

# Half-Year Report of Audio Pixels Holdings Limited for the Half-Year Ended 30 June 2012

ACN 094 384 273

*This Half-Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3.*

Current Reporting Period: Half year ended 30 June 2012

Previous Corresponding Period: Half year ended 30 June 2011

# AUDIO PIXELS HOLDINGS LIMITED

## Results for Announcement to the Market

### Revenue and Net Profit/(Loss)

		<b>Percentage Change %</b>	<b>Amount</b>
Revenue from ordinary activities	down	46	To \$86,366
(Loss) from ordinary activities after tax attributable to members	up	N/A	To (\$1,213,734)
Net (loss) attributable to members	up	N/A	To (\$1,213,734)

### Dividends (Distributions)

	<b>Amount per security</b>	<b>Franked amount per security</b>
Final dividend	Nil¢	Nil¢
Interim dividend	Nil¢	Nil¢
Record date for determining entitlements to the dividend:		
• final dividend		N/A
• interim dividend		N/A

### Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

Refer to Directors' Report and Note 4 to the accounts

# AUDIO PIXELS HOLDINGS LIMITED

---

## Directors' Report

The directors of Audio Pixels Holdings Limited submit herewith the financial report for the half-year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the half year are:

Mr Fred Bart (Chairman)  
Mr Ian Dennis  
Ms Cheryl Bart AO

### Review of Operations

The Company continues development of our digital speakers technologies and its commercialisation into a high demand product; including but not limited to activities under a Joint Development Agreement with one of the world leading consumer electronic manufacturers, signed in July 2011.

During the reporting period the company has made significant progress toward the completion of development of the mass production capabilities required for the product. To support such commercialisation efforts, the company successfully engaged 3 of the world's leading MEMS fabricators which have been working in close cooperation with the company to rapidly complete the next phases of development, using mass fabrication equipment and methods.

In anticipation of delivery of "playing silicon" from the 3 fabs in the latter part of this year, the company has conducted a complete redesign and overhaul of its proprietary test and measurement equipment, and is now ready to rapidly and accurately measure and test the new generation of chips.

The company has also applied very significant engineering efforts toward the design of the support electronics (the "drivers"), producing unique and innovative product designs that are near ready to proceed to fabrication.

These combined activities have also yielded significant growth to our Intellectual Property portfolio, producing among others, 3 new patent filings, primarily originating from our innovations in the fields of the drive electronics and its supporting algorithms.

The entity continues to hold its commercial property in Sydney. Further information concerning the operations and financial condition of the entity can be found in the financial report and in releases made to the Australian Stock Exchange (ASX) during the half year.

### Auditor's independence declaration

The auditor's independence declaration is included on page 4 of the half-year financial report.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



I A Dennis  
Director  
Sydney, 13 August 2012

The Board of Directors  
Audio Pixels Holdings Limited  
Suite 2, Level 12  
75 Elizabeth Street  
Sydney NSW 2000

13 August 2012

Dear Board Members

### **Audio Pixels Holdings Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Audio Pixels Holdings Limited.

As lead audit partner for the review of the financial statements of Audio Pixels Holdings Limited for the half-year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



David Black  
Partner  
Chartered Accountants

## **Independent Auditor's Review Report to the members of Audio Pixels Holdings Limited**

We have reviewed the accompanying half-year financial report of Audio Pixels Holdings Limited, which comprises the condensed statement of financial position as at 30 June 2012, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 21.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Audio Pixels Holdings Limited's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Audio Pixels Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Audio Pixels Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Audio Pixels Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



David Black  
Partner  
Chartered Accountants  
Parramatta, 13 August 2012

# **AUDIO PIXELS HOLDINGS LIMITED**

---

## **Directors' Declaration**

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position as at 30 June 2012 and the performance for the half year ended on that date of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



