

**De.mem Limited**

**ABN 12 614 756 642**

**Consolidated Financial Report - 31 December 2019**

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**De.mem Limited**  
**Corporate directory**  
**31 December 2019**

Directors

Cosimo Trimigliozzi - Non-Executive Chairman  
Andreas Kroell - Chief Executive Officer and Director  
Bernd Dautel - Non-Executive Director  
Stuart Carmichael - Non-Executive Director  
Michael Edwards - Non-Executive Director

Company secretary

Melanie Leydin

Registered office

Level 4, 96-100 Albert Road  
South Melbourne VIC 3205  
Australia  
Phone: (03) 9692 7222

Principal place of business

Level 4, 96-100 Albert Road  
South Melbourne VIC 3205  
Australia  
Phone: (03) 9692 7222

Share register

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000  
Australia  
Phone: +61 1300 554 474

Auditor

Grant Thornton Audit Pty Ltd  
Central Park, Level 43, 152 St Georges Terrace  
Perth, WA, 6000  
Australia

Solicitors

HopgoodGanim Lawyers  
Level 27, Allendale Square  
77 St Georges Terrace  
Perth, WA, 6000  
Australia

Bankers

Westpac Bank  
Perth

Stock exchange listing

De.mem Limited shares are listed on the Australian Securities Exchange (ASX code: DEM)

Website

[www.demembranes.com](http://www.demembranes.com)

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Dear shareholders

On behalf of the board, I am delighted to present the Annual Report for the year ended 31 December 2019 ("CY 2019") to you.

Targeting the so-called "de-centralized" water treatment market, our company De.mem Ltd ("De.mem" or the "Company") offers packaged, modular and containerized water treatment systems for a wide range of applications – ranging from desalination, potable water treatment, sewage treatment, industrial waste water to providing "process water" and recycling solutions to factories meeting their often stringent production requirements.

Our high-quality water treatment systems are delivered to our customers on a turn-key basis. Often, the systems include our range of proprietary membrane technologies developed and manufactured at our Singapore facility as a key component. These technologies give De.mem a strong competitive edge and provide a unique value proposition to our customers.

De.mem has a strong, established customer base in the mining / resources sector, including global and domestic market leaders such as Rio Tinto or Metro Mining. Another important sector is the infrastructure segment. De.mem collaborates with project or development firms and general contractors such as Mulpha, Acciona, John R. Keith, Civeo and Ausco, and delivers state-of-the-art water treatment solutions to such customers. The food & beverage sector has become a key segment for the ongoing expansion of our company – based on existing customer relationships with companies like Givaudan, the world wide leader in the creation of flavours & fragrances.

Uniquely positioned within the water treatment industry, De.mem offers a "full service" model. Besides the supply of all major types of water and waste water treatment equipment, we can provide almost everything the customer needs: From Operations & Maintenance services to financing through a Build, Own, Operate model, to the provision of all types of water treatment chemicals, pumps, membranes, filters and other consumables required during the ongoing operations of a water treatment plant.

Operationally, CY 2019 was a record year for De.mem. We closed three major contracts, well regarded within the industry and creating key references for the expansion of our business:

- The supply of a sea water desalination plant to Mulpha, an international infrastructure investor headquartered in Malaysia, worth approx. A\$ 3 million;
- The delivery of a membrane-based water treatment plant to ACCIONA, a leader in providing sustainable solutions for infrastructure and renewable energy headquartered in Spain; and
- A Build, Own, Operate ("BOO") Agreement with Givaudan Pte Ltd, Singapore, for the supply and operations of a waste water treatment plant to be deployed at one of the client's factories in Singapore, worth approx. A\$ 1.7 million.

Furthermore, De.mem extended its two largest existing service contracts during the year:

- A contract with Rio Tinto for the operations & maintenance of water treatment facilities at a mining site in Queensland worth approx. A\$ 780,000;
- An agreement with Civeo for the operations & maintenance of water treatment facilities at another mining site in Queensland for a period of 24 months, worth approx. A\$ 1.1 million.

During CY 2019, De.mem closed important strategic transactions:

- De.mem acquired 100% in the shares of Pumptech Tasmania Pty Ltd ("Pumptech"), based in Launceston, Tasmania, a supplier of pumps, hydraulic systems, small water treatment systems and consumables to customers mainly in Tasmania. In particular, Pumptech brings stable and recurring revenues from a long-term customer base among the food & beverage industry to the group.
- Furthermore, De.mem acquired 75% of the shares in Geutec Industrie- und Abwassertechnik GmbH ("Geutec"), based in Essen, Germany, a well-established supplier of water treatment chemicals and related dosing equipment based in Germany. Geutec earns revenues through smaller, recurring sales of water treatment chemicals to a long-term customer base among the heavy industrials sector. Besides the customer base and platform into Germany and Europe, Geutec also brings a comprehensive product portfolio around water treatment chemicals into De.mem.

With the acquisitions, De.mem's objective is to strengthen the Company's recurring revenue profile and to complement its product portfolio, ultimately to provide customers with a "one-stop-shop" offering. In combination with our proprietary membrane technology portfolio, De.mem can now supply all major types of water and waste water treatment equipment, water treatment chemicals, pumps and hydraulics and consumables as well as operations & maintenance services to our customer base.



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**CEO's letter**  
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Both acquisitions were “bolt-on” for the specific strategic rationale and, combined, cost De.mem less than A\$ 2 million which compares to less than 5% of the Company’s market capitalization on the Australian Securities Exchange (ASX) as of 31 December 2019.

With the above contract awards such as the new Build, Own, Operate project with Givaudan in Singapore, and the strategic acquisitions of Pumptech and Geutec with their strong recurring revenue base and synergistic product portfolio, De.mem is well positioned for strong revenue growth in CY 2020. The strategic growth initiatives will focus in particular around our Company’s recurring revenue segments.

De.mem recorded approx. A\$ 11.7 million in cash receipts during CY 2019, corresponding to about 15% growth over cash receipts of A\$ 10.2 million in CY 2018. CY 2019 income (including other income) amounted to approximately A\$ 10.3 million.

Based on the strengthened recurring revenue segment, which is estimated to contribute approx. A\$ 10 million in cash receipts / revenue alone, De.mem announced a guidance for total group cash receipts / revenue for CY 2020 of A\$16-20 million.

