



2020

ANNUAL REPORT

CORPORATE DIRECTORY

Directors

Fred Bart (Chairman)
Ian Dennis
Cheryl Bart AO

Company Secretary

Ian Dennis

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Auditor

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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 2020. 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. 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
	Noxopharm Limited	Since 8 May 2020
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 2020 was \$12,102,367 (31 December 2019 - \$6,231,930).

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

As has been reported throughout the period, achievements were technical in nature, focused on advancing the Company's proven prototype technologies into a mass-production product. The main focus of the period has been an intensive effort to combine the company's accomplishments into working devices that can serve as product demonstrators as well as engineering samples for select customers.

The primary highlight of the period was the successful sampling of playing chips while still in wafer form in our cleanroom. As has been demonstrated the sound clarity and low frequency range of the chip was incomparable to any currently available technologies of similar form factor. Activities required to reach this milestone involved changes to structural design and fabrication processes of our MEMS transducer, advancements of algorithms, signal processing, chip assembly and packaging, measurement capabilities, as well as the design and production of electronic circuitry required to demonstrate the technology.

It should be noted that the global COVID-19 pandemic caused and continues to cause incongruities into our plans, forcing management to constantly adjust timelines involved in migrating the success of the technology demonstration out of the noisy environment of the cleanroom, where suitable assessment can be conducted by industry and customers.

Highlights of particular activities as follows:

- **MEMS Fabrication** - during the period a number of flaws in the fabrication process were detected as contributing factors to the functional failure of devices, lower than expected yields, as well as diminishing life-cycles. Correcting such shortcomings required improvements to the fabrication process as well as a number of relatively minor changes to the structural design that serve to reduce dependencies on manufacturing tolerances. The modifications to both the design and fabrication process have been proven to be sufficiently effective as to sanction the fabrication of larger quantities of wafers required to serve the objectives of product demonstration / engineering samples. Additional process optimization activities remain ongoing in an effort to improve device yield (i.e. number of good chips per wafer).
- **Device Performance** - Recent advancements in computational modeling tools has for the first time permitted the possibility to simulate the acoustic phenomena that are relevant and prevalent in our MEMS transducers. The company is currently bringing a highly advanced dynamically coupled

system online, that enables analysis and prediction of the acoustic performance of our structures. The addition of such capabilities to the company's "toolbox" is a significant gamechanger to achieve and maintain technological superiority, as such simulation capabilities which have not been feasible before, empower the company to use a software-only approach to explore and predict the influence most any structural or functional modification might have on the acoustic performance of the device.

- **New Generation ASIC** - during the reporting period the company authorized a redesign of its proprietary Application Specific Integrated Circuit (ASIC) controller - the component responsible for converting algorithms into precision electrical signals required to drive our MEMS transducer. The primary impetus for this undertaking was to improve controls of the Simplified Acoustic Half Structure.
- **Measurement Capabilities** - During the reporting period the company undertook a major upgrade and expansion of its test and measurement equipment and capabilities. This effort was deemed necessary to support the inclusion of packaged chips to the test and measurement capabilities as well as to support the characterization of larger quantities of wafers and chips, for longer periods of times.
- **Demonstration Capabilities** - During the reporting period the company expended considerable resources designing and building electronic circuitry that enable the company to demonstrate and showcase the capabilities of our technologies. This effort also included developments associated with the packaging of individual chip as well as chip arrays (multichip demonstration). Effort in this regard including the qualification and addition assembly and packaging vendor, located locally in order to help overcome logistical complexities spurred by the COVID pandemic experienced by our European based vendors and their global suppliers.

While a number of technical issues arose during the reporting period, solutions have been identified and successfully implemented to resolve all known challenges. Overall, the magnitude of accomplishments achieved during the reporting period present a positive outlook on the company's ability to reach in a timely manner, its next critical milestone involving demonstrating our technology to the marketplace.

