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 25 March 2015.

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) Going concern

The financial report has been prepared on the going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity incurred a net loss during the year of $2,796,787 (2013: $2,147,576). Net cash used by operating activities was $3,882,688 (2013: $2,676,568). As at 31 December 2014, the consolidated entity had cash of $1,875,504 (2013: $4,271,573) of which $29,744 (2013 - $30,677) is restricted as it secures future lease payments. The cash will become unrestricted if the contracts are concluded or renegotiated.

In the opinion of the directors, the ability of the company and consolidated entity to continue as going concerns and pay their debts as and when they become due and payable is dependent upon:

- the completion of the development stage of the technology;
- the future trading prospects of the consolidated entity including obtaining commercial contracts; and
- the ability of the company to raise capital from existing or new shareholders.

If the company and the consolidated entity are unable to achieve successful outcomes in relation to the above matters, significant uncertainty would exist as to the ability of the company and the consolidated entity to continue as going concerns and therefore, they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

No adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

(c) 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.

(d) 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.

(e) 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.

1. Summary of Significant Accounting Policies (Cont.)

(f) 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.

(g) 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.

(h) 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.

(i) 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.

1. Summary of Significant Accounting Policies (Cont.)

(j) 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.

(k) 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.

(l) 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.

(m) 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.

1. Summary of Significant Accounting Policies (Cont.)

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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

1. Summary of Significant Accounting Policies (Cont.)

(s) 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 on an accrual basis.

(t) 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.

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

- AASB 1031 Materiality (2013)
- AASB 2012-3 Amendments to AASB 132 - Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures
- AASB 2013-9 Amendments to Conceptual Framework and Materiality - Part B
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

Impact of the application of AASB 1031

Revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality.

The application of AASB 1031 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 2012-3

Address inconsistencies in current practice when applying the offsetting criteria in AASB 132 Financial Instruments: Presentation. Clarifies the meaning of "currently has a legally enforceable right of set-off" and" simultaneous realisation and settlement". However this did not result in any changes to the financial statements.

Impact of the application of AASB 2013-3

Narrow-scope amendments to AASB 136 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

The application of AASB 2013-3 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 2013-9

Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and minor editorial amendments to various standards.

The application of AASB 2013-9 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 2011-4

Amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. As a result the Group only discloses the key management personnel compensation in total for each of the categories required by AASB 124.

Such disclosures are more in the nature of governance disclosures that are better dealt with as part of the Corporations Act 2001.

The application of AASB 2011-4 has not had any material impact on the amounts recognised in the consolidated financial statements.

1. Summary of Significant Accounting Policies (Cont.)

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

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 2014-1 Amendments to Australian Accounting Standards - Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles - Part B: Defined Benefit Plans: Employee Contributions - Part C: Materiality	1 July 2014	31 Dec 2015
AASB 2014-1 Amendments to Australian Accounting Standards - Part D Consequential amendments arising from AASB 14 - Part E: Financial Instruments	1 Jan 2018	31 Dec 2018
AASB 15 Revenue from Contracts with Customers and relevant amending standards	1 Jan 2017	31 Dec 2017
AASB 9 Financial Instruments and relevant amending accounting standards	1 Jan 2018	31 Dec 2018
AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016	31 Dec 2016

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.

(u) 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.

1. Summary of Significant Accounting Policies (Cont.)

(v) 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:

Intangible asset/Goodwill

The directors made a critical judgement in relation to the value of the intangible asset included in Note 9 and the impairment model used in accessing the carrying amount of the goodwill (see Note 8).

Deferred tax

The directors made a critical judgement in relation to not recognising the deferred tax balances described in Note 3(b). The directors do not currently consider its probable that sufficient taxable amounts will be available against which deductible temporary differences can be utilised.