De.mem recorded negative net operating cash flows of approximately \$-1.7 million during the year, which mainly reflect the ongoing investment into technology and R&D around the Company’s membrane technology portfolio managed through its manufacturing site and lab facility in Singapore, as well as the expansion of sales efforts and addition of related team members in Australia. The Company continues to operate at a reasonable cost base and works towards achieving cash flow break even in the near term.

During the year, De.mem substantially strengthened its shareholder base and cash balance. The Company raised a total of \$10.2 million through share placements. As part of those, leading institutional investors such as water sector specialist Pathfinder Asset Management, Auckland, New Zealand, and Perennial Value Management, Sydney, Australia, joined De.mem’s shareholder’s register.

De.mem ends the year with a cash balance (including term deposits) of approximately \$8.2 million as of 31 December 2019, which gives the company sufficient funding to execute on its ambitious growth plans.

I am confident that De.mem will deliver further good news to its shareholders and look forward to updating you further during the new CY 2020.



Andreas Kroell  
CEO

**De.mem Limited**  
**Directors' report**  
**31 December 2019**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Group') consisting of De.mem Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2019.

**Directors**

The following persons were directors of De.mem Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Cosimo Trimigliozzi - Non-Executive Chairman  
Andreas Kroell - Chief Executive Officer and Director  
Bernd Dautel - Non-Executive Director  
Stuart Carmichael - Non-Executive Director  
Michael Edwards - Non-Executive Director

**Principal activities**

De.mem designs, builds, owns and operates modern water treatment systems for clients from the industrial, municipal and residential sectors.

De.mem Limited (ASX:DEM) is a Singaporean-Australian de-centralised water and waste water treatment business that designs, builds, owns and operates water and waste water treatment systems for its clients. Established in 2013, the company has offices in Singapore, Vietnam, Australia, and Germany.

De.mem operates in the industrial segment providing systems and solutions in particular to customers from mining, electronics, chemicals, oil and gas and food and beverage industries as well as in the municipal and residential segments. Customers include leading multinational corporations in their respective industries and municipalities and government organizations from the different countries.

**Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

**Review of operations**

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$3,486,175 (31 December 2018: \$2,046,794).

The Group had a net asset position as at 31 December 2019 of \$9,528,177 (31 December 2018: \$1,866,055)

During CY 2019, De.mem closed three major contracts regarding the sale of water treatment equipment or the provision of related services:

- The supply of a sea water desalination plant to Mulpha, an international infrastructure investor headquartered in Malaysia, worth approx. A\$ 3 million; the project was completed during CY 2019.
- The delivery of a membrane-based water treatment plant to Acciona, a leader in providing sustainable solutions for infrastructure and renewable energy headquartered in Spain.
- A Build, Own, Operate ("BOO") Agreement with Givaudan Pte Ltd, Singapore, for the supply and operations of a waste water treatment plant to be deployed at one of the client's factories in Singapore, worth approx. A\$ 1.7 million.

De.mem recorded approx. A\$ 10.3 million in revenues and other income during CY 2019 (CY 2018: \$10.6 million). This amount excludes approx. A\$ 1.5 million in revenues contracted to De.mem during CY 2020 from projects and equipment sales which were carried over into CY 2020, mainly due to an extension of the delivery schedule for the project with Acciona, at the request of the customer. The deferred revenues will be recognized in the CY 2020 accounts and hence, will add to the revenue growth for CY 2020. Furthermore, no revenues from the above-mentioned BOO project with Givaudan have been recognized in the CY 2020 financial statements.

De.mem recorded negative net operating cash flows of approximately A\$ (1.7) million during the year. This includes delayed customer receipts of approx. \$A 0.6 million during the fourth quarter of CY 2019 (see the Company's December 2019 Quarterly Activities Report lodged to the ASX on 30 January 2019 for more details). Adjusted for the same, De.mem's negative operating cash flows in CY 2020 amount to \$A (1.1) million. The operating cash flows mainly reflect the ongoing investment into technology and R&D around the Company's membrane technology portfolio managed through its manufacturing site and lab facility in Singapore, while the Company's operating business in Australia was close to break-even.

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Directors' report  
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De.mem ends the year with a cash balance of approximately \$A 8.2 million (including term deposits) as of 31 December 2019, which gives the company sufficient funding to execute on its ambitious growth plans. Based on current projections, the Company sees itself sufficiently funded to achieve operating cash flow break even.

**Significant changes in the state of affairs**

On 29 July 2019 the company announced that it had entered a binding share purchase agreement to acquire 100% of Pumptech Tasmania Pty Ltd ("Pumptech"). Pumptech is a leading provider of water and waste water treatment systems in Tasmania. Its main product lines include membrane-based and other water and waste water treatment systems, as well as hydraulic and mechanical equipment. Total consideration paid was \$1,081,370, comprising of a cash component and shares component.

The cash component consisted of \$450,000 paid immediately, following by three deferred payments of \$150,000 each payable in 12, 24, and 36 months from the completion date of the transaction. The shares component consisted of \$181,370 in shares in the Company, based on the average share price during the last 30 days prior to the completion of the transaction (subject to 12-months escrow), to be issued immediately.

On 17 October 2019 the company announced that it had entered a binding agreement to acquire 75% of the shares in Geutec Umwelt- und Abwassertechnik GmbH (Geutec). Geutec supplies waste water treatment products and solutions to small and medium sized companies ("SMEs") and a number of multinational corporations from the heavy industrial, plating and metals processing industries. It has a strong customer base in Germany and Europe. Total consideration paid was \$917,169 in cash.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

**Matters subsequent to the end of the financial year**

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the Australian and international economies. At the date of this report, the Company foresees no material impacts on its business, while there remains uncertainty and there may be a material impact to its operations if the pandemic persists for a longer time.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

The consolidated entity will continue to design, build, and operate water and waste water treatment systems for its clients.

**Environmental regulation**

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Information on directors**

Name: Cosimo Trimigliozi  
Title: Non-Executive Chairman  
Qualifications: MBA equivalent, University of Basel, Switzerland  
Experience and expertise: Mr. Trimigliozi looks back at a successful, almost 30-year long career in the feed and food ingredients / flavors and fragrances industry, one of the key target sectors for De.mem Limited. In his last assignment, he was the COO of Wild Flavors International, Germany, responsible in particular for the Asian and South American business expansion. Mr. Trimigliozi was a member of the key management team involved in the sale of Wild Flavors on behalf of owner Mr. Wild and private equity investor KKR to ADM Group for approximately 2.5 billion USD. Prior to that, Mr. Trimigliozi had been in other senior management roles, amongst others as Managing Director – Asia for Givaudan, a multinational corporation headquartered in Switzerland.

Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: 557,764  
Interests in options: None  
Contractual rights to shares: None

Name: Andreas Kroell  
Title: Chief Executive Officer and Director  
Qualifications: MBA equivalent, University of Frankfurt, Germany  
Experience and expertise: Mr. Kroell has been the director and CFO of De.mem Singapore since the company was established and was appointed as the Chief Executive Officer in 2016. Prior to that, Mr. Kroell has been involved in the venture capital and finance industries in Germany and Singapore since 2000. Mr. Kroell has led investments and held board seats in numerous companies within the water, environmental, industrial and other technology related sectors and has managed over 20 venture capital investments throughout his career, including a number of exits by trade sale and initial public offerings. Andreas Kroell has worked with several portfolio companies in management and financial roles.

Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: 2,856,410  
Interests in options: None  
Contractual rights to shares: None

Name: Bernd Dautel  
Title: Non-Executive Director  
Qualifications: Master of Chemical Engineering, University of Karlsruhe, Germany  
Experience and expertise: Mr. Dautel has been a Venture Capital expert with New Asia Investments Pte Ltd in Singapore since 2012. In this function, he managed investments into companies from the chemicals and electronics sectors. Prior to this, Mr. Dautel was the Managing Director Asia/Pacific for Wieland Metals, a large German manufacturer of semi-finished copper goods. He built the company's business in the Asia/Pacific region from the early stage to approximately 400 million in annual revenues over 20 years, with operations in Singapore, China, India and many other countries in the Asia/Pacific region.

Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: 800,000  
Interests in options: None  
Contractual rights to shares: None



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Name: Stuart Carmichael  
Title: Non-Executive Director  
Qualifications: Bachelor of Commerce, University of Western Australia, Perth  
Experience and expertise: Mr. Carmichael is a Chartered Accountant with over 20 years of experience in the provision of corporate advisory services both within Australia and internationally. Mr. Carmichael is a principal and director of Ventnor Capital Pty Ltd and Ventnor Securities Pty Ltd which specialises in the provision of corporate and financial advice to small cap ASX listed companies including capital raisings, initial public offerings, corporate restructures and mergers and acquisitions. Mr. Carmichael graduated from the University of Western Australia with a Bachelor of Commerce degree, gaining experience with KPMG Corporate Finance in Perth and London before joining ASX listed property services and engineering company UGL Limited (ASX:UGL).

Other current directorships: Non-Executive Chairman of Schrole Group Limited (ASX:SCL), Non-Executive Chairman of KTIG Limited (ASX:KTG), Non-Executive Director of ClearVue Technologies Limited (ASX:CPV), Non-Executive Director of Osteopore Limited (ASX:OSX), Non-Executive Director of Swick Mining Services Limited (ASX:SWK).

Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: 21,500  
Interests in options: 1,900,000  
Contractual rights to shares: None

Name: Michael Edwards  
Title: Non-Executive Director  
Qualifications: Bachelor of Business (Economics and Finance), Curtin University of Technology, Bachelor of Science (Geology), University of Western Australia, Perth  
Experience and expertise: Mr. Edwards is a Geologist and Economist with over 20 years of experience in Senior Management in both the private and public sector. He has a Bachelor of Business (Economics and Finance) from Curtin University of Technology and a Bachelor of Science (Geology) from the University of Western Australia. Mr. Edwards spent three years with Barclays Australia in their corporate finance department and then eight years as an exploration and mine geologist with companies such as Gold Mines of Australia, Eagle Mining and International Mineral Resources.

Other current directorships: Non-Executive Director of Norwood Systems Ltd (ASX:NOR), Non-Executive Director of Firefly Resources (ASX:FFR), Non-Executive Director of Esesense Labs (ASX:ESE).

Former directorships (last 3 years): Non-Executive Director of KTig Ltd (ASX:KTG), Non-Executive Director of Digital Wine Ventures (ASX:DW8).

Special responsibilities: None  
Interests in shares: None  
Interests in options: None  
Contractual rights to shares: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Company secretary**

*Brett Tucker (resigned 1 January 2020)*

Mr Tucker was a Chartered Accountant and had acted as Company Secretary to a number of ASX listed and private companies across a range of industries.

*Deborah Ho (resigned 1 January 2020)*

Ms Ho was an Associate Member of the Governance Institute of Australia and had acted as Company Secretary to a number of ASX listed companies.

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*Melanie Leydin CA (appointed 1 January 2020)*

Ms Leydin has 25 years' experience in the accounting profession including 13 years in the Corporate Secretarial profession and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. Since February 2000, Ms Leydin has been the principal of Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies specialising in ASX listed entities.

**Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2019, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Cosimo Trimigliozzi	10	10	-	-	-	-
Andreas Kroell	10	10	-	-	-	-
Bernd Dautel	10	10	-	-	-	-
Stuart Carmichael	10	10	-	-	-	-
Michael Edwards	10	10	-	-	-	-

Held: represents the number of meetings held during the time the director held office.

**Remuneration report (audited)**

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

**Principles used to determine the nature and amount of remuneration**

Remuneration levels for Directors and senior executives of the Company will be competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Board may obtain independent advice on the appropriateness of remuneration packages given trends in comparative companies both locally and internationally and the objectives of the Group's remuneration strategy. No such advice was obtained during the current year.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the Directors and senior executives;
- the Directors and senior executives ability to control the relevant performance;
- the Group's performance; and
- the amount of incentives within each Directors and senior executive's remuneration.

Remuneration packages include a mix of fixed remuneration and variable remuneration and short and long-term performance-based incentives. Short-term incentives include De.mem's Employee Incentive Option Plan. The Company's Employee Incentive Option Plan allows the Board from time to time, in its absolute discretion, make a written offer to any Eligible Participant (as defined in the Plan) to apply for Options, upon the terms set out in the Plan and upon such additional terms and conditions as the Board determines. In exercising that discretion, the Board may have regard to the following (without limitation):

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**Directors' report**  
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- The Eligible Participant's length of service within the Group;
- The contribution made by the Eligible Participant to the Group;
- The potential contribution of the Eligible Participant to the Group; or
- Any other matter the Board considers relevant.