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

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 2020 \$	Year ended 31 December 2019 \$	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$	Year ended 31 December 2016 \$
Revenue	191,434	272,520	86,961	65,624	103,630
Net (loss) before tax	(12,102,367)	(6,231,930)	(4,519,721)	(5,914,957)	(5,054,771)
Net (loss) after tax	(12,102,367)	(6,231,930)	(4,519,721)	(5,914,957)	(5,054,771)

	Year ended 31 December 2020 \$	Year ended 31 December 2019 \$	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$	Year ended 31 December 2016 \$
Share price at start of year/period	15.35	20.22	16.82	14.15	8.45
Share price at end of year/period	24.05	15.35	20.22	16.82	14.15
Dividend Paid	0.00	0.00	0.00	0.00	0.00

DIRECTOR'S REPORT

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 1/1/20 No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 31/12/20 No.
Mr Fred Bart*	5,819,122	-	-	-	5,819,122
Mrs Cheryl Bart*	1,282,777	-	-	-	1,282,777
Mr Ian Dennis	320,167	-	-	-	320,167
Mr Danny Lewin	1,438,619	-	-	-	1,438,619
Mr Yuval Cohen	1,430,819	-	-	(30,183)	1,400,636

* Included in the above shareholdings in respect to both Fred Bart and Cheryl Bart are 782,777 (2019: 782,777) shares in Audio Pixels Holdings Limited held by the Bart Superannuation Fund, in respect to which each has a relevant interest.

Transactions with Related Entities

During the year ended 31 December 2020, the Company paid a total of \$107,857 (year ended 31 December 2019 - \$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 2020, the Company paid a total of \$41,063 (year ended 31 December 2019 - \$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 2019 - \$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 \$31,598 (year ended 31 December 2019 - \$30,441) 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 \$22,289 (year ended 31 December 2019 - \$30,441) 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 2020					
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	168,624	41,414	-	60,303	270,341
Yuval Cohen	220,008	12,692	18,996	-	251,686
	554,632	54,106	31,916	60,303	700,957
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

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

Other non-monetary benefits include annual leave provision increases during the year.

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:

Directors	Board of directors		Audit committee		Nomination and Remuneration committee	
	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 25 day of February 2021

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

25 February 2021

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 2020, 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

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 2020, 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 2020 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 Company, 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 \$12,102,367 and had a net cash outflow from operating activities of \$7,457,659 during the year ended 31 December 2020. 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. This included agreeing assumptions to underlying documentation, sensitising key judgmental inputs and assessing cash inflows and outflows in relation to commercialisation of the product;
- Assessing the historical accuracy of the cash flow forecasts;
- 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
- Assessing the appropriateness 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. These matters were 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 these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Recoverability of goodwill and intangible assets</p> <p>As at 31 December 2020, the carrying amount of goodwill totalled \$2,207,058 and the intangible asset, \$288,698 as disclosed in Notes 7 and 8.</p> <p>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:</p> <ul style="list-style-type: none"> • Likelihood of the commercialisation of the product; • Expected future growth in the product market; • Cash flow projections; and • Discount rates applied. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • 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 judgmental 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 mathematical accuracy and the reasonableness of assumptions used. <p>We also assessed the appropriateness of the disclosures in Notes 7 and 8 to the financial statements.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Financial Report, which we obtained prior to the date of this auditor's report, and also includes the information which will be included in the Consolidated entity's annual report (but does not include the financial report and our auditor's report thereon), which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior

to the date of this auditor's report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

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 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 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 Group to express an opinion on the financial report.

We are responsible for the direction, supervision and performance of the Group'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, actions taken to eliminate threats or safeguards applied.

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 2020.

In our opinion, the Remuneration Report of Audio Pixels Holdings Limited, for the year ended 31 December 2020, 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, 25 February 2021

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 25 day of February 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Consolidated Year ended 31 December 2020 \$	Consolidated Year ended 31 December 2019 \$
Revenue	2	191,434	272,520
Administrative expenses		(961,705)	(1,040,527)
Amortisation		(83,257)	(84,565)
Depreciation		(426,583)	(405,840)
Directors fees and superannuation		(148,920)	(148,920)
Foreign exchange (losses)/ gains		(3,822,820)	15,190
Interest expense		(19,253)	(30,462)
Profit/ (Loss) on sale of property, plant and equipment		-	411
Marketing		-	(1,224)
Research and development expenses		(6,831,263)	(4,808,513)
(Loss) before income tax	2	(12,102,367)	(6,231,930)
Income tax benefit	3	-	-
(Loss) for the year		(12,102,367)	(6,231,930)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit and loss			
Exchange differences arising on translation of foreign operations	16	3,259,780	(190,559)
Other comprehensive income/(loss) for the year, net of tax		3,259,780	(190,559)
Total comprehensive (loss) for the year		(8,842,587)	(6,422,489)

