12 March 2020

The Manager
Company Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sirs,

2019 Annual Report

I attach the 2019 Annual Report.

Please note that since the Preliminary Report was lodged on 27 February 2020 that it has been identified that one of the substantial shareholders was not included in the section ASX Additional Information.

Link Traders (Aust) Pty Ltd has now been included as a substantial shareholder on page 53 of the Annual Report in the section ASX Additional Information. Link Traders (Aust) Pty Ltd became a substantial holder on 28 August 2018.

Authorised by

Ian Dennis
Director

Audio Pixels Holdings Limited
ACN 094 384 273

audiopixels®

Breaking the Barriers of Sound

ANNUAL REPORT 2019

CORPORATE DIRECTORY

Directors

Fred Bart (Chairman)
Ian Dennis
Cheryl Bart AO

Company Secretary

Ian Dennis

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Website

www.audiopixels.com.au

Auditor

Deloitte Touche Tohmatsu
Chartered Accountants
Brindabella Circuit
Brindabella Business Park
Canberra Airport ACT 2609
Australia

Bankers

St George Bank
200 Barangaroo Avenue
Barangaroo
SYDNEY NSW 2000
Australia

Share Registry

Computershare Investor Services Pty Limited
Level 3
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Sydney NSW 2000

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CONTENTS

2 Directors' Report

9 Auditor's Independence Declaration

10 Independent Audit Report

14 Directors' Declaration

15 Consolidated Statement of Profit or Loss and Other Comprehensive Income

17 Consolidated Statement of Financial Position

18 Consolidated Statement of Changes in Equity

19 Consolidated Statement of Cash Flows

20 Notes To and Forming Part of the Financial Statements

53 ASX Additional Information

54 Twenty Largest Ordinary Shareholders

DIRECTOR'S REPORT

The Directors of Audio Pixels Holdings Limited submit herewith the financial report of the company for the financial year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

Name	Particulars
Fred Bart	Chairman and Chief Executive Officer. A director since 5 September 2000. He has been Chairman and Managing Director of numerous private companies since 1980, specialising in manufacturing, property and marketable securities. Mr Bart is also a director of Immunovative Therapies Limited, an Israeli company involved in the manufacture of cancer vaccines for the treatment of most forms of cancer. He is a member of the Audit Committee and a member of the Nomination and Remuneration Committee.
Ian Dennis	Non-executive director and Company Secretary. Ian is a chartered accountant with experience as director and secretary in various public listed and unlisted technology companies. He has been involved in the investment banking industry and stockbroking industry for the past thirty years. Prior to that, Ian was with KPMG, Chartered Accountants in Sydney. Appointed to the Board on 5 September 2000. He is a member of the Audit Committee and Nomination and Remuneration Committee.
Cheryl Bart AO	Non-executive director. Appointed to the Board on 26 November 2001. Cheryl Bart is a lawyer and company director. She is Chairman of Powering Australian Renewables and Ted X Sydney. Cheryl is a non-executive director of SG Fleet Australia Limited, ME Bank, and the Invictus Games. She is a fellow of the Australian Institute of Company Directors, Patron of SportsConnect and a member of Chief Executive Women. She is a member of the Audit Committee and a member of the Nominations and Remuneration Committee.

Directorships of Other Listed Companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Fred Bart	Electro Optic Systems Holdings Limited	Since May 2000
	Weebit Nano Limited	Since March 2018
Ian Dennis	Electro Optic Systems Holdings Limited	Since May 2000
Cheryl Bart	SG Fleet Australia Limited	Since February 2014

Principal Activities

The principal activity of the Company is an investment in Audio Pixels Limited of Israel. Audio Pixels Limited is engaged in the development of digital speakers.

Results

The net loss for the financial year ended to 31 December 2019 was $6,231,930 (31 December 2018 - $4,519,721).

Dividends

The directors recommend that no dividend be paid and no amount has been paid or declared by way of dividend since the end of the previous financial year and up to the date of this report.

DIRECTOR'S REPORT

Review of Operations

Achievements during the reporting period were technical in nature, focused on advancing the company's proven prototype technologies into a mass-produced product. The primary accomplishment of the period has been fabrication of devices that reliably contend with the operational instabilities associated with electrostatically driven actuators and overcoming challenges related to processing the back side of the wafer. Achievement of this critical milestone enabled, for the first time, accurate assessment and optimization of the acoustic output of our MEMS transducer.

As has been covered in past reports, electrostatic actuators suffer from operational instability, sometimes called charge-trapping. Achieving control over the instabilities of charge trapping is considered by the industry to be perhaps the' primary challenge in the development of micro-actuators, certainly in higher voltages and longer travel actuators such as ours. In practice, charge trapping related effects cause stiction, adhesion, slow release, arching and other concerns which not only lead to device failure but also place significantly greater constraints on fabrication processes and tolerances. The company in close collaboration with its fabrication partner(s) has expended considerable time, effort, and resources overcoming this gating item to the advancement of our technology.

The company devised and simultaneously implemented a number of approaches to manage the adverse effects of electrostatic actuation - some of which worked better than others. One particular approach however proved overtime to be far superior as it reliably and repeatably overcame the associated challenges.

Another challenge had to do with our need to process the back sides of the wafers. This requires placing the wafers, face down on the chucks of several different machines. The delicate structures on the face of the wafers were often damaged by the handling robots or scratched by microscopic particles left on the chucks. The (conductive) silicon fragments, broken off the structures, sometimes cause shorts if they fell into the pixels, rendering the chips inoperable. The company and its vendors tried numerous "standard" solutions, protecting the delicate structures, using a variety of different coatings. In some cases, the damage penetrated through the coating and in others, the coating proved to be difficult to remove. The company invented a new protection scheme (patents for which are being drafted), which proved to be highly effective, leaving the delicate structures pristine and not requiring complex coating removal steps. The number of damages resulting from back-side processing dropped from thousands to 3 or less per wafer. Having at long last devices that were short-free and proven to reliably actuate with the required electromechanical precision enabled the company to shift focus to the acoustic output of the device.

Acoustic characterization revealed that while the devices produced sound throughout the spectrum (including the playing of speech and music), the performance deviated from expectations. The company designed and built extremely sophisticated measurement equipment and methods in order to trace the origins of the problem and discovered the presence of disruptive waves. These unexpected disruptive waves were ultimately traced to subtle deviation from manufacturing tolerances that were only detectable when we overcame the adverse effects of the electrostatic actuation.

In response to this finding, the company devised and introduced relatively minor design changes to the structure that both return the spec to compliance and diminishing the sensitivity to manufacturing tolerance. These changes were introduced into the MEMS manufacturing process with deliveries of fully functional devices expected in March 2020.

As we anticipate substantive and dramatic improvement to the acoustic output of the devices, our current plan is focused on having demonstratable technology on or about the end of March. In preparation, demonstration boards and systems are being designed and built by the company.

During the period the company has also advanced other critical aspects of the technology, such as completing development of the metal module for the MEMS chip. Deposition of "metals" on the MEMS chip is required for connection (wire bonding) in the assembly and packaging process. In conjunction the company began runs with its packaging partner in attempt to insure smooth and efficient assembly and packaging of the upcoming chip deliveries.

The company also expanded its testing abilities and capacity. The company is building several additional testing stations. Some of these stations would be placed at the vendors' facility, allowing them to quickly assess the quality of the produced wafers, while the material is still in the clean room (once a wafer left the fab's clean room, it is practically impossible to bring it back in due to risk of cross contamination).

Management continues to remain intimately engaged with its future customers, routinely conducting confidential communications as to the progress, potential, applications and demand for its impending products.