I A Dennis  
Director  
Sydney, 13 August 2012

## AUDIO PIXELS HOLDINGS LIMITED

### Condensed Consolidated Statement of Comprehensive Income for the half-year ended 30 June 2012

	Note	Consolidated Half-year ended 30 June 2012 \$	Consolidated Half-year ended 30 June 2011 \$
Revenue	2(a)	86,366	158,754
Administrative expenses		(496,246)	(562,455)
Amortisation		(31,000)	-
Depreciation		(58,031)	(73,074)
Directors fees		(68,000)	(68,000)
Exchange gains/(losses)		196	(74,226)
Finance costs		-	(29,916)
Property expenses		(13,440)	(28,822)
Research and development		(633,579)	(512,362)
Share based payments		-	(621,810)
<b>(Loss) before income tax expense</b>	<b>2</b>	<b>(1,213,734)</b>	<b>(1,811,911)</b>
Income tax expense		-	1,210
<b>(Loss) for the period</b>	<b>4</b>	<b>(1,213,734)</b>	<b>(1,810,701)</b>
<b>Other Comprehensive Income</b>			
Exchange differences arising on translation of foreign operations		(5,154)	65,451
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income for the period (net of tax)		(5,154)	65,451
<b>Total Comprehensive (loss) for the period</b>		<b>(1,218,888)</b>	<b>(1,745,250)</b>
(Loss) attributable to:			
Owners of the company		(1,213,734)	(1,810,701)
		(1,213,734)	(1,810,701)
Total comprehensive (loss) attributable to:			
Owners of the company		(1,218,888)	(1,745,250)
		(1,218,888)	(1,745,250)
<b>(Loss) per share:</b>			
Basic (cents per share)	4	(5.211 cents)	(9.492 cents)
Diluted (cents per share)	4	(5.211 cents)	(9.492 cents)

Notes to the financial statements are included on pages 12 to 21.

# AUDIO PIXELS HOLDINGS LIMITED

## Condensed Consolidated Statement of Financial Position as at 30 June 2012

	Note	Consolidated 30 June 2012 \$	Consolidated 31 Dec 2011 \$
<b>Current Assets</b>			
Cash and cash equivalents		890,813	2,113,321
Trade and other receivables		39,896	45,227
<b>Total Current Assets</b>		930,709	2,158,548
<b>Non-Current Assets</b>			
Investment property		1,740,000	1,740,000
Goodwill	10	1,840,135	1,840,135
Intangible	11	759,500	790,500
Property, plant and equipment		228,619	253,804
Trade and other receivables		14,324	14,303
<b>Total Non-Current Assets</b>		4,582,578	4,638,742
<b>Total Assets</b>		5,513,287	6,797,290
<b>Current Liabilities</b>			
Trade and other payables		289,438	380,005
Provisions		195,199	169,747
<b>Total Current Liabilities</b>		484,637	549,752
<b>Total Liabilities</b>		484,637	549,752
<b>Net Assets</b>		5,028,650	6,247,538
<b>Equity</b>			
Issued capital	7	30,360,295	30,360,295
Reserves	8	(21,015,971)	(21,010,817)
(Accumulated losses)	3	(4,315,674)	(3,101,940)
<b>Total Equity</b>		5,028,650	6,247,538

Notes to the financial statements are included on pages 12 to 21.

## AUDIO PIXELS HOLDINGS LIMITED

### Condensed Consolidated Statement of Changes in Equity for the half-year ended 30 June 2012

	Issued Capital \$	Equity Settled Share Option Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Minority Acquisition Reserve \$	Minority Interests \$	Total \$
<b>Consolidated</b>	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2011	8,000,025	-	23,508	(171,243)	-	712,666	8,564,956
Issue of new equity to acquire the minority interests	22,360,270	-	-	-	(21,647,604)	(712,666)	-
Issue of options to founders and staff	-	4,512,898	-	-	(3,891,088)	-	621,810
	<u>30,360,295</u>	<u>4,512,898</u>	<u>23,508</u>	<u>(171,243)</u>	<u>(25,538,692)</u>	<u>-</u>	<u>9,186,766</u>
Other comprehensive income for the period	-	-	65,451	-	-	-	65,451
Loss for the period	-	-	-	(1,810,701)	-	-	(1,810,701)
Total comprehensive income for the period	-	-	65,451	(1,810,701)	-	-	(1,745,250)
<b>Balance at 30 June 2011</b>	<u>30,360,295</u>	<u>4,512,898</u>	<u>88,959</u>	<u>(1,981,944)</u>	<u>(25,538,692)</u>	<u>-</u>	<u>7,441,516</u>
	\$	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>							
Balance at 1 January 2012	30,360,295	4,512,898	14,977	(3,101,940)	(25,538,692)	-	6,247,538
Other comprehensive income for the period	-	-	(5,154)	-	-	-	(5,154)
Loss for the period	-	-	-	(1,213,734)	-	-	(1,213,734)
Total comprehensive income for the period	-	-	(5,154)	(1,213,734)	-	-	(1,218,888)
<b>Balance at 30 June 2012</b>	<u>30,360,295</u>	<u>4,512,898</u>	<u>9,823</u>	<u>(4,315,674)</u>	<u>(25,538,692)</u>	<u>-</u>	<u>5,028,650</u>

Notes to the financial statements are included on pages 12 to 21.