	Consolidated Year ended 31 December 2014 $	Consolidated Year ended 31 December 2013 $
2. (Loss) from Operations		
(a) Revenue		
Interest received - other entities	44,020	142,652
Management fees - related parties	-	14,366
Management fees - other	1,600	-
Rental income	135,963	147,518
Total revenue	181,583	304,536
(b) Expenses		
Reduction of fair value of investment property	-	100,000
Loss on sale of property	63,391	-
Amortisation	67,601	62,000
Depreciation	74,483	95,509
Employee benefits expense:		
Other employee benefits	1,464,298	1,370,483
Superannuation	12,750	12,410
	1,477,048	1,382,893

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	(2,796,787)	(2,147,576)
Amortisation	67,601	62,000
Loss on sale of property	63,391	-
Impairment of property	-	100,000
	(2,665,795)	(1,985,576)

	31 December 2014 $	31 December 2013 $
3. Income Taxes (Cont.)		
Income tax expense calculated at 30%	(799,739)	(595,673)
Effect of different tax rates of subsidiaries operating in other jurisdictions	175,310	143,931
Deferred tax benefit not brought to account	624,429	451,742
	-	-

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	2,417,588	1,793,129
Tax losses - capital	168,038	-
Temporary differences	(104,671)	(104,961)
	2,480,955	1,688,168

(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.

	31 December 2014 $	31 December 2013 $
4. Remuneration of Auditors		
(i) Auditor of the parent entity		
Audit or review of the financial statements	32,300	27,050
Taxation service	2,500	4,500
	34,800	31,550
(ii) Network firm of the parent entity auditor		
Audit or review of the financial statements	17,614	15,586
Taxation service	5,594	-
	23,208	15,586

The auditor of Audio Pixels Holdings Limited is Deloitte Touche Tohmatsu.

5. Cash and Cash Equivalents

Cash on hand and at bank	1,875,504	4,271,573
Weighted average interest rate received on cash	1.97%	1.98%

6. Trade and Other Receivables

Current		
GST receivable	8,116	69
Prepayments	71,084	118,838
Trade debtors	-	13,523
	79,200	132,430

Current debtors are receivable within 30 days

Non Current		
Other debtors	6,117	6,072

Other debtors comprise security deposits with government bodies.

	31 December 2014 $	31 December 2013 $

7. Asset Held for Sale

Strata title commercial property	-	1,500,000

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 property was sold during the course of the 2014 year.

8. 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.	2,124,068	1,992,314
Balance at 1 January	1,992,314	1,840,135
Net foreign currency exchange	131,754	152,179
Balance at 31 December	2,124,068	1,992,314

The recoverable amount of this cash generating unit is determined based on a fair value less costs of disposal calculation which uses cash flow projections based on financial budgets approved by the directors covering an 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 relate to new technology and hence reflect 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.

9. 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	111,447	55,120
Less accumulated amortisation	(269,101)	(201,500)
	710,346	721,620

	31 December 2014 $	31 December 2013 $
10. Property, Plant and Equipment		
Computers and related equipment - at cost	296,039	255,609
Less accumulated depreciation	(274,730)	(237,415)
	21,309	18,194
Leasehold improvements - at cost	199,132	183,065
Less accumulated depreciation	(198,722)	(182,604)
	410	461
Office furniture and equipment - at cost	829,720	742,611
Less accumulated depreciation	(704,139)	(591,080)
	125,581	151,531
Total net book value of Property, Plant and Equipment	147,300	170,186
Cost		
Computers and related equipment		
Balance at 1 January	255,609	211,659
Additions	17,997	8,172
Net foreign currency exchange differences	22,433	35,778
Balance as at 31 December	296,039	255,609
Leasehold improvements		
Balance at 1 January	183,065	156,595
Net foreign currency exchange differences	16,067	26,470
Balance as at 31 December	199,132	183,065