Management has also been intensifying discussions with our fabrication partners, reviewing and planning the actions required to transition from development to mass-production.

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 year.

DIRECTOR'S REPORT

Changes in State of Affairs

There was no significant change in the state of affairs of the company or the consolidated entity other than that referred to in the financial statements or notes thereto.

Significant Events After Balance Date

There has not been any matter or circumstance that has arisen since the end of the financial year which is not otherwise dealt with in this report or in the financial statements, that has significantly affected or may significantly affect the operations of the company or the consolidated entity, the results of those operations or the state of affairs of the company or the consolidated entity in subsequent financial years.

Future Developments

The consolidated entity will continue to focus on the development of its digital speaker technology.

Environmental Regulations

In the opinion of the directors the company and the consolidated entity is in compliance with all applicable environmental legislation and regulations.

Indemnification and Insurance of Officers and Auditors

During the financial year, the company paid a premium in respect of a contract insuring the Directors and Officers of the Company and any related body corporate against a liability incurred as such a Director or Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the coverage provided and the amount of the premium. The Company has agreed to indemnify the current Directors, Company Secretary and Executive Officers against all liabilities to other persons that may arise from their position as Directors or Officers of the Company and its controlled entities, except where to do so would be prohibited by law. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has not, during or since the financial year indemnified or agreed to indemnify an auditor of the company or of any related body corporate against any liability incurred as such an auditor.

Directors' Interests and Benefits

The relevant interest of each director in the share capital of the Company as notified by the directors to the Australian Stock Exchange in accordance with Section 205G(1) of the Corporations Act as at the date of this report are:

Name	Ordinary Shares
Fred Bart	5,819,122
Ian Dennis	320,167
Cheryl Bart	1,282,777

During the year, a superannuation fund for the benefit of Fred Bart and Cheryl Bart purchased 38,482 ordinary shares on market at a cost of $493,382.

Remuneration Report (Audited)

Since the end of the previous financial year no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors as shown in the financial statements) because of a contract made by the Company or related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest. There are no employment contracts for any of the directors.

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Company. The Directors are responsible for remuneration policies and packages applicable to the Board members of the Company. The entire Board makes up the Nomination and Remuneration Committee. The Board remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities.

There are currently no performance based incentives to directors or executives based on the performance of the Company. There are no employment contracts in place with any Director of the Company. There are standard employment contracts for the executives of including at will employment and a notice period of three months for termination.

DIRECTOR'S REPORT

Remuneration Report (Cont.)

The key management personnel of Audio Pixels Holdings Limited during the year were:

Fred Bart	Chairman and Chief Executive Officer
Cheryl Bart	Non executive director
Ian Dennis	Non executive director and company secretary
Danny Lewin	CEO and director of Audio Pixels Limited
Yuval Cohen	Chief Technical Officer of Audio Pixels Holdings Limited

The Directors fees are not dependent on the earnings of the Company and the consequences of the Company's performance on shareholder wealth. On 24 September 2010, the maximum total directors fees were increased to a total of $250,000 per annum in line with the increased activities of the company. The actual directors fees paid were within the approved limit of $250,000 per annum approved by shareholders at the Annual General Meeting held on 24 September 2010.

The table below sets out summary information about the Company's earnings and movements in shareholder wealth for the last 5 financial years.

	Year ended 31 December 2019 $	Year ended 31 December 2018 $	Year ended 31 December 2017 $	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Revenue	272,520	86,961	65,624	103,630	25,073
Net (loss) before tax	(6,231,930)	(4,519,721)	(5,914,957)	(5,054,771)	(1,840,940)
Net (loss) after tax	(6,231,930)	(4,519,721)	(5,914,957)	(5,054,771)	(1,840,940)

	Year ended 31 December 2019 $	Year ended 31 December 2018 $	Year ended 31 December 2017 $	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Share price at start of year/period	20.22	16.82	14.15	8.45	9.86
Share price at end of year/period	15.35	20.22	16.82	14.15	8.45
Dividend Paid	0.00	0.00	0.00	0.00	0.00

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

	31 December 2019 $	31 December 2018 $
Short-term employee benefits	613,183	763,526
Post employment benefits	92,762	99,387
	705,945	862,913

Remuneration Report (Cont.)

The following table sets out each key management personnel's equity holdings (represented by holdings of fully paid ordinary shares in Audio Pixels Holdings Limited).

	Balance at 1/1/19 No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 31/12/19 No.
Mr Fred Bart*	5,780,640	-	-	38,482	5,819,122
Mrs Cheryl Bart*	1,244,295	-	-	38,482	1,282,777
Mr Ian Dennis	320,167	-	-	-	320,167
Mr Danny Lewin	1,430,819	-	-	7,800	1,438,619
Mr Yuval Cohen	1,430,819	-	-	-	1,430,819

* Included in the above shareholdings in respect to both Fred Bart and Cheryl Bart are 782,777 (2018: 744,295) shares in Audio Pixels Holdings Limited held by the Bart Superannuation Fund, in respect to which each has a relevant interest.

In the previous year, a convertible note of $1,500,000 was exercised on 7 November 2018 and resulted in the issue of 154,959 ordinary shares to 4F Investments Pty Limited, a company controlled by Fred Bart, at a price of $9.68.

Transactions with Related Entities

During the year ended 31 December 2019, the Company paid a total of $107,857 (year ended 31 December 2018 - $107,857) 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 2019, the Company paid interest of Nil (year ended 31 December 2018 - $125,918) on convertible notes to 4F Investments Pty Limited, a company associated with Mr Fred Bart.

During the year ended 31 December 2019, the Company paid a total of $41,063 (year ended 31 December 2018 - $41,063) 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 2018 - $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 1 June 2018, the company exercised an option to renew a lease in respect of office premises at Suite 3, Level 12, 75 Elizabeth Street Sydney for a period of forty eight months to 30 March 2022. The Company recharged $30,441 (year ended 31 December 2018 - $28,441) of the rent and other tenancy charges to Electro Optic Systems Holdings Limited, a company of which Fred Bart and Ian Dennis are directors and $30,441 (year ended 31 December 2018 - $28,441) to 4F Investments Pty Limited, a company controlled by Fred Bart.

DIRECTOR'S REPORT

Remuneration Report (Cont.)

The following table sets out the remuneration of each key management personnel of the Company:

	Short Term		Post Employment		Total
	Directors fees/ Salary $	Non-monetary $	Superannuation $	Social Security $	$
December 2019					
Fred Bart	61,000	-	5,794	-	66,794
Cheryl Bart	37,500	-	3,563	-	41,063
Ian Dennis	67,500*	-	3,563	-	71,063
Danny Lewin	170,962	41,828	-	60,846	273,636
Yuval Cohen	220,008	14,385	18,996	-	253,389
	556,970	56,213	31,916	60,846	705,945
December 2018					
Fred Bart	61,000	-	5,794	-	66,794
Cheryl Bart	37,500	-	3,563	-	41,063
Ian Dennis	67,500*	-	3,563	-	71,063
Danny Lewin	159,034	54,499	-	38,627	252,160
Yuval Cohen	220,008	21,810	18,996	-	260,814
Shay Kaplan	118,528	23,647	-	28,844	171,019
	663,570	99,956	31,916	67,471	862,913

* The amounts disclosed for Ian Dennis include directors fees of $37,500 and consulting fees of $30,000.

Audit Committee

The Audit Committee was formally constituted on 29 August 2014 with all three directors appointed to the Audit Committee. Ian Dennis was appointed chair of the Audit Committee.