Notes to the financial statements are included on pages 20 to 46.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Consolidated Year ended 31 December 2020	Consolidated Year ended 31 December 2019
(Loss) attributable to:			
Owners of the company		(12,102,367)	(6,231,930)
Total comprehensive (loss) attributable to:			
Owners of the company		(8,842,587)	(6,422,489)
Earnings per share			
Basic and diluted (cents per share)	20	(42.50)	(22.02)

Notes to the financial statements are included on pages 20 to 46.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Consolidated December 2020 \$	Consolidated December 2019 \$
CURRENT ASSETS			
Cash and cash equivalents	5	4,750,888	5,823,291
Trade and other receivables	6	48,861	142,314
TOTAL CURRENT ASSETS		4,799,749	5,965,605
NON CURRENT ASSETS			
Goodwill	7	2,207,058	2,334,763
Intangible asset	8	288,698	402,110
Right of use asset	9	249,320	575,153
Property, plant and equipment	10	422,145	469,517
Trade and other receivables	6	5,699	5,960
TOTAL NON CURRENT ASSETS		3,172,920	3,787,503
TOTAL ASSETS		7,972,669	9,753,108
CURRENT LIABILITIES			
Trade and other payables	11	1,630,684	1,648,566
Lease liabilities	12	241,577	337,014
Provisions	13	295,683	262,784
TOTAL CURRENT LIABILITIES		2,167,944	2,248,364
NON-CURRENT LIABILITIES			
Lease liabilities	12	27,863	271,208
TOTAL NON CURRENT LIABILITIES		27,863	271,208
TOTAL LIABILITIES		2,195,807	2,519,572
NET ASSETS/ (LIABILITIES)		5,776,862	7,233,536
EQUITY			
Issued capital	14	73,092,487	66,217,433
Reserves	16	(20,954,197)	(24,724,836)
Accumulated losses	17	(46,361,428)	(34,259,061)
Equity attributable to owners of the company		5,776,862	7,233,536
TOTAL EQUITY		5,776,862	7,233,536

Notes to the financial statements are included on pages 20 to 46.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

December 2020 - Consolidated	Issued Capital \$	Equity Settled Option Reserve \$	Exchange translation reserve \$	Minority Acquisition Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 January 2020	66,217,433	5,041,902	(4,228,046)	(25,538,692)	(34,259,061)	7,223,536
Other comprehensive income for the year	-	-	3,259,780	-	-	3,259,780
(Loss) for the year	-	-	-	-	(12,102,367)	(12,102,367)
Issue of shares for cash	6,875,054	-	-	-	-	6,875,054
Recognition of share based payments	-	510,859	-	-	-	510,859
Balance at 31 December 2020	73,092,487	5,552,761	(968,266)	(25,538,692)	(46,361,428)	5,776,862

December 2019 - Consolidated	Issued Capital \$	Equity Settled Option Reserve \$	Exchange translation reserve \$	Minority Acquisition 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

Notes to the financial statements are included on pages 20 to 46.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Consolidated Year ended 31 December 2020 \$	Consolidated Year ended 31 December 2019 \$
Cash flows from operating activities			
Receipts from customers		96,133	121,763
Government grants		76,692	-
Payments to suppliers and employees		(7,629,840)	(4,917,915)
Interest paid		(19,253)	(30,462)
Interest received		18,609	150,757
Net cash (used by) operating activities	18	(7,457,659)	(4,675,857)
Cash flows from investing activities			
Payment for property, plant and equipment		(105,038)	(223,556)
Proceeds from sale of property, plant and equipment		-	244
Net cash (used by) from investing activities		(105,038)	(223,312)
Cash flows from financing activities			
Proceeds from share placement	14	6,875,054	-
Repayment of lease liabilities		(338,782)	(286,890)
Net cash (used by)/provided by financing activities		6,536,272	(286,890)
Net increase/ (decrease) in cash and cash equivalents held		(1,026,425)	(5,186,059)
Cash and cash equivalents at the beginning of the financial year		5,823,291	11,019,092
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(45,978)	(9,742)
Cash and cash equivalents at the end of the financial year	5	4,750,888	5,823,291

Notes to the financial statements are included on pages 20 to 46.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 25 February 2021.