## AUDIO PIXELS HOLDINGS LIMITED

### Condensed Consolidated Cash flow statement for the half-year ended 30 June 2012

	<b>Consolidated Half-year ended 30 June 2012</b>	<b>Consolidated Half-year ended 30 June 2011</b>
	<b>\$</b>	
<b><i>Cash Flows From Operating Activities</i></b>		
Receipts from customers	78,771	70,312
Payments to suppliers and employees	(1,277,492)	(1,247,746)
Income taxes paid	-	(23,442)
Interest and bill discounts received	22,446	94,834
Interest and other costs of finance paid	-	(29,841)
Net cash (used in) operating activities	(1,176,275)	(1,135,883)
<b><i>Cash Flows From Investing Activities</i></b>		
Payment for property, plant and equipment	(32,516)	(50,910)
Receipt of option fee on property held for resale	-	10,000
Net cash (used in) investing activities	(32,516)	(40,910)
<b><i>Cash Flows From Financing Activities</i></b>		
Repayment of bank loan	-	(900,000)
Net cash provided by financing activities	-	(900,000)
<b><i>Net (Decrease) In Cash Held</i></b>	(1,208,791)	(2,076,793)
<b><i>Cash and cash equivalents at the beginning of the half-year</i></b>	2,113,321	5,144,431
<b><i>Effects of exchange fluctuations on the balances of cash held in foreign currencies</i></b>	(13,717)	-
<b><i>Cash and cash equivalents at the end of the half-year</i></b>	890,813	3,067,638

Notes to the financial statements are included on pages 12 to 21.

## **AUDIO PIXELS HOLDINGS LIMITED**

# **Notes to the Condensed Consolidated Financial Statements for the half-year ended 30 June 2012**

---

### **1. Significant accounting policies**

#### **Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 “Interim Financial Reporting”. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report and any public announcements made by the company during the interim reporting period in accordance with continuous disclosure requirements under the Corporations Act 2001.

#### **Basis of preparation**

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are expressed in Australian dollars, unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company’s 2011 annual financial report for the financial period ended 31 December 2011. These accounting policies are consistent with Australian Accounting Standards and International Reporting 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 its operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Group’s accounting policies.

#### **Going Concern**

The Directors have prepared the financial statements on the basis of a going concern. The company has a number of financing options available to it at this stage of the commercialisation of its key product. It is likely that the company will raise equity capital from strategic or other investors prior to 30 June 2013. In addition the directors consider that the company also has the following alternatives available to it:

- Sell its investment property;
- Borrow against its investment property as per the loan facility detailed in Note 12;
- Receive upfront payments or ongoing cash flow streams from commercialisation partners.

The Directors have received indications of interest from potential investors and development partners to have confidence that one or a combination of these alternatives will be achieved.

**AUDIO PIXELS HOLDINGS LIMITED**

**Notes to the Condensed Consolidated Financial Statements  
for the half-year ended 30 June 2012**

---

	<b>Consolidated Half-year to 30 June 2012 \$</b>	<b>Consolidated Half-year to 30 June 2011 \$</b>
<b>2. (Loss) for the period</b>		
(Loss) from ordinary activities before income tax includes the following items of revenue and expense:		
<b>(a) Revenue</b>		
Interest received	22,446	94,834
Rental income	63,920	63,920
Total revenue	<u>86,366</u>	<u>158,754</u>
<b>(b) Expenses</b>		
Amortisation	31,000	-
Depreciation of property, plant and equipment	58,031	73,074
Finance costs	-	29,916
<b>3. (Accumulated losses)</b>		
Balance at beginning of financial period	(3,101,940)	(171,243)
Net (loss) for the period	<u>(1,213,734)</u>	<u>(1,810,701)</u>
Balance at end of financial period	<u>(4,315,674)</u>	<u>(1,981,944)</u>

**AUDIO PIXELS HOLDINGS LIMITED**

**Notes to the Condensed Consolidated Financial Statements  
for the half-year ended 30 June 2012**

---

**4. (Loss) Per Share**

	<b>2012</b>	<b>2011</b>
	<b>¢ per share</b>	<b>¢ per share</b>
Basic EPS	(5.211 cents)	(9.492 cents)
Diluted EPS	(5.211 cents)	(9.492 cents)

***Basic (Loss) per Share***

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	<b>Half-year to 30 June 2012</b>	<b>Half-year to 30 June 2011</b>
	<b>\$</b>	<b>\$</b>
(Loss) (a)	(1,213,734)	(1,810,701)

	<b>2012</b>	<b>2011</b>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	23,292,963	19,075,931

(a) Earnings used in the calculation of basic earnings per share is the same as net (loss) in the Statement of Comprehensive Income.