Directors' Meetings

During the year the Company held three meetings of directors, two meetings of the Audit Committee and no meetings of the Nomination and Remuneration Committee. The attendances of the directors at meetings of the Board were:

	Board of directors		Audit committee		Nomination and Remuneration committee	
Directors	Held	Attended	Held	Attended	Held	Attended
Mr Fred Bart	3	3	2	2	-	-
Mrs Cheryl Bart	3	3	2	2	-	-
Mr Ian Dennis	3	3	2	2	-	-

All current board members are on the Audit Committee and the Nomination and Remuneration Committee.

DIRECTOR'S REPORT

Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 4 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services disclosed in Note 4 to the financial statements do not compromise the external auditors' independence for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 9.

Signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

I A Dennis
Director

Dated at Sydney this 27 day of February 2020

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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

27 February 2020

Dear Board Members

Auditor's Independence Declaration to 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 audit of the financial report of Audio Pixels Holdings Limited for the year ended 31 December 2019, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

David Salmon

David Salmon
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Audio Pixels Holdings Limited (the "Entity") and its subsidiaries (the "Consolidated entity") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Consolidated entity incurred a net loss of $6,231,930 and had a net cash outflow from operating activities of $4,675,857, during the year ended 31 December 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our procedures in relation to going concern included, but were not limited to:
- Challenging the underlying assumptions reflected in management's cash flow forecasts;
- Assessing the historical accuracy of the forecasts prepared by management;
- Inquiring with management and the board as to knowledge of events and conditions that may impact the assessment on the consolidated entity's ability to pay its debts as and when they fall due; and
- Assessed the adequacy of the disclosures in Note 1(d) to the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverability of goodwill and intangible assets As at 31 December 2019, the carrying amount of goodwill totalled $2,334,763 and the intangible asset, $402,110 as disclosed in Notes 7 and 8. The goodwill and intangible asset are subject to impairment testing annually and whenever an impairment indicator is identified. The determination of the recoverable amount is subject to management judgement including: • Cash flow projections; • Expected future growth in the product market; and • Discount rates applied.	Our procedures included, but were not limited to: • Assessing the status of the technology development based on discussions with management; • Challenging the underlying assumptions reflected in management's cash flow forecasts. This included agreeing assumptions to underlying documentation, sensitising key judgemental inputs and assessing the reasonableness of forecast cash flows; • Assessing the historical accuracy of cash flow forecasts; • Assessing the recoverable amount of net assets of the company in the context of the current market capitalisation (considering trading volumes); and • Engaging with our valuation experts to assess the appropriateness of management's processes and policies in the development of the cash flow model as well as testing the mathematically accuracy and the reasonableness of assumptions used. We also assessed the appropriateness of the disclosures in Notes 7 and 8 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated entity's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated entity's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 7 of the Directors' Report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Audio Pixels Holdings Limited, for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

David Salmon

David Salmon
Partner
Chartered Accountants
Canberra, 27 February 2020

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable;

(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 give a true and fair view of the financial position and performance of the company and the consolidated entity;

(c) the directors have been given the declarations required by s.295A of the Corporations Act 2001; and

(d) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

I A Dennis
Director

Dated at Sydney this 27 day of February 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated Year ended 31 December 2019 $	Consolidated Year ended 31 December 2018 $
Revenue	2	272,520	86,961
Administrative expenses		(1,040,527)	(916,399)
Amortisation		(84,565)	(79,159)
Depreciation		(405,840)	(70,881)
Directors fees and superannuation		(148,920)	(148,920)
Exchange (losses)/gains		15,190	2,723,660
Interest expense		(30,462)	(1,511,514)
Fair value movement of derivative liability		-	(940,264)
Gain/(Loss) on amendment of terms of convertible notes		-	(525,415)
Profit/(Loss) on sale of property, plant and equipment		411	(198)
Marketing		(1,224)	(3,983)
Research and development expenses		(4,808,513)	(3,133,609)
(Loss) before income tax	2	(6,231,930)	(4,519,721)
Income tax benefit	3	-	-
(Loss) for the year		(6,231,930)	(4,519,721)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit and loss			
Exchange differences arising on translation of foreign operations	17	(190,559)	(2,461,611)
Other comprehensive income/(loss) for the year, net of tax		(190,559)	(2,461,611)
Total comprehensive (loss) for the year		(6,422,489)	(6,981,332)

Notes to the financial statements are included on pages 20 to 52.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated Year ended 31 December 2019	Consolidated Year ended 31 December 2018
(Loss) attributable to:			
Owners of the company		(6,231,930)	(4,519,721)
Total comprehensive (loss) attributable to:			
Owners of the company		(6,422,489)	(6,981,332)
Earnings per share			
Basic and diluted (cents per share)	21	(22.02)	(16.67)

Notes to the financial statements are included on pages 20 to 52.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Consolidated December 2019 $	Consolidated December 2018 $
CURRENT ASSETS			
Cash and cash equivalents	5	5,823,291	11,019,092
Trade and other receivables	6	142,314	173,565
TOTAL CURRENT ASSETS		5,965,605	11,192,657
NON CURRENT ASSETS			
Goodwill	7	2,334,763	2,326,483
Intangible asset	8	402,110	483,848
Right of use asset	9	575,153	-
Property, plant and equipment	10	469,517	329,858
Trade and other receivables	6	5,960	5,525
TOTAL NON CURRENT ASSETS		3,787,503	3,145,714
TOTAL ASSETS		9,753,108	14,338,371
CURRENT LIABILITIES			
Trade and other payables	11	1,648,566	987,849
Lease liabilities	13	337,014	-
Provisions	14	262,784	203,960
TOTAL CURRENT LIABILITIES		2,248,364	1,191,809
NON-CURRENT LIABILITIES			
Lease liabilities	13	271,208	-
TOTAL NON CURRENT LIABILITIES		271,208	-
TOTAL LIABILITIES		2,519,572	1,191,809
NET ASSETS/(LIABILITIES)		7,233,536	13,146,562
EQUITY			
Issued capital	15	66,217,433	66,217,433
Reserves	17	(24,724,836)	(25,043,740)
Accumulated losses	18	(34,259,061)	(28,027,131)
Equity attributable to owners of the company		7,233,536	13,146,562
TOTAL EQUITY		7,233,536	13,146,562

Notes to the financial statements are included on pages 20 to 52.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

December 2019 - Consolidated	Issued Capital $	Equity Settled Option Reserve $	Exchange translation reserve $	Minority Acquisition Reserve $	Convertible Note Equity Reserve $	Accumulated Losses $	Total $
Balance at 1 January 2019	66,217,433	4,532,439	(4,037,487)	(25,538,692)	-	(28,027,131)	13,146,562
Other comprehensive income for the year	-	-	(190,559)	-	-	-	(190,559)
(Loss) for the year	-	-	-	-	-	(6,231,930)	(6,231,930)
Recognition of share based payments	-	509,463	-	-	-	-	509,463
Balance at 31 December 2019	66,217,433	5,041,902	(4,228,046)	(25,538,692)	-	(34,259,061)	7,223,536

December 2018 - Consolidated	Issued Capital $	Equity Settled Option Reserve $	Exchange translation reserve $	Minority Acquisition Reserve $	Convertible Note Equity Reserve $	Accumulated Losses $	Total $
Balance at 1 January 2018	45,228,931	4,512,898	(1,575,876)	(25,538,692)	666,893	(23,507,410)	(213,256)
Other comprehensive income for the year	-	-	(2,461,611)	-	-	-	(2,461,611)
(Loss) for the year	-	-	-	-	-	(4,519,721)	(4,519,721)
Issue of shares for cash	9,500,003	-	-	-	-	-	9,500,003
Issue of shares on conversion of convertible notes	10,773,402	-	-	-	-	-	10,773,402
Transfer from reserve	715,097	-	-	-	(715,097)	-	-
Recognition of share based payments	-	19,541	-	-	-	-	19,541
Equity reserve on issue of convertible notes	-	-	-	-	48,204	-	48,204
Balance at 31 December 2018	66,217,433	4,532,439	(4,037,487)	(25,538,692)	-	(28,027,131)	13,146,562