Fixed remuneration consists of base remuneration, as well as employer contributions to superannuation funds where applicable. Remuneration levels will be, if necessary reviewed annually by the Board through a process that considers the overall performance of the Group. If required, external consultants provide analysis and advice to ensure the Directors' and senior executives' remuneration is competitive in the market place.

**Details of remuneration**

*Amounts of remuneration*

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of De.mem Limited:

- Cosimo Trimigliozzi
- Andreas Kroell
- Bernd Dautel
- Stuart Carmichael
- Michael Edwards

And the following person:

- Shane Ayre

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus *	Non-monetary	Super-annuation	Long service leave	Equity-settled	
<b>2019</b>	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Cosimo Trimigliozzi	36,000	-	-	-	-	-	36,000
Bernd Dautel	30,000	-	-	-	-	-	30,000
Stuart Carmichael	30,000	-	-	2,850	-	-	32,850
Michael Edwards	30,000	-	-	2,850	-	-	32,850
<i>Executive Directors:</i>							
Andreas Kroell	227,210	36,909	-	-	-	-	264,119
<i>Other Key Management Personnel:</i>							
Shane Ayre **	112,366	-	-	7,892	34,022	-	154,280
	<u>465,576</u>	<u>36,909</u>	<u>-</u>	<u>13,592</u>	<u>34,022</u>	<u>-</u>	<u>550,099</u>

\* The cash bonus was granted on 15 April 2019. It was based on the performance of the group during the 2018 calendar year.

\*\* Shane Ayre ceased as a member of Key Management Personnel on 12 June 2019. Included in his cash salary and fee is \$21,967 annual leave paid out.

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	Short-term benefits			Post-employment benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Equity-settled	
2018	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
Cosimo Trimiglozzi	32,250	-	-	-	-	32,250
Bernd Dautel	26,875	-	-	-	-	26,875
Stuart Carmichael	30,000	-	-	2,850	-	32,850
Michael Edwards	30,000	-	-	2,850	-	32,850
<i>Executive Directors:</i>						
Andreas Kroell	208,303	-	-	-	-	208,303
<i>Other Key Management Personnel:</i>						
Shane Ayre	180,000	-	-	17,100	-	197,100
	<u>507,428</u>	<u>-</u>	<u>-</u>	<u>22,800</u>	<u>-</u>	<u>530,228</u>

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2019	2018	2019	2018	2019	2018
<i>Non-Executive Directors:</i>						
Cosimo Trimiglozzi	100%	100%	-	-	-	-
Bernd Dautel	100%	100%	-	-	-	-
Stuart Carmichael	100%	100%	-	-	-	-
Michael Edwards	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Andreas Kroell	86%	86%	14%	14%	-	-
<i>Other Key Management Personnel:</i>						
Shane Ayre	100%	100%	-	-	-	-

**Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Andreas Kroell
Title:	Chief Executive Officer and Director
Agreement commenced:	15 September 2016
Term of agreement:	Permanent
Details:	Base salary of SGD210,000 per annum plus a performance bonus, payable at the discretion of the Board.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

**Share-based compensation**

*Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2019.



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*Options*

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2019.

**Additional information**

The earnings of the consolidated entity for the three years to 31 December 2019 are summarised below:

	2019 \$	2018 \$	2017 * \$
Loss after income tax	(3,516,810)	(2,003,829)	(6,337,252)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2019	2018	2017*
Share price at financial year end (\$)	0.26	0.14	0.25
Basic earnings per share (cents per share)	(2.26)	(1.76)	(8.02)
Diluted earnings per share (cents per share)	(2.26)	(1.76)	(8.02)

\* The company was admitted to the Official List of ASX Limited on 5 April 2017.

**Additional disclosures relating to key management personnel**

*Shareholding*

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Other	Balance at the end of the year
<i>Ordinary shares</i>					
Cosimo Trimiglozzi	557,764	-	-	-	557,764
Andreas Kroell	2,606,410	-	150,000	-	2,756,410
Bernd Dautel	-	-	800,000	-	800,000
Stuart Carmichael	21,500	-	-	-	21,500
Share Ayre*	2,427,320	-	-	(2,427,320)	-
	5,612,994	-	950,000	(2,427,320)	4,135,674

\* Shane Ayre ceased as a member of Key Management Personnel on 12 June 2019.

*Option holding*

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
<i>Options over ordinary shares</i>					
Cosimo Trimiglozzi	500,000	-	-	(500,000)	-
Andreas Kroell	500,000	-	-	(500,000)	-
Bernd Dautel	500,000	-	-	(500,000)	-
Stuart Carmichael	2,400,000	-	-	(500,000)	1,900,000
Michael Edwards	500,000	-	-	(500,000)	-
	4,400,000	-	-	(2,500,000)	1,900,000

*Loans to key management personnel and their related parties*

There were no loans to or from related parties at the current and previous reporting date.

**De.mem Limited  
Directors' report  
31 December 2019**

*Other transactions with key management personnel and their related parties*

There were no other transactions conducted between the Group and Key Management Personnel or their related parties, apart from those disclosed above and below, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

*Corporate advisory services*

Corporate advisory fees to Ventnor Capital Pty Ltd incurred for the year ended 31 December 2019 was \$4,417 (2018: \$13,203). No corporate advisory fees remained payable at year end (2018: \$6,800). Stuart Carmichael is a director and shareholder of Ventnor Capital Pty Ltd.

*Company secretarial and registered office services*

Company secretarial and registered office fees incurred for the year ended 31 December 2019 of \$91,100 (2018: \$90,000), of which \$7,500 (2018: \$15,000) remains payable to Ventnor Capital Pty Ltd as at year end. Stuart Carmichael is a director and shareholder of Ventnor Capital Pty Ltd.

***This concludes the remuneration report, which has been audited.***

**Shares under option**

Unissued ordinary shares of De.mem Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30 March 2017	30 March 2020	\$0.30	3,800,000
12 May 2017	12 May 2020	\$0.30	750,000
11 September 2017	11 September 2020	\$0.30	1,250,000
13 April 2018	13 April 2021	\$0.30	250,000
10 April 2018	10 April 2021	\$0.30	250,000
			<u>6,300,000</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

**Shares issued on the exercise of options**

There were no ordinary shares of De.mem Limited issued on the exercise of options during the year ended 31 December 2019 and up to the date of this report.

**Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**De.mem Limited  
Directors' report  
31 December 2019**

**Non-audit services**

During the year, Grant Thornton Audit Pty Ltd, the company's auditors, did not perform other services in addition to their statutory audit duties.