**AUDIO PIXELS HOLDINGS LIMITED**

**Notes to the Condensed Consolidated Financial Statements  
for the half-year ended 30 June 2012**

---

**4. Earnings Per Share (cont)**

*Diluted Earnings per Share*

There are 1,066,879 unlisted options exercisable at 38 cents which expire on 31 March 2013 which are potential ordinary shares which are 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.

**5. Net tangible assets per security**

	<b>30 June 2012</b>	<b>30 June 2011</b>
	<b>¢ per share</b>	<b>¢ per share</b>
Net tangible assets per security	10.43 cents	20.23 cents

**6. Segment information**

The Company operated in the property investment industry in New South Wales, Australia in the half year period ended 30 June 2012. During the half year ended 30 June 2011, the company acquired a 100% equity interest in Audio Pixels Limited of Israel which is involved in the development of digital speakers.

	<b>Half-year to 30 June 2012</b>	<b>Half-year to 30 June 2011</b>
	<b>\$</b>	<b>\$</b>
<b>Segment Revenues</b>		
Property investment	63,920	63,920
Digital speakers	-	-
Total of all segments	63,920	63,920
Unallocated	22,446	94,834
Total	86,366	158,754

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period. There were no discontinued operations during the period.

**AUDIO PIXELS HOLDINGS LIMITED**

**Notes to the Condensed Consolidated Financial Statements  
for the half-year ended 30 June 2012**

---

6. Segment information (cont)

	<b>Half-year to 30 June 2012 \$</b>	<b>Half-year to 30 June 2011 \$</b>
<b>Segment Results</b>		
Property investment	50,480	35,098
Digital speakers	(946,876)	(1,488,299)
Total of all segments	(896,396)	(1,453,201)
Unallocated	(317,338)	(358,710)
(Loss) before income tax	(1,213,734)	(1,811,911)
Income tax (expense)	-	1,210
(Loss) for the period	(1,213,734)	(1,810,701)

The following is an analysis of the Group's assets by reportable segment:

	<b>30 June 2012 \$</b>	<b>31 December 2011 \$</b>
Property investment	1,751,725	1,743,333
Digital speakers	2,870,749	2,940,636
Total segment assets	4,622,474	4,583,969
Unallocated assets	890,813	2,113,321
Total assets	5,513,287	6,797,290

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

The consolidated entity operates in Australia and Israel in the development of digital speakers and property investment in Australia.

**AUDIO PIXELS HOLDINGS LIMITED**

**Notes to the Condensed Consolidated Financial Statements  
for the half-year ended 30 June 2012**

---

**7. Share capital**

	<b>30 June 2012 \$</b>	<b>31 December 2011 \$</b>
Issued and paid up capital		
Fully paid Ordinary Shares		
Balance at the beginning of the financial period	30,360,295	8,000,025
Issue of shares to minority vendors at \$4.57 each	-	22,360,270
Balance at the end of the financial period	<u>30,360,295</u>	<u>30,360,295</u>
Fully paid Ordinary Shares	<b>Number</b>	<b>Number</b>
Balance at the beginning of the financial period	23,292,963	18,400,125
Issue of shares to minority vendors at \$4.57 each	-	4,892,838
Balance at the end of the financial period	<u>23,292,963</u>	<u>23,292,963</u>

**8. Reserves**

Minority acquisition reserve	(25,538,692)	(25,538,692)
Equity settled share option reserve	4,512,898	4,512,898
Foreign currency translation reserve	9,823	14,977
	<u>(21,015,971)</u>	<u>(21,010,817)</u>

**AUDIO PIXELS HOLDINGS LIMITED**

**Notes to the Condensed Consolidated Financial Statements  
for the half-year ended 30 June 2012**

---

**9. Related party transactions**

During the period, the Company paid \$35,464 (six month period ended 30 June 2011 - \$12,598) in respect of the rental of the Sydney offices to 4F Investments Pty Limited, a company associated with the Chairman, Mr Fred Bart. These rentals are based on a share of actual costs incurred and do not include a profit mark up.