Notes to the financial statements are included on pages 20 to 52.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Consolidated Year ended 31 December 2019 $	Consolidated Year ended 31 December 2018 $
Cash flows from operating activities			
Receipts from customers		121,763	-
Payments to suppliers and employees		(4,917,915)	(4,148,731)
Interest paid		(30,462)	(530,959)
Interest received		150,757	86,961
Net cash (used by) operating activities	19	(4,675,857)	(4,592,729)
Cash flows from investing activities			
Payment for property, plant and equipment		(223,556)	(46,043)
Proceeds from sale of property, plant and equipment		244	316
Net cash (used by) from investing activities		(223,312)	(45,727)
Cash flows from financing activities			
Proceeds from share placement	15	-	9,500,003
Convertible note		-	3,500,000
Repayment of lease liabilities		(286,890)	-
Net cash (used by)/provided by financing activities		(286,890)	13,000,003
Net increase/(decrease) in cash and cash equivalents held		(5,186,059)	8,361,547
Cash and cash equivalents at the beginning of the financial year		11,019,092	2,700,577
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(9,742)	(43,032)
Cash and cash equivalents at the end of the financial year	5	5,823,291	11,019,092

Notes to the financial statements are included on pages 20 to 52.

1. Summary of Significant Accounting Policies

1(a) 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 ("AASBS"). Compliance with AASBS ensures that the financial statements and notes comply with International Financial Reporting Standards ("IFRS"). For the purposes of preparing the consolidated financial statements, the Company is a for profit entity.

The financial statements were authorised for issue by the Directors on 27 February 2020.

1(b) Basis of preparation

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

1(c) Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

Impact of initial application of AASB 16 Leases

In the current year, the consolidated entity has applied AASB 16 Leases that is effective for annual periods that begin on or after 1 January 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements and the impact of the adoption of AASB 16 on the consolidated entity's financial statements are described below.

The date of initial application of AASB 16 for the consolidated entity was 1 January 2019.

The consolidated entity has applied AASB 16 using the modified retrospective approach with the cumulative effect of initially applying the Standard recognised at the date of initial application in Accumulated Losses.

Impact on Lessee Accounting

Former operating leases

AASB 16 changes how the consolidated entity accounts for leases previously classified as operating leases under AASB 117, which were off-balance-sheet.

Applying AASB 16, for all leases (except as noted below), the consolidated entity:

a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;

b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the consolidated entity has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within other expenses in the consolidated statement of profit or loss as applicable.

1. Summary of Significant Accounting Policies (Cont.)

Impact on Lessor Accounting

AASB 16 does not change substantially how a lessor accounts for leases. Under AASB 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, AASB 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets.

Under AASB 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under AASB 117).

Financial impact of initial application of AASB 16

The initial application of AASB 16 resulted in:-

i. The creation of a right-of-use asset of $895,297 and a lease liability of $895,297 as at 1 January 2019.

ii. A difference of $470,416 between the operating lease commitments disclosed in applying AASB 117 in the 31 December 2018 annual report, discounted using the weighted average rate in (iii) below and the lease liability in (i) above. This difference is primarily attributable to the inclusion of certain leases as part of the opening adjustment that were previously not disclosed as operating lease commitments.

iii. When measuring lease liabilities, the consolidated entity discounted lease payments using the rate implicit in the lease. Where this could not be determined, the consolidated entity's incremental borrowing rate was used. The weighted average rate applied is 5%.

Impact of Other Standards

In the current year, the consolidated entity has applied a number of amendments to AASB Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- AASB 2017-6 Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement
- AASB 2018-3 Amendments to Australian Accounting Standards - Reduced Disclosure Requirements
- Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments

1. Summary of Significant Accounting Policies (Cont.)

New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

At the date of authorisation of the financial statements, the consolidated entity has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 2014-10 *Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]*, AASB 2015-10 *Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128* and AASB 2017-5 *Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*	1 January 2022 (Editorial corrections in AASB 2017-5 applied from 1 January 2018)
AASB 2018-6 *Amendments to Australian Accounting Standards - Definition of a Business*	1 January 2020
AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Material*	1 January 2020
AASB 2019-1 *Amendments to Australian Accounting Standards - References to the Conceptual Framework*	1 January 2020
AASB 2019-3 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform*	1 January 2020
AASB 2019-5 Amendments to Australian Accounting Standards - *Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*	1 January 2020

The Directors do expect these new and revised standards issued but not effective to have a material effect on the financial statements.

1(d) 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 $6,231,930. Net cash used by operating activities was $4,675,857. As at 31 December 2019, the consolidated entity had cash of $5,823,291 and net current assets of $3,717,241 Development work on the technology is continuing and it is anticipated that the available net working capital will be consumed in the coming 12 months.

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

- the ability of the company to secure additional funding from existing or new investors to fund continued development. The directors consider that the company has a number for financing options available to it at this stage of the commercialisation of the product;
- the successful completion of the development stage of the technology; and
- the future trading prospects of the consolidated entity including obtaining commercial contracts.

If the consolidated entity is unable to achieve successful outcomes in relation to the above matters, significant uncertainty would exist as to the ability of the consolidated entity to continue as a going concern and therefore, it may be required to realise its assets and extinguish its 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 consolidated entity not continue as a going concern.

1. Summary of Significant Accounting Policies (Cont.)

1(e) Revenue Recognition

Interest revenue is recognised on an accrual basis.

Recharged revenue/income is recognised on an accrual basis.

1(f) Financial assets

Classification

The consolidated entity classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the consolidated entity's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the consolidated entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The consolidated entity reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the consolidated entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the consolidated entity's business model for managing the asset and the cash flow characteristics of the asset.

There are two measurement categories into which the consolidated entity classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises. No such assets are currently held by the consolidated entity.

Equity instruments

The consolidated entity subsequently measures all equity investments at fair value. Where the consolidated entity's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the consolidated entity's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other expenses in the statement of profit or loss as applicable.

Impairment

The consolidated entity assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, and lease receivables, the consolidated entity applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

1. Summary of Significant Accounting Policies (Cont.)

1(g) Financial Liabilities

Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms in the consolidated entity's countries of operation.

Derivative liabilities

Derivative liabilities are initially recognised at fair value on issue. After initial recognition, they are subsequently measured at fair value through profit or loss.

Classification as debt or equity

During the year the Company had on issue convertible notes. The component parts of the convertible notes issued by the consolidated entity are classified separately as borrowings, derivative liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a variable number of the Company's own equity instruments is a derivative liability instrument.

The value of a conversion option classified as a derivative liability instrument is recognised at fair value on issue. The derivative liability is subsequently measured at fair value through profit or loss.

The conversion option classified as equity is determined by deducting the amount of liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity and is not subsequently remeasured. This will remain in equity until the conversion option is exercised or at maturity. No gain or loss is recognised in profit or loss upon expiration or conversion.

On initial recognition, the face borrowing or liability component is measured at fair value. This is subsequently recognised on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

1(h) 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.

1(i) 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.

1(j) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought 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.

1. Summary of Significant Accounting Policies (Cont.)

1(k) 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.

1(l) 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 acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the consolidated entity'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 acquire (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 goodwill impairment testing, there was one cash-generating unit, relating to the digital speakers segment. The cash-generating unit is tested for impairment annually. 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(m) Impairment of assets

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

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

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

1(n) 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).