**Officers of the company who are former partners of**

There are no officers of the company who are former partners of Grant Thornton Audit Pty Ltd.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

**Auditor**

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

**Corporate Governance**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support and have adhered to principles of sound corporate governance. The Company continued to follow best practice recommendations as set out by 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Where the Company has not followed best practice for any recommendation, explanation is given in the Corporate Governance Statement which is available on the Company's website at <http://demembranes.com>.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001. The directors have the power to amend and reissue the financial statements.

On behalf of the directors



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Mr Andreas Kroell  
Director

31 March 2020  
Melbourne

## Auditor's Independence Declaration

To the Directors of De.Mem Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of De.Mem Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



L A Stella  
Partner – Audit & Assurance

Perth, 31 March 2020

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

[www.grantthornton.com.au](http://www.grantthornton.com.au)

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**De.mem Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2019**

	Note	Consolidated 2019 \$	2018 \$
<b>Revenue</b>			
Revenue	5	10,125,900	10,522,989
Cost of sales		<u>(7,543,697)</u>	<u>(7,893,794)</u>
Gross profit		2,582,203	2,629,195
Other income		119,309	52,955
Finance income		16,231	12,943
Total income		<u>135,540</u>	<u>65,898</u>
<b>Operating profit</b>		2,717,743	2,695,093
Interest expense		(75,142)	(7,228)
Administrative, general & selling expenses	6	(6,135,739)	(4,573,703)
Share of loss on investment in associate	40	<u>(10,512)</u>	<u>(15,259)</u>
<b>Loss before income tax expense from continuing operations</b>		(3,503,650)	(1,901,097)
Income tax expense	7	<u>(13,160)</u>	-
Loss after income tax expense from continuing operations		(3,516,810)	(1,901,097)
Loss after income tax expense from discontinued operations	8	-	<u>(102,732)</u>
<b>Loss after income tax expense for the year</b>		(3,516,810)	(2,003,829)
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(19,685)</u>	<u>(161,166)</u>
Other comprehensive loss for the year, net of tax		<u>(19,685)</u>	<u>(161,166)</u>
<b>Total comprehensive loss for the year</b>		<u><u>(3,536,495)</u></u>	<u><u>(2,164,995)</u></u>
Loss for the year is attributable to:			
Non-controlling interest		(30,635)	42,965
Owners of De.mem Limited		<u>(3,486,175)</u>	<u>(2,046,794)</u>
		<u><u>(3,516,810)</u></u>	<u><u>(2,003,829)</u></u>
Total comprehensive loss for the year is attributable to:			
Continuing operations		(1,572)	42,484
Discontinued operations		-	-
Non-controlling interest		<u>(1,572)</u>	<u>42,484</u>
Continuing operations		(3,534,923)	(2,207,479)
Discontinued operations		-	-
Owners of De.mem Limited		<u>(3,534,923)</u>	<u>(2,207,479)</u>
		<u><u>(3,536,495)</u></u>	<u><u>(2,164,995)</u></u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

**De.mem Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2019**

	Note	Consolidated 2019 \$ Cents	2018 \$ Cents
<b>Earnings per share for loss from continuing operations attributable to the owners of De.mem Limited</b>			
Basic earnings per share	43	(2.60)	(1.76)
Diluted earnings per share	43	(2.60)	(1.76)
<b>Earnings per share for loss from discontinued operations attributable to the owners of De.mem Limited</b>			
Basic earnings per share	43	-	(0.10)
Diluted earnings per share	43	-	(0.10)

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**De.mem Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2019**

	Note	Consolidated 2019 \$	2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	7,750,210	1,679,939
Trade and other receivables	10	2,361,366	1,866,614
Inventories	11	325,089	263,039
Other current assets - term deposits		423,250	-
Other assets	12	216,644	133,862
Contract assets	13	404,663	293,891
<b>Total current assets</b>		<u>11,481,222</u>	<u>4,237,345</u>
<b>Non-current assets</b>			
Investment in associate	14	79,094	87,977
Property, plant and equipment	15	838,065	926,172
Right-of-use assets	16	519,843	-
Goodwill	17	1,716,001	-
<b>Total non-current assets</b>		<u>3,153,003</u>	<u>1,014,149</u>
<b>Total assets</b>		<u>14,634,225</u>	<u>5,251,494</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	2,696,421	2,429,966
Contract liabilities	19	338,641	63,670
Borrowings	20	741,623	331,032
Lease liabilities	21	233,223	-
Employee benefits	22	271,024	359,141
Income tax payable		29,866	2,070
<b>Total current liabilities</b>		<u>4,310,798</u>	<u>3,185,879</u>
<b>Non-current liabilities</b>			
Payables	23	300,000	-
Borrowings	24	158,536	173,275
Lease liabilities	25	295,736	-
Employee benefits	26	26,285	26,285
Provisions	27	14,693	-
<b>Total non-current liabilities</b>		<u>795,250</u>	<u>199,560</u>
<b>Total liabilities</b>		<u>5,106,048</u>	<u>3,385,439</u>
<b>Net assets</b>		<u>9,528,177</u>	<u>1,866,055</u>
<b>Equity</b>			
Issued capital	28	24,021,251	12,867,799
Reserves	29	550,851	554,434
Accumulated losses		(15,054,756)	(11,568,581)
Equity attributable to the owners of De.mem Limited		<u>9,517,346</u>	<u>1,853,652</u>
Non-controlling interest		10,831	12,403
<b>Total equity</b>		<u>9,528,177</u>	<u>1,866,055</u>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*



**De.mem Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2019**

<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Foreign currency translation reserve</b> \$	<b>Share based payment reserve</b> \$	<b>Accumulated losses</b> \$	<b>Non-controlling interest</b> \$	<b>Total equity</b> \$
Balance at 1 January 2018	12,123,451	47,839	606,705	(9,521,787)	(30,081)	3,226,127
Profit/(loss) after income tax expense for the year	-	-	-	(2,046,794)	42,965	(2,003,829)
Other comprehensive loss for the year, net of tax	-	(160,685)	-	-	(481)	(161,166)
Total comprehensive loss for the year	-	(160,685)	-	(2,046,794)	42,484	(2,164,995)
Share issue for contingent consideration for acquisition of subsidiary	125,000	-	-	-	-	125,000
Capital raising	619,348	-	-	-	-	619,348
Share-based payments	-	-	60,575	-	-	60,575
Balance at 31 December 2018	<u>12,867,799</u>	<u>(112,846)</u>	<u>667,280</u>	<u>(11,568,581)</u>	<u>12,403</u>	<u>1,866,055</u>