	31 December 2014 $	31 December 2013 $
10. Property, Plant and Equipment (Cont.)		
Office furniture and equipment		
Balance at 1 January	742,611	603,883
Additions	21,933	36,652
Net foreign currency exchange differences	65,176	102,076
Balance as at 31 December	829,720	742,611
Accumulated depreciation		
Computers and related equipment - at cost		
Balance as at 1 January	(237,415)	(180,508)
Net foreign currency exchange differences	(21,530)	(32,569)
Depreciation expense	(15,785)	(24,338)
Balance at 31 December	(274,730)	(237,415)
Leasehold improvements		
Balance as at 1 January	(182,604)	(156,129)
Net foreign currency exchange differences	(16,031)	(26,398)
Depreciation expense	(87)	(77)
Balance at 31 December	(198,722)	(182,604)
Office furniture and equipment		
Balance as at 1 January	(591,080)	(439,659)
Net foreign currency exchange differences	(54,448)	(80,327)
Depreciation expense	(58,611)	(71,094)
Balance at 31 December	(704,139)	(591,080)
11. Trade and Other Payables		
Current		
Trade payables and accruals	353,008	668,014
The payables are non interest bearing and have an average credit period of 30 days.		
12. Provisions		
Employee benefits	418,685	419,843

	31 December 2014 $	31 December 2013 $

13. Issued Capital

Issued and paid up capital

Fully paid Ordinary Shares		
Balance at the beginning of the financial year	37,398,942	35,945,405
Issue of shares at $5.00 each for cash	-	1,000,000
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	37,398,942

Fully paid Ordinary Shares	Number	Number
Balance at the beginning of the financial year	25,707,047	24,409,985
Issue of shares at $5.00 each for cash	-	200,000
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	25,707,047

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.

14. 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 prior 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 carried neither rights to dividends nor voting rights.

The allocation of the options between the founders and staff was 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.

14. Options Issued to Founders and Staff (Cont.)

	2014		2013	
	Number	Weighted Average Exercise price $	Number	Weighted Average Exercise price $
Balance at the beginning of the financial year	-	-	1,066,879	0.38
Exercised during the year	-	-	(1,066,879)	0.38
Balance at the end of the financial year	-	-	-	-
Exercisable at end of year	-	-	-	-

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

15. Reserves

	31 December 2014 $	31 December 2013 $
Foreign currency translation		
Balance at the beginning of the financial year	(766,855)	91,105
Translation of foreign operations	(738,709)	(857,960)
Balance at end of financial year	(1,505,564)	(766,855)

Foreign currency translation

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	**(22,531,358)**	**(21,792,649)**

16. Accumulated Losses

Balance at the beginning of the financial year	(7,899,955)	(5,752,379)
(Loss) for the year attributable to owners of the company	(2,796,787)	(2,147,576)
Balance at the end of the financial year	(10,696,742)	(7,899,955)

	31 December 2014 $	31 December 2013 $

17. 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	1,875,504	4,271,573
(b) Restricted cash		
Cash held as security for future lease payments	29,744	30,667
(c) Reconciliation of (loss) for the period to net cash flows from operating activities		
(Loss) after related income tax	(2,796,787)	(2,147,576)
Reduction in fair value of investment property	-	100,000
Loss on sale of property	63,391	-
Amortisation	67,601	62,000
Depreciation	74,483	95,509
Foreign exchange	(1,028,397)	(1,214,263)
Changes in assets and liabilities		
(Increase)/ decrease in assets		
Current trade and other receivables	53,230	(73,595)
Non-current trade and other receivables	(45)	7,786
Increase /(decrease) in liabilities		
Provisions	(1,158)	151,828
Current trade payables	(315,006)	341,743
Net cash (used in) operating activities	(3,882,688)	(2,676,568)

18. 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) KMP Remuneration

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

	31 December 2014 $	31 December 2013 $
Short-term employee benefits	690,224	618,715
Post employment benefits	143,625	125,668
	833,849	744,383

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.