1. Summary of Significant Accounting Policies (Cont.)

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.

1(o) 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 asset acquired is written off on a straight line basis. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

1(p) Leases

Policies applicable from 1 January 2019 (See Note 1(c))

The consolidated entity assesses whether a contract is or contains a lease, at inception of a contract. The consolidated entity recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the consolidated entity recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the consolidated entity uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

1. Summary of Significant Accounting Policies (Cont.)

The consolidated entity remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The consolidated entity did not make any such adjustments during the period.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the consolidated entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the consolidated entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The consolidated entity applies AASB 136 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss per the accounting policy disclosed in note 1(m).

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statement of profit or loss.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The consolidated entity has not used this practical expedient.

Policies applicable prior to 1 January 2019

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 consolidated entity 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 consolidated entity as lessee

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

1. Summary of Significant Accounting Policies (Cont.)

1(q) 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.

1(r) 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.

All intragroup assets and liabilities, equity, expenses and cash flows relating to transactions between members of the consolidated entity are eliminated in full on consolidation.

1(s) Property, plant and equipment

Property, plant 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

Depreciation in relation to right-of-use-assets is outlined in Note 1(p).

1(t) Share based payments

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

1. Summary of Significant Accounting Policies (Cont.)

1(u) Critical accounting judgements

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

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

Key sources of estimation uncertainty

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

Intangible asset/Goodwill

The directors made a critical judgement in relation to the value of the intangible asset included in Note 8 and the impairment model used in assessing the carrying amount of the goodwill (see Note 7).

Deferred tax

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

Valuation of and conversion of borrowings and derivative liability

The directors made a critical judgement in relation to the interest rate applied in valuing the borrowing and the expected share price volatility used to value the derivative liability included in Note 11. Furthermore significant judgements were made in determining the impact of the change in conversion terms for all convertible note on issue.

Functional Currency

The directors made a critical judgement in relation to the functional currency of Audio Pixels Holdings Limited. The directors consider AUD to be the appropriate functional currency, as financing activities of the entity occur in AUD.

Investment in subsidiary and intercompany receivable

The directors made a critical judgement in relation to the recoverability of the investment in subsidiary - Audio Pixels Limited and the receivable from this subsidiary. The assessment of the recoverability of these assets is considered concurrently with the recoverability of the intangible asset/goodwill. These assets are discussed in Note 26 as part of current and non-current assets:

- Investment in subsidiary -$2,957,213 (non-current assets)
- Intercompany receivable - $33,958,648 (included in current assets)

	Consolidated Year ended 31 December 2019 $	Consolidated Year ended 31 December 2018 $
2. (Loss) from Operations		
(a) Revenue		
Interest received - other entities	150,757	86,961
Recharge income	121,763	-
Total revenue	272,520	86,961
(b) Expenses		
Amortisation	84,565	79,159
Depreciation of property, plant and equipment	85,706	70,881
Depreciation of right-of-use assets	320,134	-
Interest expense	30,462	1,511,514
Rental payments	-	147,906
Rental amounts recharged to sub tenants	-	(113,763)
Net rental expense	-	34,143
Fair value movement in derivative liability	-	940,264
Employee benefits expense:		
Salary and other employee benefits	1,907,571	1,390,360
Share based payments	509,463	19,541
Superannuation	31,916	31,916
	2,448,950	1,441,817

3. Income Taxes

(a) Income tax recognised in profit or loss

Tax expense comprises:		
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	(6,231,930)	(4,519,721)
Amortisation	84,565	79,159
Share based payments	509,463	19,541
Convertible note adjustments	-	2,446,233
	(5,637,902)	(1,974,788)

	31 December 2019 $	31 December 2018 $

3. Income Taxes (Cont.)

Income tax expense calculated at 30%	(1,691,371)	(592,436)
Effect of different tax rates of subsidiaries operating in other jurisdictions	358,983	237,099
Deferred tax benefit not brought to account	1,332,388	355,337
	-	-

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 23% (2018:25%) 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	7,100,657	5,768,269
Tax losses - capital	168,038	168,038
Temporary differences	66,041	54,246
	7,334,736	5,990,553

(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, complied 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 2019 $	31 December 2018 $

4. Remuneration of Auditors

(i) Auditor of the parent entity		
Audit or review of the financial statements	40,478	38,388
Taxation service	3,990	2,993
	44,468	41,381
(ii) Network firm of the parent entity auditor		
Audit or review of the financial statements	19,187	18,167
Taxation service	2,132	2,019
	21,319	20,186

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

5. Cash and Cash Equivalents

Cash on hand and at bank	5,823,291	11,019,092
Weighted average interest rate received on cash	1.19%	2.24%

6. Trade and Other Receivables

Current		
GST receivable	8,948	65,347
Prepayments and other debtors	133,366	108,218
	142,314	173,565
Non Current		
Other debtors	5,960	5,525

Other debtors comprise security deposits with government bodies.

	31 December 2019 $	31 December 2018 $
7. 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.	2,334,763	2,326,483
Balance at 1 January	2,326,483	2,189,025
Net foreign currency exchange	8,280	137,458
Balance at 31 December	2,334,763	2,326,483

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 assumed growth rate is based on the forecast future global MEMS market. Given the nature of the product, the forecast cash flows are managements' best estimate and reflect the risks inherent in the initial take up of the product. 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 fair value less costs of disposal calculation is sensitive to changes in the percentage likelihood of completion. Increases in the percentage likelihood of completion increases the recoverable amount and vice versa. 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.

8. Intangible Asset

	31 December 2019 $	31 December 2018 $
Being the independent valuation of In Process 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	204,048	201,221
Less accumulated amortisation	(669,938)	(585,373)
	402,110	483,848

The intangible asset is allocated to the digital speaker cash-generating unit when assessed for impairment. Refer to Note 7 for commentary on the cash-generating unit.

	31 December 2019 $	31 December 2018 $
9. Right of use assets		
Office premises - at cost	895,297	-
Less accumulated depreciation	(320,144)	-
	575,153	-
Motor vehicle - at cost	-	-
Less accumulated depreciation	-	-
	-	-
Total net book value of Right of use assets	575,153	-
Cost		
Office premises		
Balance recorded on transition to AASB 16	895,287	-
Net foreign currency exchange differences	-	-
Balance as at 31 December	895,287	-
Motor vehicle		
Balance recorded on transition to AASB 16	-	-
Additions	33,676	-
Disposals	(33,676)	-
Net foreign currency exchange differences	-	-
Balance as at 31 December	-	-

	31 December 2019 $	31 December 2018 $
9. Right of use assets (Cont.)		
Accumulated depreciation		
Office premises		
Balance as at 1 January	-	-
Net foreign currency exchange differences	-	-
Depreciation expense	(320,144)	-
Balance at 31 December	(320,144)	-
Motor vehicle		
Balance as at 1 January	-	-
Net foreign currency exchange differences	-	-
Depreciation expense	-	-
Balance at 31 December	-	-

On 1 June 2018, the parent company exercised an option to renew a lease in respect of office premises at Suite 3, Level 12, 75 Elizabeth Street Sydney for a period of forty-eight months from 31 March 2018 to 30 March 2022.

Amounts recognised in profit and loss		
Depreciation expense on right of use assets	320,134	-
Interest expense on lease liabilities	30,462	-

The total cash outflow for leases amount to $317,352.