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

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 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a business
- AASB 2018-7 Amendments to Australian Accounting Standards - Definition of material
- Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards - Reference to Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform
- AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

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
IFRS 17 Insurance contracts	1 January 2023
IFRS 10 and IAS 28 (amendments) Sale or contribution of Assets between and Investor and its Associate or Joint Venture	Not set date
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to IFRS 3 - Reference to Conceptual Framework	1 January 2022
Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 - Onerous contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS Leases, and IAS 41 Agriculture	1 January 2022

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Summary of Significant Accounting Policies (Cont.)

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 \$12,102,367. Net cash used by operating activities was \$7,457,659. As at 31 December 2020, the consolidated entity had cash of \$4,750,888. Further testing and enhancement of the technology is continuing as the company works towards achievement of the demonstrator milestone to begin the transition to volume production. As a result, 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 successful completion of the current testing phase of the technology, enabling the company to demonstrate the technology's capabilities and negotiate commercial contracts with interested parties; and
- following this, the ability of the company to raise further capital as it gears up for production. The Directors do not anticipate any issues in raising additional capital.

If the consolidated entity is unable to achieve successful outcomes in relation to the above matters, material uncertainty would exist that may cast significant doubt 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(e) Revenue Recognition

Interest revenue is recognised using the effective interest rate method.

Recharged revenue 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.

1. Summary of Significant Accounting Policies (Cont.)

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(g) Financial Liabilities

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. Summary of Significant Accounting Policies (Cont.)

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 historic cost that are denominated in foreign currencies are translated using historic rates.

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(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Summary of Significant Accounting Policies (Cont.)

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).

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 settle 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

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Summary of Significant Accounting Policies (Cont.)

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.

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 "administrative 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.

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

Office premises 2 to 4 years

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. Summary of Significant Accounting Policies (Cont.)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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(a). 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.

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 24 as part of current and non-current assets:

- Investment in subsidiary - \$3,468,072
(31 December 2019: \$2,957,213 (non-current assets))
- Intercompany receivable - \$37,498,377
(31 December 2019: \$33,958,648 (included in non-current assets))

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Consolidated Year ended 31 December 2020 \$	Consolidated Year ended 31 December 2019 \$
2. (Loss) from Operations		
(a) Revenue		
Interest received - other entities	18,609	150,757
Recharge income	96,133	121,763
Cash boost	76,692	-
Total revenue	191,434	272,520
(b) Expenses		
Amortisation	83,257	84,565
Depreciation of property, plant and equipment	115,323	85,706
Depreciation of right-of-use assets	311,260	320,134
Interest expense	19,253	30,462
Employee benefits expense:		
Salary and other employee benefits	2,175,652	1,907,571
Share based payments	510,859	509,463
Superannuation	31,916	31,916
	2,718,427	2,448,950

3. Income Taxes

(a) Income tax recognised in profit or loss

The Company is in a loss-making position and therefore does not pay income tax in both Australia and Israel. Therefore income tax payable is nil (2019: nil).

The Company does not recognise any deferred tax assets on balance sheet as management does not believe that there will be sufficient profits in the foreseeable future that deferred tax assets can be utilised against. The amount of unrecognised deferred tax assets at reporting date is \$9,124,087 (2019: \$7,334,736).

A corporate tax rate of 30% is payable by Australian corporate entities on taxable profits under Australian tax law and 23% (2019:23%) under Israeli law. There has been no change in the corporate tax rate when compared with the previous reporting period.