<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Foreign currency translation reserve</b> \$	<b>Share based payment reserve</b> \$	<b>Accumulated losses</b> \$	<b>Non-controlling interest</b> \$	<b>Total equity</b> \$
Balance at 1 January 2019	12,867,799	(112,846)	667,280	(11,568,581)	12,403	1,866,055
Loss after income tax expense for the year	-	-	-	(3,486,175)	(30,635)	(3,516,810)
Other comprehensive loss for the year, net of tax	-	(48,748)	-	-	29,063	(19,685)
Total comprehensive loss for the year	-	(48,748)	-	(3,486,175)	(1,572)	(3,536,495)
Capital raising	11,748,110	-	-	-	-	11,748,110
Share issue for contingent consideration for acquisition of a subsidiary	203,174	-	-	-	-	203,174
Capital raising cost	(797,832)	-	-	-	-	(797,832)
Share-based payments	-	-	45,165	-	-	45,165
Balance at 31 December 2019	<u>24,021,251</u>	<u>(161,594)</u>	<u>712,445</u>	<u>(15,054,756)</u>	<u>10,831</u>	<u>9,528,177</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes



**De.mem Limited**  
**Consolidated statement of cash flows**  
**For the year ended 31 December 2019**

	Note	Consolidated 2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		11,706,169	10,209,176
Payments to suppliers and employees (inclusive of GST)		(13,371,137)	(11,799,773)
Interest received		12,599	5,715
Interest and other finance costs paid		(26,850)	-
Net cash used in operating activities	42	<u>(1,679,219)</u>	<u>(1,584,882)</u>
<b>Cash flows from investing activities</b>			
Payments for Research & development investments		(103,000)	-
Payments for property, plant and equipment		(200,309)	(503,209)
Payment for consideration for acquisition of subsidiaries		(1,428,702)	(125,000)
Investment in associate		-	(56,450)
Payment for investments		(208,470)	-
Payments for investments in other current assets		(423,250)	-
Cash acquired on acquisition of businesses		119,366	-
Net cash used in investing activities		<u>(2,244,365)</u>	<u>(684,659)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		10,197,784	619,348
Repayment of borrowings		(149,806)	-
Repayment of lease liabilities		(150,728)	-
Proceeds from borrowings		120,723	50,654
Net cash from financing activities		<u>10,017,973</u>	<u>670,002</u>
Net increase/(decrease) in cash and cash equivalents		6,094,389	(1,599,539)
Cash and cash equivalents at the beginning of the financial year		1,679,939	3,270,633
Effects of exchange rate changes on cash and cash equivalents		(24,118)	8,845
Cash and cash equivalents at the end of the financial year	9	<u><u>7,750,210</u></u>	<u><u>1,679,939</u></u>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

## **Note 1. General information**

The financial statements cover De.mem Limited as a consolidated entity consisting of De.mem Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is De.mem Limited's functional and presentation currency.

De.mem Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

### **Registered office**

Level 4, 96-100 Albert Road  
South Melbourne VIC 3205  
Australia

### **Principal place of business**

Ground Floor, 16 Ord Street  
West Perth, WA, 6005  
Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 March 2020. The directors have the power to amend and reissue the financial statements.

## **Note 2. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **New or amended Accounting Standards and Interpretations adopted**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. AASB 16 Leases became mandatorily effective for periods beginning on or after 1 January 2019. Accordingly, this standard applies for the first time to this set of consolidated interim financial report. The nature and effect of changes arising from this standard is summarized below.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity.

#### *AASB 16 Leases*

The consolidated entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

#### *Impact on application*

The consolidated entity has adopted AASB 16 using the modified retrospective approach whereby the consolidated entity has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of equity as at 1 January 2019. Accordingly, the consolidated entity has not restated comparative balances in this set of financial statements.

On adoption of AASB 16, the consolidated entity recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The associated right-of-use assets for these leases were measured on a retrospective basis as if AASB 16 had always been applied, with the incremental borrowing rate applied as at the date of initial application and the assets depreciated on a straight-line basis over the term of the lease. The weighted average incremental borrowing rate applied to lease liabilities was 6.45%.

**Note 2. Significant accounting policies (continued)**

*Right-of-use assets*

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

*Lease Liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Total operating lease commitments disclosed at 31 December 2018	47,039
Recognition exemption - Leases with remaining lease term of less than 12 months	<u>(47,039)</u>
Total lease liabilities recognised under AASB 16 at 1 January 2019	<u><u>-</u></u>

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 37.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of De.mem Limited ('company' or 'parent entity') as at 31 December 2019 and the results of all subsidiaries for the year then ended. De.mem Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

**Note 2. Significant accounting policies (continued)**

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

**Foreign currency translation**

The financial statements are presented in Australian dollars, which is De.mem Limited's functional and presentation currency.

*Foreign currency transactions and balance*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit and loss and other comprehensive income. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of profit and loss and comprehensive income.

*Foreign operations*

*Foreign operation*

The financial results and position of foreign controlled entities whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign controlled entities are transferred directly to the foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.



**Note 2. Significant accounting policies (continued)**

**Revenue recognition**

The consolidated entity recognises revenue as follows:

*Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

*Sale of goods*

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

*Rendering of services*

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

**Note 2. Significant accounting policies (continued)**

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

**Financial instruments**

*Recognition, initial measurement and derecognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

*Classification and subsequent measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss
- equity instruments at fair value through other comprehensive income
- debt instruments at fair value through other comprehensive income

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

**Note 2. Significant accounting policies (continued)**

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

*Financial assets at amortised cost*

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

*Impairment of financial assets*

AASB 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition of that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.



**Note 2. Significant accounting policies (continued)**

**Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

**Reclassification**

Certain amounts reported in prior years in the financial statements have been reclassified to conform to the current year's presentation.

**Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

*Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

*Provision for impairment of inventories*

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.



**Note 3. Critical accounting judgements, estimates and assumptions (continued)**

*Fair value measurement hierarchy*

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

*Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Goodwill and other indefinite life intangible assets*

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

*Income tax*

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

*Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment. The weighted average incremental borrowing rate applied to lease liabilities was 6.45%.