10. Property, Plant and Equipment

	31 December 2019 $	31 December 2018 $
Computers and related equipment - at cost	507,937	394,491
Less accumulated depreciation	(421,385)	(374,022)
	86,552	20,469
Leasehold improvements - at cost	366,797	360,094
Less accumulated depreciation	(244,875)	(252,699)
	121,922	107,395
Office furniture and equipment - at cost	1,315,628	1,201,446
Less accumulated depreciation	(1,054,585)	(999,452)
	261,043	201,994
Total net book value of Property, Plant and Equipment	469,517	329,858
Cost		
Computers and related equipment		
Balance at 1 January	394,491	351,372
Additions	110,938	13,064
Disposals	-	(7,157)
Net foreign currency exchange differences	2,508	37,212
Balance as at 31 December	507,937	394,491
Leasehold improvements		
Balance at 1 January	360,094	324,269
Additions	4,415	1,484
Net foreign currency exchange differences	2,288	34,341
Balance as at 31 December	366,797	360,094

10. Property, Plant and Equipment (Cont.)

	31 December 2019 $	31 December 2018 $
Office furniture and equipment		
Balance at 1 January	1,201,446	1,059,881
Additions	108,203	31,495
Disposals	(1,660)	(2,175)
Net foreign currency exchange differences	7,639	112,245
Balance as at 31 December	1,315,628	1,201,446
Accumulated depreciation		
Computers and related equipment - at cost		
Balance as at 1 January	(374,022)	(331,920)
Net foreign currency exchange differences	(2,525)	(35,861)
Disposals	-	7,157
Depreciation expense	(44,838)	(13,398)
Balance at 31 December	(421,385)	(374,022)
Leasehold improvements		
Balance as at 1 January	(252,699)	(216,887)
Net foreign currency exchange differences	21,036	(14,274)
Depreciation expense	(13,212)	(21,538)
Balance at 31 December	(244,875)	(252,699)
Office furniture and equipment		
Balance as at 1 January	(999,452)	(862,105)
Net foreign currency exchange differences	(29,112)	(103,037)
Disposals	1,635	1,635
Depreciation expense	(27,656)	(35,945)
Balance at 31 December	(1,054,585)	(999,452)

	31 December 2019 $	31 December 2018 $
11. Trade and Other Payables		
Current		
Trade payables and accruals	1,648,566	987,849

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

12. Borrowings

On 29 December 2017, the Company reached agreement with existing holders of the convertible notes amounting to $3,000,000 to extend the expiry date by 12 months to 31 December 2018. Shareholder approval for the extension of the convertible note held by 4F Investments Pty Limited was obtained at the next Annual General Meeting of the Company held on 7 May 2018.

For accounting purposes these extensions were treated as the derecognition of the original convertible notes and the recognition of two new convertible note instruments. The difference in valuation was recognised as a gain or loss in profit and loss.

These notes were unsecured, not listed and were convertible to ordinary shares based on the lower of the five day volume weighted average share price of Audio Pixels Holdings Limited on the date of the original agreement ($9.68) or the five day volume weighted average share price of Audio Pixels Holdings Limited immediately prior to conversion. These convertible notes were converted to 309,918 ordinary shares on 7 November 2018, following receipt of agreement to the early conversion from noteholders.

On 5 January 2018, The Company announced it had raised $4,500,000 from a new convertible note issue to sophisticated unrelated investors pursuant to agreements dated 29 December 2017. In addition, 4F Investments Pty Limited, a company associated with Mr Fred Bart also agreed to take up a further $500,000 of convertible notes on the same terms and conditions subject to shareholder approval that was obtained at the Annual General Meeting of the Company held on 7 May 2018.

These new convertible notes had a term of 12 months to 31 December 2018, were unsecured, not listed and convertible into ordinary shares based on the five day volume weighted average share price of Audio Pixels Holdings Limited on the date of the agreement ($16.71).

On 7 November 2018, the Directors agreed with all the holders of the $5m convertible note to exercise their notes earlier at a discounted price of $15.19. Shareholder approval was required for the $500,000 of convertible notes held by 4F Investments Pty Limited and this was received on 21 December 2018. $4.5m of these convertible notes were converted to 296,246 ordinary shares on 7 November 2018 and the remaining $500,000 of convertible notes were converted to 32,916 ordinary shares on 21 December 2018.

	31 December 2019 $	31 December 2018 $
13. Lease liabilities		
Analysed as:		
Current	337,014	-
Non-Current	271,208	-
	608,222	-

Disclosure required by AASB 16	31 December 2019 $
Maturity Analysis	
Year 1	337,014
Year 2	247,933
Year 3	28,000
Less: unearned interest	(15,431)
	608,222

The consolidated entity does not face a significant liquidity risk with regard to its lease liabilities. All lease obligations in Australia are denominated in Australian dollars and the lease in Israel is denominated in Israeli shekels.

Disclosure required by AASB 117		
Non-cancellable operating lease payables		
Not longer than 1 year	-	140,352
Longer than 1 year and not longer than 5 years	-	315,792
Longer than 5 years	-	-
	-	456,144

14. Provisions

Employee benefits	262,784	203,960

15. Issued Capital

	31 December 2019 $	31 December 2018 $
Issued and paid up capital		
Fully paid Ordinary Shares		
Balance at the beginning of the financial year	66,217,433	45,228,931
Placement for cash at $13.00 per share	-	9,500,003
Conversion of $3m of convertible notes at $9.68	-	5,416,932
Conversion of $5m of convertible notes at $15.19	-	5,356,470
Transfer from convertible note equity reserve	-	715,097
Balance at the end of the financial year	66,217,433	66,217,433

Fully paid Ordinary Shares	Number	Number
Balance at the beginning of the financial year	28,301,720	26,893,409
Placement for cash at $13.00 per share	-	769,231
Conversion of $3m notes at $9.68	-	309,918
Conversion of $5m notes at $15.19	-	329,162
Balance at the end of the financial year	28,301,720	28,301,720

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

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

16. Employee Share Option Plan

The consolidated entity has an ownership-based compensation scheme for employees (including directors) of the company. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, employees with more than three months service with the company may be granted options to purchase ordinary shares at exercise prices determined by the directors based on market prices at the time the issue of options were made.

Each share option converts to one ordinary share in Audio Pixels Holdings Limited. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of expiry.

The number of options granted is determined by the directors and takes into account the company's and individual achievements against both qualitative and quantitative criteria.

On 13 January 2011, shareholders approved the adoption of an Employee Share Option Plan.

(a) Unlisted Options issued under the Employee Share Option Plan

	2019		2018	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance at the beginning of the financial year (i)	203,000	16.20	-	-
Granted during the year (ii)	-	-	203,000	16.20
Exercised during the year (iii)	-	-	-	-
Lapsed during the year (iv)	-	-	-	-
Balance at the end of the financial year (v)	203,000	16.20	203,000	16.20
Exercisable at end of the year	-	-	-	-

(i) Balance at the beginning of the year

	Number	Grant date	Expiry date	Exercise Price	Fair value at grant date
2019	203,000	17/12/18	17/12/21*	16.20	$1,421,406
2018	-	-	-	-	-

Staff options carry no rights to dividends and no voting rights.

16. Employee Share Option Plan (Cont.)

(ii) Granted during the year

	Number	Grant date	Expiry date	Exercise Price	Fair value at grant date
2019					
Staff options	-	-	-	-	-
2018					
Staff options	203,000	17/12/18	17/12/21*	$16.20	$1,421,406

The options issued were priced using the Black-Scholes Option Pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural conditions. Expected volatility is based on the historical share price volatility.

The following inputs were used in the model for the option grants made on 17 December 2018:

Dividend yield	-
Expected volatility (linearly interpolated)	65.40%
Risk free interest rate	1.96%
Expected life of options	1,095 days *
Grant date share price	$15.90
Exercise price	$16.20

* These options commence to vest after 17 December 2020 and continuous employment on the basis of one twelfth of the total number each month in the twelve month period to 17 December 2021.