(b) Franking account balance

Adjusted franking account balance	86,721	86,721
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(c) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2020 \$	31 December 2019 \$
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4. Remuneration of Auditors

Deloitte and related network firms*

Audit or review of the financial reports

- Group	53,699	40,478
- Subsidiary	32,595	19,187
	86,294	59,665

Other services

- Taxation consulting service	9,056	6,122
	95,350	65,787

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

5. Cash and Cash Equivalents

Cash on hand and at bank	4,750,888	5,823,291
Weighted average interest rate received on cash	0.07%	1.19%

6. Trade and Other Receivables

Current

GST receivable	9,826	8,948
Prepayments and other debtors	39,035	133,366
	48,861	142,314

Non Current

Other debtors	5,699	5,960
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Other debtors comprise security deposits with government bodies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2020 \$	31 December 2019 \$
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.	2,207,058	2,334,763
Balance at 1 January	2,334,763	2,326,483
Net foreign currency exchange	(127,705)	8,280
Balance at 31 December	2,207,058	2,334,763

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 a 10-year period, with forecast revenue growth rates based on the directors of the consolidated entity's best estimate of the market development and with a terminal rate of 2%, and a discount rate of 33% 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 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

Being the independent valuation of In Process Research determined at the acquisition date of 24 September 2010 by Ernst & Young, Israel in their report dated 17 August 2011.

Exchange differences on translation

Less accumulated amortisation

868,000	868,000
173,893	204,048
(753,195)	(669,938)
288,698	402,110

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2020 \$	31 December 2019 \$
9. Right of use assets		
Office premises - at cost	857,829	895,297
Less accumulated depreciation	(608,509)	(320,144)
	249,320	575,153
Total net book value of Right of use assets	249,320	575,153
Cost		
Office premises		
Balance at 1 January	895,297	-
Balance recorded on transition to AASB 16	-	895,297
Net foreign currency exchange differences	(37,468)	-
Balance as at 31 December	857,829	895,297
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	-	-
Accumulated depreciation		
Office premises		
Balance as at 1 January	(320,144)	-
Net foreign currency exchange differences	22,895	-
Depreciation expense	(311,260)	(320,144)
Balance at 31 December	(608,509)	(320,144)
Amounts recognised in profit and loss		
Depreciation expense on right of use assets	311,260	320,134
Interest expense on lease liabilities	19,253	30,462

The total cash outflow for leases amount to \$338,782 (Year ended 31 December 2019 - \$317,352).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2020 \$	31 December 2019 \$
10. Property, Plant and Equipment		
Computers and related equipment - at cost	483,675	507,937
Less accumulated depreciation	(424,185)	(421,385)
	59,490	86,552
Leasehold improvements - at cost	333,768	366,797
Less accumulated depreciation	(234,998)	(244,875)
	98,770	121,922
Office furniture and equipment - at cost	1,280,719	1,315,628
Less accumulated depreciation	(1,016,834)	(1,054,585)
	263,885	261,043
Total net book value of Property, Plant and Equipment	422,145	469,517
Cost		
Computers and related equipment		
Balance at 1 January	507,937	394,491
Additions	21,477	110,938
Net foreign currency exchange differences	(45,739)	2,508
Balance as at 31 December	483,675	507,937
Leasehold improvements		
Balance at 1 January	366,797	360,094
Additions	-	4,415
Net foreign currency exchange differences	(33,029)	2,288
Balance as at 31 December	333,768	366,797

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2020 \$	31 December 2019 \$
10. Property, Plant and Equipment (Cont.)		
Office furniture and equipment		
Balance at 1 January	1,315,628	1,201,446
Additions	83,562	108,203
Disposals	-	(1,660)
Net foreign currency exchange differences	(118,471)	7,639
Balance as at 31 December	1,280,719	1,315,628
Accumulated depreciation		
Computers and related equipment - at cost		
Balance as at 1 January	(421,385)	(374,022)
Net foreign currency exchange differences	39,866	(2,525)
Depreciation expense	(42,666)	(44,838)
Balance at 31 December	(424,185)	(421,385)
Leasehold improvements		
Balance as at 1 January	(244,875)	(252,699)
Net foreign currency exchange differences	22,624	21,036
Depreciation expense	(12,747)	(13,212)
Balance at 31 December	(234,998)	(244,875)
Office furniture and equipment		
Balance as at 1 January	(1,054,585)	(999,452)
Net foreign currency exchange differences	97,661	(29,112)
Disposals	-	1,635
Depreciation expense	(59,910)	(27,656)
Balance at 31 December	(1,016,834)	(1,054,585)
11. Trade and Other Payables		
Current		
Trade payables and accruals	1,630,684	1,648,566
The payables are non-interest bearing and have an average credit period of 30 days.		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2020 \$	31 December 2019 \$
12. Lease liabilities		
Analysed as:		
Current	241,577	337,014
Non-Current	27,863	271,208
	269,440	608,222
Disclosure required by AASB 16		
Maturity Analysis		
Year 1	248,039	337,014
Year 2	28,137	247,933
Year 3	-	28,000
Less: unearned interest	(6,736)	(15,431)
	269,440	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.

