

# Half-Year Report of Audio Pixels Holdings Limited for the Half-Year Ended 30 June 2013

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 2013

Previous Corresponding Period: Half year ended 30 June 2012

# 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	up	75	To \$151,293
(Loss) from ordinary activities after tax attributable to members	down	N/A	To (\$587,425)
Net (loss) attributable to members	down	N/A	To (\$587,425)

### 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 financial report.

# AUDIO PIXELS HOLDINGS LIMITED

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## Directors' Report

The directors of Audio Pixels Holdings Limited submit herewith the financial report for the half-year ended 30 June 2013. 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.

Management's focus was on the implementation of Phase-3 of our previously detailed four-phase commercialization plan. Phase 3 is specifically designed to utilize mass production techniques in order to produce demonstrable working speaker chips that will also serve as early engineering samples for select customers.

While the objectives for Phases 1 and 2 were concentrated on modelling, characterization analysis and debugging of wide assortment of specific geometrical and functional elements of the electro-mechanical structure (and its fabrication process), the objectives for Phase 3 shift focus toward completing the comprehensive design and performance criteria required to produce playing chips.

Phase 3 fundamentally amounts to a pre-production phase of a completed product. As such, partners selection for Phase 3 of development carries additional long terms significance. The critical decisions involving partners necessitated meticulous review, qualification and selection process involving many of the world's leading fabricators, equipment and material manufacturers and design houses. The qualification efforts demanded among others, the development, design, and simulation of a full process flow, customized to meet the specificities of each individual fabrication equipment and capabilities.

In the area of MEMS fabrication, management determined significant value in supplementing its existing partners' fabrication capabilities, by adding an additional MEMS fabrication partner. As was publicly announced on July 23<sup>rd</sup> 2013, the Company entered into a comprehensive agreement with Teledyne-Dalsa, an award winning semiconductor wafer foundry with a proven history of innovation in specialties such as MEMS, and high voltage CMOS. As a pure-play foundry, Teledyne-Dalsa's is solely focused on serving as a manufacturing partner to fabless and fab-lite semiconductor companies, such as ours.

Another critical aspect of Phase 2 involved the transformation of the drive electronics from discrete components to an integrated circuit (ASIC). After meticulous evaluation of over a dozen design houses the Company elected to partner with a world leading integrated circuit design company with proven solutions in the consumer, medical, industrial, automotive and aerospace markets. The partner selection expected to be announced in the near future, is a foundry independent design house and thus ideally suited to augment ongoing ASIC activities being conducted simultaneously with other fabrication partners.

The final top-level effort of Phase-3 involves the chip package and packaging process. In general the packaging of MEMS devices is not a trivial matter, as MEMS chips inherently require both exposure to, and protection from, the external environment. Our chip package requirements extend far beyond the "norm" as the requirements not only encompass the cost effective single package integration of the MEMS and ASIC but also the incorporation of a "first-of-its-kind" "acoustic window".

At the heart of our package is our proprietary "acoustic window" which incorporates among others our recently granted patent entitled "Dust Protection Apparatus for Flat Loudspeakers". The "acoustic window" serves to protect the chip from the environment while enabling the sound waves to emanate

# AUDIO PIXELS HOLDINGS LIMITED

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## Directors' Report

from the chip with negligible attenuation. The innovation is a result of very close collaboration with a world-renowned company having countless innovations in the field of advanced materials. Additionally the company is in close collaboration with several of the world-leading suppliers of semiconductor assembly equipment to develop and deliver high-volume assembly solutions that meet our specialized packaging requirements.

The three top level projects and all its many subsets are meticulously managed and timed to be completed simultaneously. It should however be noted that the key driver of the timeline is the MEMS fabrication as the company has already developed interim solutions for both the ASIC and Package. While the interim solutions may not be suited for volume production nonetheless the company has already built the necessary electronics and package required to serve as early engineering samples capable of demonstrating the viability and playing capabilities of the device.