*Employee benefits provision*

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

*Lease make good provision*

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

**Note 3. Critical accounting judgements, estimates and assumptions (continued)**

*Business combinations*

As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

**Note 4. Segment Reporting**

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

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies. The following tables are an analysis of the Group's revenue and results by reportable segment provided to the Directors for the year ended 31 December 2019 and 31 December 2018.

Other represents head office.

*Operating segment information*

<b>Consolidated - 2019</b>	Singapore \$	Australia \$	Germany \$	Other \$	Total \$
<b>Revenue</b>					
Revenue from external customers	391,872	9,270,445	613,870	-	10,276,187
Intersegment revenue	(150,199)	(88)	-	-	(150,287)
<b>Total revenue</b>	<u>241,673</u>	<u>9,270,357</u>	<u>613,870</u>	<u>-</u>	<u>10,125,900</u>
Segment result (before tax)	<u>(1,663,272)</u>	<u>(767,789)</u>	<u>38,736</u>	<u>(1,111,325)</u>	<u>(3,503,650)</u>
<b>Assets</b>					
Segment assets	<u>1,151,454</u>	<u>3,525,768</u>	<u>375,416</u>	<u>16,247,473</u>	<u>21,300,111</u>
Intersegment eliminations					<u>(6,665,886)</u>
<b>Total assets</b>					<u>14,634,225</u>
<b>Liabilities</b>					
Segment liabilities	<u>5,932,109</u>	<u>4,664,710</u>	<u>196,095</u>	<u>889,152</u>	<u>11,682,066</u>
Intersegment eliminations					<u>(6,576,018)</u>
<b>Total liabilities</b>					<u>5,106,048</u>
<b>Consolidated - 2018</b>	Singapore \$	Australia \$	Other \$	Total \$	
<b>Revenue</b>					
Revenue from external customers		440,224	11,566,776	-	12,007,000
Intersegment revenue		(84,476)	(1,399,535)	-	(1,484,011)
<b>Total revenue</b>		<u>355,748</u>	<u>10,167,241</u>	<u>-</u>	<u>10,522,989</u>
Segment result (before tax)		<u>(1,633,791)</u>	<u>370,472</u>	<u>(637,059)</u>	<u>(1,900,378)</u>
<b>Assets</b>					
Segment assets		<u>1,394,787</u>	<u>2,461,328</u>	<u>1,395,380</u>	<u>5,251,495</u>
<b>Total assets</b>					<u>5,251,495</u>
<b>Liabilities</b>					
Segment liabilities		<u>470,753</u>	<u>2,451,911</u>	<u>462,775</u>	<u>3,385,439</u>
<b>Total liabilities</b>					<u>3,385,439</u>

**De.mem Limited**  
**Notes to the consolidated financial statements**  
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**Note 5. Revenue**

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

	Rendering of services \$	Sale of goods \$	Contracting revenue \$	Total \$
<b>Consolidated - 2019</b>				
<i>Geographical regions</i>				
Australia	3,218,866	1,894,419	4,157,071	9,270,356
Singapore	173,998	67,676	-	241,674
Germany	-	613,870	-	613,870
	<u>3,392,864</u>	<u>2,575,965</u>	<u>4,157,071</u>	<u>10,125,900</u>
<i>Timing of revenue recognition</i>				
Goods transferred at a point in time	-	2,575,965	-	2,575,965
Services transferred at point in time	3,392,864	-	-	3,392,864
Services transferred over time	-	-	4,157,071	4,157,071
	<u>3,392,864</u>	<u>2,575,965</u>	<u>4,157,071</u>	<u>10,125,900</u>
	Rendering of services \$	Sale of goods \$	Contracting revenue \$	Total \$
<b>Consolidated - 2018</b>				
<i>Geographical regions</i>				
Australia	3,132,545	2,033,275	4,916,944	10,082,764
Singapore	176,800	263,425	-	440,225
	<u>3,309,345</u>	<u>2,296,700</u>	<u>4,916,944</u>	<u>10,522,989</u>
<i>Timing of revenue recognition</i>				
Goods transferred at a point in time	-	2,296,700	-	2,296,700
Services transferred at point in time	3,309,345	-	-	3,309,345
Services transferred over time	-	-	4,916,944	4,916,944
	<u>3,309,345</u>	<u>2,296,700</u>	<u>4,916,944</u>	<u>10,522,989</u>
			<b>Consolidated</b>	
			<b>2019</b>	<b>2018</b>
Rendering of services			3,392,864	3,309,345
Sale of goods			2,575,965	2,296,700
Contracting revenue			4,157,071	4,916,944
Total revenue			<u>10,125,900</u>	<u>10,522,989</u>

**De.mem Limited**  
**Notes to the consolidated financial statements**  
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**Note 6. Administrative, general & selling expenses**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
Salaries and wages	2,864,392	2,136,618
Share based payment	248,339	60,575
Depreciation expense	260,399	216,813
Other administration and corporate expenses	2,762,609	2,159,697
	<u>6,135,739</u>	<u>4,573,703</u>

Share based payment includes share issue for contingent consideration for acquisition of a subsidiary as well as the movement in the reserves.

**Note 7. Income tax expense**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(3,503,650)	(1,901,097)
Loss before income tax expense from discontinued operations	-	(102,732)
	<u>(3,503,650)</u>	<u>(2,003,829)</u>
Tax at the statutory tax rate of 27.5%	(963,504)	(551,053)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Expenses not deductible for tax purposes	68,356	(112,384)
Tax deductible items not included in loss before income tax	(84,806)	-
Unrecognised deferred tax assets	816,187	441,473
Effect of different tax rates in different countries	176,927	221,964
	<u>13,160</u>	<u>-</u>

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Tax loss carried forward</b>		
Australia	3,602,371	1,403,111
Singapore	2,743,460	1,107,008
Vietnam	1,149,509	823,115
	<u>7,495,340</u>	<u>3,333,234</u>

**Note 7. Income tax expense (continued)**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Unrecognised deferred tax asset</b>		
Tax losses		
Australia	990,652	508,516
Singapore	466,388	188,191
Vietnam	229,902	164,623
	<u>1,686,942</u>	<u>861,330</u>
Temporary differences		
Australia	367,463	314,707
	<u>2,054,405</u>	<u>1,176,037</u>

The potential deferred tax assets, arising from tax losses (as disclosed above) are not brought to account unless it is probable that future taxable amounts within the entity will be available against which the unused tax losses can be utilised. The amount of these benefits is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

**Note 8. Discontinued operations**

On 23 August 2018, the Company made its decision to discontinue its operations in GD Wasser Long An Company Ltd in order to focus on its operations in Singapore and Australia.