13. Provisions

Employee benefits	295,683	262,784
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14. Issued Capital

Issued and paid up capital

Fully paid Ordinary Shares

Balance at the beginning of the financial year	66,217,433	66,217,433
Placement for cash at \$17.32 per share	6,875,054	-
Balance at the end of the financial year	73,092,487	66,217,433

Fully paid Ordinary Shares

	Number	Number
Balance at the beginning of the financial year	28,301,720	28,301,720
Placement for cash at \$17.32 per share	396,943	-
Balance at the end of the financial year	28,698,663	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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

15. 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

	2020		2019	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance at the beginning of the financial year (i)	203,000	16.20	203,000	16.20
Granted during the year (ii)	-	-	-	-
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
2020	203,000	17/12/18	17/12/21*	16.20	\$1,421,406
2019	203,000	17/12/18	17/12/21*	16.20	\$1,421,406

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

15. Employee Share Option Plan (Cont.)

(ii) Granted during the year

	Number	Grant date	Expiry date	Exercise Price	Fair value at grant date
2020					
Staff options	-	-	-	-	-
2019					
Staff options	-	-	-	-	-

* 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
2020					
Staff options	203,000	17/12/18	17/12/21*	\$16.20	\$1,421,406
2019					
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 have a vesting condition that the employee must be employed by the Group at the time of vesting. These options 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 fair 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2020 \$	31 December 2019 \$
16. Reserves		
Foreign currency translation		
Balance at the beginning of the financial year	(4,228,046)	(4,037,487)
Translation of foreign operations	3,259,780	(190,599)
Balance at end of financial year	(968,266)	(4,228,046)
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.		
Equity settled option reserve		
Balance at the beginning of the financial year	5,041,902	4,532,439
Add share based payments in respect of options	510,859	509,463
Balance at end of financial year	5,552,761	5,041,902
The above equity-settled option reserve relates to share options granted by the Company.		
Minority acquisition reserve		
Balance at the beginning of the financial year	(25,538,692)	(25,538,692)
Balance at end of financial year	(25,538,692)	(25,538,692)
The non-controlling interest reserve comprises amounts related to the acquisition of a non-controlling interest shareholding in a subsidiary company in a prior period.		
Total Reserves	(20,954,197)	(24,724,836)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2020 \$	31 December 2019 \$
17. Accumulated Losses		
Balance at the beginning of the financial year	(34,259,061)	(28,027,131)
(Loss) for the year attributable to owners of the company	(12,102,367)	(6,231,930)
Balance at the end of the financial year	(46,361,428)	(34,259,061)

18. Notes to the Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

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

Cash and cash equivalents	4,750,888	5,823,291
(b) Restricted cash		
Cash held as security for future lease payments	58,662	60,167

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

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

(Loss) after related income tax	(12,102,367)	(6,231,930)
Amortisation	83,257	84,565
Depreciation	426,583	405,840
Foreign exchange (gains)/ losses	3,515,277	(193,741)
(Gain)/ Loss on sale of property, plant and equipment	-	(411)
Share based payments	510,859	509,463
Changes in assets and liabilities		
(Increase)/ decrease in assets		
Current trade and other receivables	93,453	31,251
Non-current trade and other receivables	261	(435)
Increase /(decrease) in liabilities		
Provisions	32,899	58,824
Current trade payables	(17,881)	660,717
Net cash (used in) operating activities	(7,457,659)	(4,675,857)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

19. 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 2020 \$	31 December 2019 \$
Short-term employee benefits	608,738	613,183
Post employment benefits	92,219	92,762
	700,957	705,945

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 one senior executive of Audio Pixels Limited in Israel and one senior executive of Audio Pixels Holdings Limited.