An equally significant backdrop to the ongoing technological advancement is the company's constant endeavor to expand its intellectual property portfolio. Since the beginning of 2013, the intellectual property portfolio has expanded to include 5 new patent families. The patents granted in various patent jurisdictions around the world include 2 patent grants for the Basic architecture and functional principles of its MEMS based digital speaker; the Control of Volume and Tone in Direct Digital Speakers; the control of Directivity Patterns in Direct Digital Speakers; and the aforementioned environmental / Dust Protection for MEMS based digital speakers.

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 5 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, 15 August 2013

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

15 August 2013

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 2013, 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 2013, and the condensed statement of profit or loss and other 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 8 to 22.

### *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 2013 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 2013 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*

DELOITTE TOUCHE TOHMATSU

*D. Black*

David Black  
Partner  
Chartered Accountants  
Parramatta, 15 August 2013

# **AUDIO PIXELS HOLDINGS LIMITED**

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## **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 2013 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

A handwritten signature in black ink, appearing to read 'I A Dennis', with a long horizontal flourish extending to the right.

I A Dennis  
Director  
Sydney, 15 August 2013



**AUDIO PIXELS HOLDINGS LIMITED**

**Condensed Consolidated Statement of Profit and Loss and Other  
Comprehensive Income for the half-year ended 30 June 2013**

	Note	Consolidated Half-year ended 30 June 2013 \$	Consolidated Half-year ended 30 June 2012 \$
Revenue	2(a)	151,293	86,366
Exchange gains		770,583	196
Administrative expenses		(437,551)	(496,246)
Amortisation		(31,000)	(31,000)
Depreciation		(47,645)	(58,031)
Directors fees		(68,000)	(68,000)
Property expenses		(17,417)	(13,440)
Research and development		(907,688)	(633,579)
<b>(Loss) before income tax expense</b>	2	(587,425)	(1,213,734)
Income tax expense		-	-
<b>(Loss) for the period</b>	4	(587,425)	(1,213,734)
<b>Other Comprehensive Income</b>			
Items that may be reclassified subsequently to profit and loss			
Exchange differences arising on translation of foreign operations		(592,681)	(5,154)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income for the period (net of tax)		(592,861)	(5,154)
<b>Total Comprehensive (loss) for the period</b>		(1,180,106)	(1,218,888)
(Loss) attributable to:			
Owners of the company		(587,425)	(1,213,734)
		(587,425)	(1,213,734)
Total comprehensive (loss) attributable to:			
Owners of the company		(1,180,106)	(1,218,888)
		(1,180,106)	(1,218,888)
<b>(Loss) per share:</b>			
Basic (cents per share)	4	(2.342 cents)	(5.211 cents)
Diluted (cents per share)	4	(2.342 cents)	(5.211 cents)

Notes to the financial statements are included on pages 13 to 22.

**AUDIO PIXELS HOLDINGS LIMITED**

**Condensed Consolidated Statement of Financial Position  
as at 30 June 2013**

	<u>Note</u>	<u>Consolidated 30 June 2013 \$</u>	<u>Consolidated 31 Dec 2012 \$</u>
<b>Current Assets</b>			
Cash and cash equivalents		5,662,242	5,415,454
Trade and other receivables		258,468	58,835
Assets held for resale	11	1,600,000	1,600,000
<b>Total Current Assets</b>		<u>7,520,710</u>	<u>7,074,289</u>
<b>Non-Current Assets</b>			
Goodwill	10	1,942,262	1,840,135
Intangible	12	736,211	728,500
Property, plant and equipment		185,901	195,841
Trade and other receivables		15,718	13,858
<b>Total Non-Current Assets</b>		<u>2,880,092</u>	<u>2,778,334</u>
<b>Total Assets</b>		<u>10,400,802</u>	<u>9,852,623</u>
<b>Current Liabilities</b>			
Trade and other payables		502,878	326,271
Provisions		338,422	240,281
<b>Total Current Liabilities</b>		<u>841,300</u>	<u>566,552</u>
<b>Total Liabilities</b>		<u>841,300</u>	<u>566,552</u>
<b>Net Assets</b>		<u>9,559,502</u>	<u>9,286,071</u>
<b>Equity</b>			
Issued capital	7	37,398,942	35,945,405
Reserves	8	(21,527,976)	(20,935,295)
(Accumulated losses)	3	(6,311,464)	(5,724,039)
<b>Total Equity</b>		<u>9,559,502</u>	<u>9,286,071</u>

Notes to the financial statements are included on pages 13 to 22.