(iii) Exercised during the year

There were no options exercised during the year.

(iv) Lapsed during the year

No Staff options lapsed during the year.

(v) Balance at the end of the financial year

	Number	Grant date	Expiry date	Exercise Price	Fair value at grant date
2019					
Staff options	203,000	17/12/18	17/12/21*	$16.20	$1,421,406
2018					
Staff options	203,000	17/12/18	17/12/21*	$16.20	$1,421,406

Staff options carry no rights to dividends and no voting rights.

All options granted to staff on 17 December 2018 commence to vest after 17 December 2020 and continuous employment on the basis of one twelfth of the total number each month in the twelve month period to 17 December 2021.

The difference between the total market value of the options issued during the financial year, at the date of issue, and the total amount received from the employees (nil) is recognised in the financial statements over the vesting period as disclosed in Note 15 to the financial statements.

17. Reserves

	31 December 2019 $	31 December 2018 $
Foreign currency translation		
Balance at the beginning of the financial year	(4,037,487)	(1,575,876)
Translation of foreign operations	(190,599)	(2,461,611)
Balance at end of financial year	(4,228,046)	(4,037,487)

Foreign currency translation

Exchange differences relating to the translation of the results and net assets of the consolidated entity's foreign operations from their functional currencies to the consolidated entity'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.

	31 December 2019 $	31 December 2018 $
Equity settled option reserve		
Balance at the beginning of the financial year	4,532,439	4,512,898
Add share based payments in respect of options	509,463	19,541
Balance at end of financial year	5,041,902	4,532,439

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

	31 December 2019 $	31 December 2018 $
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 non-controlling interest reserve comprises amounts related to the acquisition of a non-controlling interest shareholding in a subsidiary company in a prior period.

	31 December 2019 $	31 December 2018 $
Convertible Note Equity Reserve		
Balance at the beginning of the financial year	-	666,893
Increase as a result of derivative recognised on the issue of convertible notes treated as equity	-	48,204
Transfer to contributed equity on conversion	-	(715,097)
Balance at end of financial year	-	-
Total Reserves	**(24,724,836)**	**(25,043,740)**

	31 December 2019 $	31 December 2018 $

18. Accumulated Losses

Balance at the beginning of the financial year	(28,027,131)	(23,507,410)
(Loss) for the year attributable to owners of the company	(6,231,930)	(4,519,721)
Balance at the end of the financial year	(34,259,061)	(28,027,131)

19. Notes to the Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

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

Cash and cash equivalents	5,823,291	11,019,092

(b) Restricted cash

Cash held as security for future lease payments	60,167	54,959

Restricted cash amounts are included in the cash and cash equivalents amounts above.

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

(Loss) after related income tax	(6,231,930)	(4,519,721)
Amortisation	84,565	79,159
Convertible note adjustments	-	2,446,233
Depreciation	405,840	70,881
Foreign exchange gains	(193,741)	(2,635,871)
(Gain)/Loss on sale of property, plant and equipment	(411)	198
Share based payments	509,463	19,541
Changes in assets and liabilities		
(Increase)/decrease in assets		
Current trade and other receivables	31,251	(127,452)
Non-current trade and other receivables	(435)	10,583
Increase /(decrease) in liabilities		
Provisions	58,824	(36,359)
Current trade payables	660,717	100,079
Net cash (used in) operating activities	(4,675,857)	(4,592,729)

20. Related Party Transactions

(a) Directors

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

(b) KMP Remuneration

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

	31 December 2019 $	31 December 2018 $
Short-term employee benefits	613,183	763,526
Post employment benefits	92,762	99,387
	705,945	862,913

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

(c) Transactions with related entities

During the year ended 31 December 2019, the Company paid a total of $107,857 (year ended 31 December 2018 - $107,857) 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 2019, the Company paid a total of $41,063 (year ended 31 December 2018 - $41,063) to Dennis Corporate Services Pty Limited, a company associated with Mr Ian Dennis in respect of directors fees and superannuation.

During the year ended 31 December 2019, the Company paid interest of $Nil (year ended 31 December 2018 - $125,918) on a convertible note to 4F Investments Pty Limited, a company associated with Mr Fred Bart.

During the year, the Company paid $30,000 (31 December 2018 - $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 1 June 2018, the company exercised an option to renew a lease in respect of office premises at Suite 3, Level 12, 75 Elizabeth Street Sydney for a period of forty eight months to 30 March 2022. The Company recharged $30,441 (year ended 31 December 2018 - $28,441) of the rent and other tenancy charges to Electro Optic Systems Holdings Limited, a company of which Fred Bart and Ian Dennis are directors and $30,441 (year ended 31 December 2018 - $28,441) to 4F Investments Pty Limited, a company controlled by Fred Bart and $60,882 (year ended 31 December 2018 - $56,882) to another tenant who is a shareholder in the company.

In the previous year, a convertible note of $1,500,000 was exercised on 7 November 2018 and resulted in the issue of 154,959 ordinary shares to 4F Investments Pty Limited, a company controlled by Fred Bart, at a price of $9.68.

21. Earnings per Share

	31 December 2019	31 December 2018
Basic (loss) per share	(22.02) cents	(16.67) cents
Diluted (loss) per share (b)	(22.02) cents	(16.67) cents
(Loss) (a)	(6,231,930)	(4,519,721)
Weighted average number of Ordinary Shares	28,301,720	27,112,427

(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.

(b) There are potential ordinary shares to be issued in relation to the issue of 203,000 unlisted employee options issued on 17 December 2018 at an exercise price of $16.20. These options expire on 17 December 2023. The unlisted employee options have not been included in dilutive EPS, as they are anti-dilutive.

22. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity 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 consolidated entity's reportable segments has not changed from those disclosed in the previous 2018 report.

The consolidated entity operates in Australia and Israel.

Products and services within each segment

Digital speakers

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

	31 December 2019	31 December 2018
Segment Revenues		
Digital speakers	272,520	86,961
Total of all segments	272,520	86,961
Segment Results		
Digital speakers	(6,231,930)	(4,519,721)
(Loss) before income tax	(6,231,930)	(4,519,721)
Income tax gain/(expense)	-	-
(Loss) for the period	(6,231,930)	(4,519,721)

22. Segment Information (Cont.)

Segment Assets and Liabilities

	Assets		Liabilities	
	31 December 2019 $	31 December 2018 $	31 December 2019 $	31 December 2018 $
Digital speakers	9,753,108	14,338,371	2,519,572	1,191,809
Total all segments	9,753,108	14,338,371	2,519,572	1,191,809
Unallocated	-	-	-	-
Consolidated	9,753,108	14,338,371	2,519,572	1,191,809

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 2019 $	31 December 2018 $	31 December 2019 $	31 December 2018 $
Digital speakers	490,405	150,040	223,556	46,403
Total all segments	490,405	150,040	223,556	46,403
Unallocated	-	-	-	-
Consolidated	409,405	150,040	223,556	46,403

Information on Geographical Segments

Geographical Segments	Revenue from External Customers $	Segment Assets $	Acquisition of Segment Assets $
31 December 2019			
Australia	150,757	8,394,835	-
Israel	-	1,358,273	223,556
Total	150,757	9,753,108	223,556
31 December 2018			
Australia	86,168	13,473,871	-
Israel	793	864,500	46,403
Total	86,961	14,338,371	46,403

23. Financial Risk Management Objectives and Policies

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

Due to the small size of the consolidated entity 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 consolidated entity'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 2019 $	31 December 2018 $
Financial assets		
Cash and cash equivalents	5,823,291	11,019,092

The consolidated entity 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 2019, 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 2019 $	31 December 2018 $	31 December 2019 $	31 December 2018 $
Consolidated entity				
+1% (100 basis points)	53,135	110,191	53,135	110,191
-0.5% (50 basis points)	(26,567)	(55,095)	(26,567)	(55,095)

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 2019 than in December 2018 and accordingly the sensitivity is lower.