(c) Transactions with related entities

The company received Nil (year ended 31 December 2013: $14,366) 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 2014, the Company paid a total of $107,734 (year ended 31 December 2013 - $107,488) 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 2014, the Company paid a total of $41,016 (year ended 31 December 2013 - $40,922) 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 2013 - $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 8 May 2014, the company entered into a lease in respect of office premises at Level 12, 75 Elizabeth Street Sydney for a period of forty eight months to 30 March 2018. The company recharges 20% ($13,559) of the rent to Electro Optic Systems Holdings Limited, a company of which Fred Bart and Ian Dennis are directors, 20% ($13,559) to 4F Investments Pty Limited, a company controlled by Fred Bart and 40% ($27,818) to another tenant who is a shareholder in the company.

	31 December 2014 $	31 December 2013 $
19. Earnings per Share		
Basic (loss) per share	(10.88 cents)	(8.46 cents)
Diluted (loss) per share	(10.88 cents)	(8.46 cents)
(Loss) (a)	(2,796,787)	(2,147,576)
Weighted average number of Ordinary Shares	25,707,047	25,395,498

(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 were exercised prior to the expiry date 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.

20. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess performance.

The identification of the Group's reportable segments has not changed from those disclosed in the previous 2013 report. The Group's reportable segments are property investment and digital speakers.

The consolidate entity operates in Australia and Israel.

Products and services within each segment

Property Investment

The parent company had a commercial strata property in Australia which was sold during the financial year. The company derived rental revenue from the property.

Digital speakers

The subsidiary company in Israel is developing a digital speaker and has not reached the stage of having any revenue.

	31 December 2014	31 December 2013
Segment Revenues		
Property investment	135,963	147,518
Digital speakers	-	-
Total of all segments	135,963	147,518
Unallocated interest revenue	45,620	157,018
Total	181,583	304,536
Segment Results		
Property investment	36,436	10,475
Digital speakers	(2,878,843)	(2,315,069)
Total of all segments	(2,842,407)	(2,304,594)
Unallocated	45,620	157,018
(Loss) before income tax	(2,796,787)	(2,147,576)
Income tax gain/ (expense)	-	-
(Loss) for the period	(2,796,787)	(2,147,576)

20. Segment Information (Cont.)

The consolidated entity had one customer who provided 100% of the rental income for the year ended 31 December 2014 and 100% for the year ended 31 December 2013.

Segment Assets and Liabilities

	Assets		Liabilities	
	31 December 2014	31 December 2013 $	31 December 2014	31 December 2013 $
Property investment	-	1,513,523	-	-
Digital speakers	3,058,915	3,009,030	771,693	1,087,857
Total all segments	3,058,915	4,522,553	771,693	1,087,857
Unallocated *	1,883,620	4,271,642	-	-
Consolidated	4,942,535	8,794,195	771,693	1,087,587

*The unallocated amount represents cash and GST receivable.

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 2014	31 December 2013 $	31 December 2014	31 December 2013 $
Property investment	-	-	-	-
Digital speakers	142,084	157,509	39,930	44,824
Total all segments	142,084	157,509	39,930	44,824
Unallocated	-	-	-	-
Consolidated	142,084	157,509	39,930	44,824

20. Segment Information (Cont.)

Information on Geographical Segments

Geographical Segments	Revenue from External Customers $	Segment Assets $	Acquisition of Segment Assets $
31 December 2014			
Australia	181,574	1,471,032	-
Israel	9	3,471,503	39,930
Total	181,583	4,942,535	39,930
31 December 2013			
Australia	304,536	5,674,251	-
Israel	-	3,119,944	44,824
Total	304,536	8,794,195	44,824

21. 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 2014 $	31 December 2013 $
Financial assets		
Cash and cash equivalents	1,875,504	4,271,573

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 2014, 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 2014 $	31 December 2013 $	31 December 2013 $	31 December 2013 $
Consolidated entity				
+1% (100 basis points)	18,695	42,530	18,695	42,630
-.5% (50 basis points)	(9,438)	(21,443)	(9,438)	(21,443)

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 2014 than in December 2013 and accordingly the sensitivity is lower.