**AUDIO PIXELS HOLDINGS LIMITED**

**Condensed Consolidated Statement of Changes in Equity for the  
half-year ended 30 June 2013**

	Issued Capital \$	Equity Settled Share Option Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Minority Acquisition Reserve \$	Total \$
<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>	<b>30,360,295</b>	<b>4,512,898</b>	<b>9,823</b>	<b>(4,315,674)</b>	<b>(25,538,692)</b>	<b>5,028,650</b>
	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>						
Balance at 1 January 2013	35,945,405	4,512,898	90,499	(5,724,039)	(25,538,692)	9,286,071
Issue of new equity for cash	1,453,537	-	-	-	-	1,453,537
Other comprehensive income for the period	-	-	(592,681)	-	-	(592,681)
Loss for the period	-	-	-	(587,425)	-	(587,425)
Total comprehensive income for the period	-	-	(592,681)	(587,425)	-	(1,180,106)
<b>Balance at 30 June 2013</b>	<b>37,398,942</b>	<b>4,512,898</b>	<b>(502,182)</b>	<b>(6,311,464)</b>	<b>(25,538,692)</b>	<b>9,559,502</b>

Notes to the financial statements are included on pages 13 to 22.

## **AUDIO PIXELS HOLDINGS LIMITED**

### **Condensed Consolidated Cash flow statement for the half-year ended 30 June 2013**

	<b>Consolidated Half-year ended 30 June 2013</b>	<b>Consolidated Half-year ended 30 June 2012</b>
	<b>\$</b>	
<b><i>Cash Flows From Operating Activities</i></b>		
Receipts from customers	67,612	78,771
Payments to suppliers and employees	(1,429,435)	(1,277,492)
Interest and bill discounts received	77,534	22,446
Net cash (used in) operating activities	<u>(1,284,289)</u>	<u>(1,176,275)</u>
<b><i>Cash Flows From Investing Activities</i></b>		
Payment for property, plant and equipment	(13,690)	(32,516)
Net cash (used in) investing activities	<u>(13,690)</u>	<u>(32,516)</u>
<b><i>Cash Flows From Financing Activities</i></b>		
Issue of new shares	1,453,537	-
Net cash provided by financing activities	<u>1,453,537</u>	<u>-</u>
<b><i>Net Increase/(Decrease) In Cash Held</i></b>	155,558	(1,208,791)
<b><i>Cash and cash equivalents at the beginning of the half-year</i></b>	5,415,454	2,113,321
<b><i>Effects of exchange fluctuations on the balances of cash held in foreign currencies</i></b>	<u>91,230</u>	<u>(13,717)</u>
<b><i>Cash and cash equivalents at the end of the half-year</i></b>	<u>5,662,242</u>	<u>890,813</u>

Notes to the financial statements are included on pages 13 to 22.

*AUDIO PIXELS HOLDINGS LIMITED*

**Notes to the Condensed Consolidated Financial Statements  
for the half-year ended 30 June 2013**

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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 2012 annual financial report for the financial period ended 31 December 2012. 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 half-year.

## **AUDIO PIXELS HOLDINGS LIMITED**

# **Notes to the Condensed Consolidated Financial Statements for the half-year ended 30 June 2013**

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### **1. Significant accounting policies (cont)**

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

- Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 “Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income”.
- AASB 10 ‘Consolidated Financial Statements’ and AASB 2011-7 ‘Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards’
- AASB 11 ‘Joint Arrangements’ 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 128 ‘Investments in Associates and Joint Ventures’ (2011) and AASB 2011-7 ‘Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards’
- AASB 119 ‘Employee Benefits’ (2011) and AASB 2011-10 ‘Amendments to Australian Accounting Standards arising from AASB 119 (2011)’
- AASB 2012-2 ‘Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities’
- AASB 2012-5 ‘Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle’
- AASB 2012-10 ‘Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments’

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group’s accounting policies and has no effect on the amounts reported for the current or prior half-years. However, the application of AASB 2011-9 has resulted in changes to the Group’s presentation of, or disclosure in, its half-year financial statements.