(c) Transactions with related entities

During the year ended 31 December 2020, the Company paid a total of \$107,857 (year ended 31 December 2019 - \$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 2020, the Company paid a total of \$41,063 (year ended 31 December 2019 - \$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 2020, the Company paid \$30,000 (31 December 2019 - \$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 \$31,598 (year ended 31 December 2019 - \$30,441) 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 \$22,289 (year ended 31 December 2019 - \$30,441) to 4F Investments Pty Limited, a company controlled by Fred Bart.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2020	31 December 2019
20. Earnings per Share		
Basic (loss) per share	(42.50) cents	(22.02) cents
Diluted (loss) per share (b)	(42.50) cents	(22.02) cents
(Loss) (a)	(12,102,367)	(6,231,930)
Weighted average number of Ordinary Shares	28,475,722	28,301,720

(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.

21. 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 2019 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 2020 \$	31 December 2019 \$
Segment Revenues		
Digital speakers	191,434	272,520
Total of all segments	191,434	272,520
Segment Results		
Digital speakers	(12,102,367)	(6,231,930)
(Loss) before income tax	(12,102,367)	(6,231,930)
Income tax gain/ (expense)	-	-
(Loss) for the period	(12,102,367)	(6,231,930)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

21. Segment Information (Cont.)

Segment Assets and Liabilities

	Assets		Liabilities	
	31 December 2020 \$	31 December 2019 \$	31 December 2020 \$	31 December 2019 \$
Digital speakers	7,972,669	9,753,108	2,195,807	2,519,572
Total all segments	7,972,669	9,753,108	2,195,807	2,519,572
Unallocated	-	-	-	-
Consolidated	7,972,669	9,753,108	2,195,807	2,519,572

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 2020 \$	31 December 2019 \$	31 December 2020 \$	31 December 2019 \$
Digital speakers	509,836	490,405	105,038	223,556
Total all segments	509,836	490,405	105,038	223,556
Unallocated	-	-	-	-
Consolidated	509,836	409,405	105,038	223,556

Information on Geographical Segments

Geographical Segments	Revenue from External Customers \$	Segment Assets \$	Acquisition of Segment Assets \$
31 December 2020			
Australia	191,434	6,875,673	-
Israel	-	1,096,996	105,038
Total	191,434	7,972,669	105,038
31 December 2019			
Australia	272,520	8,394,835	-
Israel	-	1,358,273	223,556
Total	272,520	9,753,108	223,556

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22. 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 2020 \$	31 December 2019 \$
Financial assets		
Cash and cash equivalents	4,750,888	5,823,291

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 2020, 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 2020 \$	31 December 2019 \$	31 December 2020 \$	31 December 2019 \$
Consolidated entity				
+1% (100 basis points)	50,944	53,135	50,944	53,135
-0.07% (7 basis points)	(3,435)	(26,567)	(3,435)	(26,567)

The movements in losses are due to higher/lower interest rates on cash and cash equivalents balances. The cash and cash equivalents balances were lower in December 2020 than in December 2019 and interest rates were lower - accordingly the sensitivity is lower.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22. 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 2020 \$	31 December 2019 \$	31 December 2020 \$	31 December 2019 \$
Cash and cash equivalents	-	-	1,344,060	510,598
Trade and other receivables	-	-	44,733	129,106
Trade and other payables	1,590,070	1,423,733	-	-

All US\$ denominated financial instruments were translated to A\$ at 31 December 2020 at the exchange rate of 0.7707 (2019: 0.7013).