21. 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 2014 $	31 December 2013 $	31 December 2014 $	31 December 2013 $
Cash and cash equivalents	-	-	456,829	1,024,765
Trade and other receivables	-	-	43,540	116,349
Trade and other payables	330,415	392,479	-	-

All US$ denominated financial instruments were translated to A$ at 31 December 2014 at the exchange rate of 0.8158 (2013: 0.8874).

At 31 December 2014 and 31 December 2013, 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 Loss Higher/(Lower)		Equity Higher/(Lower)	
	2014 $	2013 $	2014 $	2013 $
Consolidated				
AUD/USD +10%	318,745	261,693	318,745	261,693
AUD/USD -5%	(184,537)	(151,506)	(184,537)	(151,506)

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.

21. 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.

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 2014					
Non interest bearing	0.00	355,586	-	-	-
Fixed rate instruments	1.97	1,523,002	6,168	27,756	-
31 December 2013					
Non interest bearing	0.00	962,021	-	-	-
Fixed rate instruments	1.98	3,316,608	14,110	63,497	-

All financial liabilities are expected to be settled under commercial terms of within 3 months.

(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.

22. 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.

Prior to its sale the Strata Title property held for resale was the only asset in the Group measured at fair value. The fair value determined at 31 December 2013 was $1,500,000. The fair value hierarchy was Level 3.

Movement schedule

	31 December 2014 $	31 December 2013 $
Balance at the beginning of the financial year	1,500,000	1,600,000
Proceeds of sale received	(1,436,609)	-
Total gains/(losses) in profit/(loss)	(63,391)	(100,000)
Balance at end of financial year	-	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.

23. Subsequent Events

Apart from the announcement of the performance specifications on 3 March 2015, 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 2014 $	31 December 2013 $
24. Parent Entity Disclosures		
Financial position		
Assets		
Current assets	14,598,637	12,215,449
Non-current assets	2,428,209	4,028,209
Total assets	17,026,846	16,243,658
Liabilities		
Current liabilities	22,593	16,415
Non-current liabilities	-	-
Total liabilities	22,593	16,415
Net assets	17,004,253	16,227,243
Equity		
Issued capital	37,398,942	37,398,942
Reserves	(21,025,794)	(21,025,794)
(Accumulated losses)/Retained earnings	631,105	(145,905)
Total equity	17,004,253	16,227,243
Financial performance		
Profit/(Loss) for the period	777,010	793,046
Other comprehensive income	-	-
	777,010	793,046

25. Controlled Entity

Name of Entity	Country of Incorporation	31 December 2014 %	31 December 2013 %
Parent Entity			
Audio Pixels Holdings Limited	Australia		
Controlled Entity			
Audio Pixels Limited	Israel	100.00	100.00

26. Leases

Operating leases - leasing arrangements (the Company as lessor)

The strata title property was sold during the year. Operating leases in the prior year 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 2014 $	31 December 2013 $
Non-cancellable operating lease receivables		
Not longer than 1 year	-	147,518
Longer than 1 year and not longer than 5 years	-	358,153
Longer than 5 years	-	-
	-	505,671

Operating leases - leasing arrangements (the Company as lessee)

Previously 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.

On 8 May 2014, the parent company entered into a lease in respect of office premises at Level 12, 75 Elizabeth Street Sydney for a period of forty eight months from 31 March 2014 to 30 March 2018. 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.

	31 December 2014 $	31 December 2013 $
Non-cancellable operating lease payables		
Not longer than 1 year	87,516	1,412
Longer than 1 year and not longer than 5 years	196,911	-
Longer than 5 years	-	-
	284,427	1,412

The Company recovers 80% of the lease payments from director related entities who sublease space from the company on a month to month basis.

27. Contingent Liability

The parent company has been advised of a potential derivative action in Israel by an individual shareholder of BE4 Limited (a company with no financial interest in Audio Pixels Holdings 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.

28. 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 (2013:11) employees in Israel.