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit and loss and other comprehensive income and the income statement is renamed as a statement of profit and loss. The amendments to AASB 101 retain the option to present profit and loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 do not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

**AUDIO PIXELS HOLDINGS LIMITED**

**Notes to the Condensed Consolidated Financial Statements  
for the half-year ended 30 June 2013**

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	<b>Consolidated Half-year to 30 June 2013 \$</b>	<b>Consolidated Half-year to 30 June 2012 \$</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	77,534	22,446
Rental income	73,759	63,920
Total revenue	<u>151,293</u>	<u>86,366</u>
<b>(b) Expenses</b>		
Amortisation	31,000	31,000
Depreciation of property, plant and equipment	47,645	58,031
<b>3. (Accumulated losses)</b>		
Balance at beginning of financial period	(5,724,039)	(3,101,940)
Net (loss) for the period	<u>(587,425)</u>	<u>(1,213,734)</u>
Balance at end of financial period	<u>(6,311,464)</u>	<u>(4,315,674)</u>

**AUDIO PIXELS HOLDINGS LIMITED**

**Notes to the Condensed Consolidated Financial Statements  
for the half-year ended 30 June 2013**

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4. (Loss) Per Share

	<b>2013</b>	<b>2012</b>
	<b>¢ per share</b>	<b>¢ per share</b>
Basic EPS	(2.342 cents)	(5.211 cents)
Diluted EPS	(2.342 cents)	(5.211 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 2013</b>	<b>Half-year to 30 June 2012</b>
	<b>\$</b>	<b>\$</b>
(Loss) (a)	(587,425)	(1,213,734)

  

	<b>2013</b>	<b>2012</b>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	25,078,785	23,292,963

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



**AUDIO PIXELS HOLDINGS LIMITED**

**Notes to the Condensed Consolidated Financial Statements  
for the half-year ended 30 June 2013**

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4. Earnings Per Share (cont)

*Diluted Earnings per Share*

All the 1,066,879 unlisted options exercisable at 38 cents were exercised by 31 March 2013 which were potential ordinary shares which were considered to be antidilutive as they would have resulted 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 2013</b>	<b>30 June 2012</b>
	<b>¢ per share</b>	<b>¢ per share</b>
Net tangible assets per security	26.77 cents	10.43 cents

6. Segment information

The Company operated in the property investment industry in New South Wales, Australia and acted as the parent company for its subsidiary in the half year period ended 30 June 2013. The company owns 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 2013</b>	<b>Half-year to 30 June 2012</b>
	<b>\$</b>	<b>\$</b>
<b>Segment Revenues</b>		
Property investment	73,759	63,920
Digital speakers	-	-
Total of all segments	73,759	63,920
Unallocated	77,534	22,446
Total	151,293	86,366

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 2013**

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6. Segment information (cont)

	<b>Half-year to 30 June 2013 \$</b>	<b>Half-year to 30 June 2012 \$</b>
<b>Segment Results</b>		
Property investment	56,342	50,480
Digital speakers	<u>(1,256,286)</u>	<u>(946,876)</u>
Total of all segments	(1,199,944)	(896,396)
Unallocated	<u>612,519</u>	<u>(317,338)</u>
(Loss) before income tax	(587,425)	(1,213,734)
Income tax (expense)	<u>-</u>	<u>-</u>
(Loss) for the period	<u>(587,425)</u>	<u>(1,213,734)</u>

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

	<b>30 June 2013 \$</b>	<b>31 December 2012 \$</b>
Property investment	1,602,302	1,600,000
Digital speakers	<u>2,990,874</u>	<u>2,834,338</u>
Total segment assets	4,593,176	4,434,338
Unallocated assets	<u>5,666,788</u>	<u>5,418,285</u>
Total assets	<u>10,259,964</u>	<u>9,852,623</u>