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

(b) Foreign currency risk

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

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

	Liabilities		Assets	
	31 December 2019 $	31 December 2018 $	31 December 2019 $	31 December 2018 $
Cash and cash equivalents	-	-	510,598	1,518,208
Trade and other receivables	-	-	129,106	74,268
Trade and other payables	1,423,733	933,743	-	-

All US$ denominated financial instruments were translated to A$ at 31 December 2019 at the exchange rate of 0.7013 (2018: 0.7058).

At 31 December 2019 and 31 December 2018, 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)	
	2019 $	2018 $	2019 $	2018 $
Consolidated				
AUD/USD +10%	512,526	307,883	512,526	307,883
AUD/USD -5%	(296,725)	(144,973)	(296,725)	(144,973)

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 consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties which are continuously monitored.

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

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

(d) Liquidity risk management

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

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

The following tables detail the consolidated entity's remaining contractual maturity for its non-derivative financial assets and non-derivative financial liabilities. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets and financial liabilities 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 2019					
Assets					
Non interest bearing	0.00	509,839	-	-	-
Fixed rate instruments	1.19	2,318,723	3,010,544	-	-
31 December 2018					
Assets					
Non-interest bearing	0.00	225,827	-	-	-
Fixed rate instruments	2.24	2,039,617	9,041,050	-	-

All financial liabilities are expected to be settled under commercial terms of within 12 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.

24. Financial Instruments

Fair value of financial instruments

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

Financial liabilities

(a) In the prior financial year, convertible notes with a face value of $3,000,000 included a derivative liability to which a fair value was ascribed. The derivative liability was valued using the Black-Scholes option pricing model. An input into the Black-Scholes option pricing model was the expected share price volatility over the remaining term of the options. The expected share price volatility used in the option valuation at reporting date was 50.00% which was based on historical share price volatility.

The fair value of the derivative liability was sensitive to changes in share price volatility. Increases in volatility increase the fair value of the derivative liability and vice versa.

The fair value hierarchy was Level 3. The convertible note was converted to equity prior to the end of the comparative period.

25. Subsequent Events

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

	31 December 2019 $	31 December 2018 $
26. Parent Entity Disclosures		
Financial position		
Assets		
Current assets	5,317,712	39,786,411
Non-current assets	37,247,213	2,447,750
Total assets	42,564,925	42,234,161
Liabilities		
Current liabilities	260,349	119,730
Non-current liabilities	190,264	-
Total liabilities	450,613	119,730
Net assets	42,114,312	42,114,431
Equity		
Issued capital	66,217,433	66,217,433
Reserves	(20,496,789)	(21,006,253)
(Accumulated losses)	(3,606,332)	(3,096,749)
Total equity	42,114,312	42,114,431
Financial performance		
(Loss) for the period	(509,583)	(1,053,434)
Other comprehensive income	-	-
	(509,583)	(1,053,434)

27. Controlled Entity

Name of Entity	Country of Incorporation	31 December 2019 %	31 December 2018 %
Parent Entity			
Audio Pixels Holdings Limited	Australia		
Controlled Entities			
Audio Pixels Limited	Israel	100.00	100.00
Audio Pixels Technologies Pty Limited	Australia	100.00	100.00

28. Commitments

The subsidiary company, Audio Pixels Limited of Israel has entered into various purchase orders and commitments of $794,566 (2018: $286,427) with various strategic partners which will become payable once qualified products are delivered to the company.

29. Additional Company Information

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

Registered Office and Principal Place of Business

Suite 3, Level 12
75 Elizabeth Street
Sydney NSW 2000
Australia

Tel: (02) 9233 3915
Fax: (02) 9232 3411

www.audiopixels.com.au

The Company has 15 (2018: 10) employees.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report.

Home Exchange

The Company's ordinary shares are quoted on the Australian Stock Exchange Limited under the trading symbol "AKP". The Home Exchange is Sydney. The Company also has a Level 1 American Depositary Receipts (ADR) program and quotation on the OTC market in the United State of America under the code "ADPXY" which is under the NASDAQ International Designation program.

Substantial Shareholders

At 21 February 2020 the following substantial shareholders were registered:

	Ordinary Shares	Percentage of total Ordinary Shares
Fred Bart Group	5,819,122	20.56%
Link Traders (Aust) Pty Ltd	1,641,647	5.80%

Voting Rights

At 21 February 2020 there were 2,174 holders of fully paid ordinary shares.

Rule 74 of the Company's Constitution stipulates the voting rights of members as follows:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares and to this Constitution:

(a) on a show of hands every person present in the capacity of a Member or a proxy, attorney or representative (or in more than one of these capacities) has one vote; and

(b) On a poll every person present who is a Member or proxy, attorney or representative has member present has:

  (i) For each fully paid share that the person holds or represents - one vote; and

  (ii) For each share other than a fully paid share that the person holds or represents - that proportion of one vote that the amount paid (not credited) on the shares bears to the total amount paid and payable on the share (excluding amounts credited)."

Other Information

In accordance with Listing Rule 4.10.19, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

Distribution of Shareholdings

At 21 February 2020 the distribution of ordinary shareholdings were:

Range	Ordinary Shareholders	Number of Shares
1-1,000	1,223	477,300
1,001 - 5,000	550	1,403,233
5,001 - 10,000	200	1,605,067
10,001 - 100,000	163	4,343,653
100,001 and over	38	20,472,467
	2,174	28,301,720

There were 36 ordinary shareholders with less than a marketable parcel.

There is no current on-market buy-back.

TWENTY LARGEST ORDINARY SHAREHOLDERS

Twenty Largest Ordinary Shareholders

At 21 February 2020 the 20 largest ordinary shareholders held 63.53% of the total issued fully paid quoted ordinary shares of 28,301,720.

Shareholder	Fully Paid Ordinary Shares	Percentage of Total
1. Landed Investments (NZ) Limited	3,565,000	12.60%
2. Altshuler Shacham Trusts Ltd	3,069,123	10.84%
3. HSBC Custody Nominees (Australia) Limited	1,675,110	5.92%
4. Link Traders (Aust) Pty Limited	1,627,045	5.75%
5. BNP Paribus Nominees Pty Ltd	1,445,917	5.11%
6. Frederick Bart	874,325	3.09%
7. Bart Superannuation Pty Limited	782,777	2.77%
8. James John Bart	716,013	2.53%
9. Kam Superannuation Fund Pty Limited	650,000	2.30%
10. Jamber Investments Pty Ltd	530,000	1.87%
11. Cheryl Bart	500,000	1.77%
12. Citicorp Nominees Pty Limited	469,768	1.66%
13. Decante Pty Limited <JM Ehrlich Super Fund A/C>	400,000	1.41%
14. Brent McCarty, Yvonne McCarty and Zeljan Unkovich	304,014	1.07%
15. Brigadier Pty Limited <Ian Dennis Super Fund A/C>	272,600	0.96%
16. Nicole Bart	250,000	0.88%
17. Larron Pty Ltd <Jennings Family A/C>	225,000	0.80%
18. Arvada Pty Ltd	222,700	0.78%
19. Norlip Pty Ltd < Norbert Lipton S/F A/C>	204,320	0.72%
20. Mr Lee K Lau	197,498	0.70%
	17,981,210	65.53%

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