During the period, the Company paid a total of \$53,683 (six month period ended 30 June 2011 - \$53,683) 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 period, the Company paid a total of \$20,437 (six month period ended 30 June 2011 - \$20,437) to Dennis Corporate Services Pty Limited, a company associated with Mr Ian Dennis in respect of directors fees and superannuation for Mr Ian Dennis.

During the period, the Company paid a total of \$15,000 (six month period ended 30 June 2011 - \$50,000) to Dennis Corporate Services Pty Limited, a company associated with Mr Ian Dennis in respect of consulting fees for secretarial and accounting services.

**AUDIO PIXELS HOLDINGS LIMITED**

**Notes to the Condensed Consolidated Financial Statements  
for the half-year ended 30 June 2012**

---

**10. Acquisition of Subsidiary**

On 24 September 2010, the company acquired an effective 54.17% equity interest in Audio Pixels Limited of Israel for a cash payment of \$1,093,733. Audio Pixels Limited is based in Israel and is involved in the development of digital speakers.

<b>Net assets acquired on acquisition</b>		<b>Final Fair value on acquisition 30 June 2011 \$</b>
<b>Assets</b>		
Cash		261,775
Accounts receivable		22,957
Long term deposit		2,162
In process research and development		868,000
Property, plant and equipment		<u>352,046</u>
		<u>1,506,940</u>
<b>Liabilities</b>		
Borrowing from bank		622,130
Advance from parent company		257,705
Trade payables		47,133
Other accounts payable		<u>401,032</u>
		<u>1,328,000</u>
Net assets at acquisition		178,940
Amount paid for 54.17%	\$1,093,733	
Gross up for 100%	\$2,019,075	<u>2,019,075</u>
Goodwill on acquisition		<u>1,840,135</u>

The initial acquisition on 24 September 2010 was paid for in cash.

During the six month period ended 30 June 2011, the company completed the formalities for the acquisition of the remaining 45.83% minority holdings in Audio Pixels Limited and now owns 100%. On 13 January 2011 shareholders approved the issue of 4,892,838 new ordinary shares to the vendors which are subject to escrow conditions and 1,066,879 unlisted options were issued to the founders and staff on 11 February 2011 at an exercise price of 38 cents and are exercisable on or before 31 March 2013.

The 4,892,838 share were valued at the market value at the time of the issue of \$4.57 and the value of the 1,066,879 options was determined in accordance with the Black-Scholes Option Pricing Model. The difference between the market price at the time of the issue of the securities and the value of the minority interests based on the accounting treatment at the date of the initial acquisition has been recognised in the Minority Acquisition Reserve (representing a transaction between owners).

**AUDIO PIXELS HOLDINGS LIMITED**

**Notes to the Condensed Consolidated Financial Statements  
for the half-year ended 30 June 2012**

---

**11. Intangible asset**

	<b>30 June 2012 \$</b>	<b>31 December 2011 \$</b>
Based on independent valuation performed by Ernst & Young, Israel as at the acquisition date, 24 September 2010		
In process research and development	868,000	868,000
Less amortisation	<u>(108,500)</u>	<u>(77,500)</u>
	<u>759,500</u>	<u>790,500</u>

**12. Borrowings**

On 29 June 2012, the company received a facility offer letter from its bankers for a loan facility of \$900,000 secured by a registered first mortgage over the investment property. The loan was accepted by the company on 4 July 2012 and was effective from 2 August 2012. At the date of this report no amounts have been drawn under the facility. The facility expires on 28 February 2013 and as required under the facility agreement, the directors have formally resolved to offer the property for sale if a capital raising is not initiated by 30 November 2012. Under the terms of the facility agreement the company can, by giving three days notice, cancel the whole or part of the unused portion of the facility limit.

**13. Subsequent events**

There have been no significant events since the end of the financial year.

**14. Commitments**

The company has entered into an agreement with a supplier for delivery of certain components which on delivery of components meeting the required specifications of the company will result in a final payment being due of US\$145,000. At the date of this report the specified components have not been delivered.

**AUDIO PIXELS HOLDINGS LIMITED**

**Notes to the Condensed Consolidated Financial Statements  
for the half-year ended 30 June 2012**

---

**Information on Audit or Review**

This half yearly report is based on accounts to which one of the following applies.

- |   |   |
|---|---|
| <input type="checkbox"/> The accounts have been audited.  | <input checked="" type="checkbox"/> The accounts have been subject to review. |
| <input type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The accounts have not yet been audited or reviewed.  |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

Not applicable

Description of dispute or qualification if the accounts have been audited or subjected to review.

Not applicable