**AUDIO PIXELS HOLDINGS LIMITED**

**Notes to the Condensed Consolidated Financial Statements  
for the half-year ended 30 June 2013**

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**7. Share capital**

	<b>30 June 2013 \$</b>	<b>31 December 2012 \$</b>
Issued and paid up capital		
Fully paid Ordinary Shares		
Balance at the beginning of the financial period	35,945,405	30,360,295
Issue of shares at \$5.00 each for cash	-	5,585,110
Issue of shares at \$1.59 each for cash	48,123	-
Exercise of options at 38 cents each	405,414	-
Issue of shares at \$5.00 each for cash	1,000,000	-
Balance at the end of the financial period	<u>37,398,942</u>	<u>35,945,405</u>
Fully paid Ordinary Shares	<b>Number</b>	<b>Number</b>
Balance at the beginning of the financial period	24,409,985	23,292,963
Issue of shares at \$5.00 each for cash	-	1,117,022
Issue of shares at \$1.59 each for cash	30,183	-
Exercise of options at 38 cents each for cash	1,066,879	-
Issue of shares at \$5.00 each for cash	200,000	-
Balance at the end of the financial period	<u>25,707,047</u>	<u>24,409,985</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	(502,182)	90,499
	<u>(21,527,976)</u>	<u>(20,935,295)</u>

## AUDIO PIXELS HOLDINGS LIMITED

### Notes to the Condensed Consolidated Financial Statements for the half-year ended 30 June 2013

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#### 9. Related party transactions

During the period, the Company paid \$16,099 (six month period ended 30 June 2012 - \$35,464) 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 2012 - \$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 2012 - \$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 2012 - \$15,000) to Dennis Corporate Services Pty Limited, a company associated with Mr Ian Dennis in respect of consulting fees for secretarial and accounting services.

#### 10. Goodwill

	<b>30 June 2013</b>	<b>31 December 2012</b>
	<b>\$</b>	<b>\$</b>
Goodwill paid on the acquisition of subsidiary company, Audio Pixels Limited of Israel	1,840,135	1,840,135
Exchange differences on translation	<u>102,127</u>	<u>-</u>
Balance as at 30 June 2013	<u>1,942,262</u>	<u>1,840,135</u>

#### 11. Investment Property/ Asset Held for Sale

Strata title commercial property	<u>1,600,000</u>	<u>1,600,000</u>
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In 2011 the fair value of the Strata Title commercial property was determined in accordance with a valuation carried out on 2 September 2010 by Landmark White (NSW) 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 7.50%.

The directors have determined the fair value of the property at 30 June 2013 of \$1,600,000 based on the 2 September 2010 valuation, their review of market movements over the period, the estimated increase in capitalisation rates to 8.25%.

**AUDIO PIXELS HOLDINGS LIMITED**

**Notes to the Condensed Consolidated Financial Statements  
for the half-year ended 30 June 2013**

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**11. Investment Property/ Asset Held for Sale (cont)**

In the 31 December 2011 financial statements, the asset was classified as an investment property. The company has subsequently placed the property on the market for sale as it is surplus to the needs of the company and accordingly the property has been re classified as an asset held for sale.

**12. Intangible asset**

	<b>30 June 2013 \$</b>	<b>31 December 2012 \$</b>
Based on independent valuation performed by Ernst & Young, Israel as at the acquisition date, 24 September 2010		
Intangible	868,000	868,000
Add Exchange differences on translation	38,711	-
Less amortisation	<u>(170,500)</u>	<u>(139,500)</u>
	<u>736,211</u>	<u>728,500</u>

**13. Subsequent events**

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

**14. Commitments**

The Consolidated entity has entered into agreements with strategic suppliers for delivery of certain components which on delivery of components meeting the required specifications of the Consolidated entity will result in final payments being due of US\$710,400. 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 2013**

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**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