65,599
Longer than 1 year and not longer than 5 years	-	30,000
Longer than 5 years	-	-
	1,412	95,599

At the date of this report, the Company is negotiating a new four year lease on the current premises from 31 March 2014. The Company recovers 80% of the lease payments from director related entities who sublease space from the company on a month to month arrangement.

29. Contingent Liability

The parent company has been advised of a potential derivative action in Israel by an individual shareholder of BE4 Limited, an Israeli company in bankruptcy proceedings. At the date of this report the parent company has not been formally served. The Directors do not believe the Company has a case to answer, and is prepared to vigorously defend any action if commenced.

30. Additional Company Information

Audio Pixels Holdings Limited is a listed public company, incorporated and operating in Australia.

Registered Office and Principal Place of Business

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The Company has 11 (2012: 11) employees in Israel.