At 31 December 2020 and 31 December 2019, 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)	
	2020 \$	2019 \$	2020 \$	2019 \$
Consolidated				
AUD/USD +10%	685,606	512,526	685,606	512,526
AUD/USD -5%	(396,931)	(296,725)	(396,931)	(296,725)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22. 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 2020					
Assets					
Non interest bearing	0.00%	506,192	-	-	-
Fixed rate instruments	0.1%	3,976,637	-	-	-
Liabilities					
Non interest bearing	0.00%	1,630,684	-	-	-
31 December 2019					
Assets					
Non interest bearing	0.00%	509,839	-	-	-
Fixed rate instruments	1.19%	2,318,723	3,010,544	-	-
Liabilities					
Non interest bearing	0.00%	1,648,566	-	-	-

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.

23. 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2020 \$	31 December 2019 \$
24. Parent Entity Disclosures		
Financial position		
Assets		
Current assets	4,195,859	5,317,712
Non-current assets	41,150,507	37,247,213
Total assets	45,346,366	42,564,925
Liabilities		
Current liabilities	295,721	260,349
Non-current liabilities	27,863	190,264
Total liabilities	323,584	450,613
Net assets	45,022,782	42,114,312
Equity		
Issued capital	73,092,487	66,217,433
Reserves	(19,985,932)	(20,496,789)
(Accumulated losses)	(8,083,773)	(3,606,332)
Total equity	45,022,782	42,114,312
Financial performance		
(Loss) for the period	(4,477,441)	(509,583)
Other comprehensive income	-	-
	(4,477,441)	(509,583)

25. Controlled Entity

Name of Entity	Country of Incorporation	31 December 2020 %	31 December 2019 %
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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

26. Commitments

The subsidiary company, Audio Pixels Limited of Israel has entered into various purchase orders and commitments of \$122,808 (2019: \$794,566) with various strategic partners which will become payable once qualified products are delivered to the company.

27. 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 (2019: 15) 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 22 February 2021 the following substantial shareholders were registered:

	Ordinary Shares	Percentage of total Ordinary Shares
Fred Bart Group	5,819,122	20.28%
Link Traders (Aust) Pty Ltd	1,970,588	6.87%

Voting Rights

At 22 February 2021 there were 2,494 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 22 February 2021 the distribution of ordinary shareholdings were:

Range	Ordinary Shareholders	Number of Shares	Percentage of Shares
1-1,000	1,482	514,862	1.79%
1,001 - 5,000	591	1,470,486	5.12%
5,001 - 10,000	208	1,647,787	5.74%
10,001 - 100,000	177	4,816,466	16.78%
100,001 and over	36	20,249,062	70.57%
	2,494	28,698,663	100.00%

There were 79 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 22 February 2021 the 20 largest ordinary shareholders held 63.05% of the total issued fully paid quoted ordinary shares of 28,698,663.

Shareholder	Fully Paid Ordinary Shares	Percentage of Total
1. Landed Investments (NZ) Limited	3,565,000	12.42%
2. Altshuler Shacham Trusts Ltd	2,999,285	10.45%
3. BNP Paribas Nominees Pty Ltd	1,780,220	6.20%
4. Link Traders (Aust) Pty Limited	1,660,913	5.79%
5. HSBC Custody Nominees (Australia) Pty Ltd	1,314,289	4.58%
6. Frederick Bart	874,325	3.05%
7. Bart Superannuation Pty Limited	782,777	2.73%
8. James John Bart	716,013	2.49%
9. Kam Superannuation Fund Pty Limited	650,000	2.27%
10. Jamber Investments Pty Ltd	573,302	2.00%
11. Cheryl Bart	500,000	1.74%
12. Decante Pty Limited <JM Ehrlich Super Fund A/C>	400,000	1.39%
13. Arvada Pty Ltd	374,000	1.30%
14. Emichrome Pty Limited	353,843	1.23%
15. Citicorp Nominees Pty Limited	346,923	1.21%
16. Brent McCarty, Yvonne McCarty and Zeljan Unkovich	304,014	1.06%
17. Brigadier Pty Limited <Ian Dennis Super Fund A/C>	257,600	0.90%
18. Nicole Bart	250,000	0.87%
19. Norlip Pty Ltd <Norbert Lipton S/F A/C>	204,320	0.71%
20. Link Enterprises (International) Pty Ltd	188,675	0.66%
	18,095,499	63.05%



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