*Assets and Liabilities*

As at 31 December 2018, the assets and liabilities relating to GD Wasser Long An Company Ltd was fully written off.

*Financial performance information*

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Administrative, general and selling expenses	-	(35,290)
Other expenses	-	(67,442)
Total expenses	<u>-</u>	<u>(102,732)</u>
Loss before income tax expense	-	(102,732)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	<u>-</u>	<u>(102,732)</u>

*Cash flow information*

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Net cash from operating activities	-	102,732
Net cash used in financing activities	<u>-</u>	<u>(102,732)</u>
Net increase in cash and cash equivalents from discontinued operations	<u>-</u>	<u>-</u>

**Note 9. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Cash on hand	19,821	18,274
Cash at bank	7,226,846	1,158,122
Cash on deposit	503,543	503,543
	<u>7,750,210</u>	<u>1,679,939</u>

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

**Note 10. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Trade receivables	2,445,258	1,705,528
Less: Allowance for expected credit losses	(230,122)	(30,413)
	<u>2,215,136</u>	<u>1,675,115</u>
Other receivables	146,230	191,499
	<u>2,361,366</u>	<u>1,866,614</u>

*Allowance for expected credit losses*

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

<b>Consolidated</b>	<b>Expected credit loss rate 2019</b>	<b>Carrying amount 2019</b>	<b>Allowance for expected credit losses 2019</b>
	%	\$	\$
Not overdue	-	1,249,446	-
0 to 2 months overdue	-	776,306	-
3 to 4 months overdue	-	24,943	-
Over 4 months overdue	58%	394,562	228,846
		<u>2,445,257</u>	<u>228,846</u>



**Note 11. Current assets - inventories**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Consumables and supplies	<u>325,089</u>	<u>263,039</u>

*Accounting policy for inventories*

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

**Note 12. Current assets - Other assets**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Prepayments	<u>216,644</u>	<u>133,862</u>

**Note 13. Current assets - Contract assets**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Accrued income	<u>404,663</u>	<u>293,891</u>

In services where performance obligations have been satisfied for the reporting year ended, the Group recognises these amounts as a contract asset where invoices have not been raised.

**Note 14. Non-current assets - investment in associate**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Investment in associate	<u>79,094</u>	<u>87,977</u>

Refer to note 40 for further information on interests in associates.

*Accounting for Investments in Associates*

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**Note 15. Non-current assets - property, plant and equipment**

	Consolidated 2019 \$	2018 \$
Leasehold improvements - at cost	36,122	30,263
Less: Accumulated depreciation	<u>(22,796)</u>	<u>(21,647)</u>
	13,326	8,616
Plant and equipment - at cost	1,988,359	1,628,908
Less: Accumulated depreciation	<u>(1,174,307)</u>	<u>(712,639)</u>
	814,052	916,269
Construction in progress	<u>1,287</u>	<u>1,287</u>
Buildings	<u>9,400</u>	<u>-</u>
	<u><u>838,065</u></u>	<u><u>926,172</u></u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Buildings \$	Leasehold improvements \$	Property, plant and equipment at cost \$	Construction in progress \$	Total \$
Balance at 1 January 2018	-	16,508	580,758	42,510	639,776
Additions	-	-	448,483	27,483	475,966
Disposals	-	-	(10,465)	-	(10,465)
Exchange differences	-	-	36,162	1,546	37,708
Transfers in/(out)	-	(6,503)	76,756	(70,252)	1
Depreciation expense	-	(1,389)	(215,425)	-	(216,814)
Balance at 31 December 2018	-	8,616	916,269	1,287	926,172
Additions	-	-	83,738	-	83,738
Additions through business combinations (note 38)	9,400	1,645	72,464	-	83,509
Disposals	-	-	(39,301)	-	(39,301)
Exchange differences	-	-	3,123	-	3,123
Depreciation expense	-	(1,499)	(217,677)	-	(219,176)
Balance at 31 December 2019	<u>9,400</u>	<u>8,762</u>	<u>818,616</u>	<u>1,287</u>	<u>838,065</u>

*Accounting policy for property, plant and equipment*

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.



**Note 15. Non-current assets - property, plant and equipment (continued)**

The depreciable amount of all fixed assets is depreciated over its useful life commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Plant and equipment	10 - 66.67%
Leasehold improvements	10 - 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date and where adjusted, shall be accounted for as a change in accounting estimate. Where depreciation rates or method are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

**Note 16. Non-current assets - right-of-use assets**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Land and buildings - right-of-use	691,830	-
Less: Accumulated depreciation	(171,987)	-
	<u>519,843</u>	<u>-</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Land and buildings - right-of-use \$	Total \$
Balance at 1 January 2018	-	-
Balance at 31 December 2018	-	-
Recognition of opening balances through adoption of AASB 16	691,830	691,830
Depreciation expense	(171,987)	(171,987)
Balance at 31 December 2019	<u>519,843</u>	<u>519,843</u>

*Accounting policy for right-of-use assets*

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

**Note 16. Non-current assets - right-of-use assets (continued)**

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**Note 17. Non-current assets - Goodwill**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Goodwill - at cost	<u>1,716,001</u>	<u>-</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Pumptech Tasmania Pty Ltd \$	Geutec Umwelt- und Abwassertech nik GmbH \$	Total \$
Balance at 1 January 2018	-	-	-
Balance at 31 December 2018	-	-	-
Additions through business combinations (note 38)	<u>915,948</u>	<u>800,053</u>	<u>1,716,001</u>
Balance at 31 December 2019	<u>915,948</u>	<u>800,053</u>	<u>1,716,001</u>

*Accounting policy for intangible assets*

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

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**Note 18. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Trade payables	1,843,510	1,528,967
Accruals	384,209	78,743
GST and other tax payable	20,342	234,953
Other payables	448,360	357,303
Amount received in advance from shareholders	-	230,000
	<u>2,696,421</u>	<u>2,429,966</u>

Refer to note 30 for further information on financial instruments.

Amount received in advance from shareholders in the prior year related to funds received before year end for shares issued post year end.

*Accounting policy for trade and other payables*

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Note 19. Current liabilities - Contract liabilities**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Income in advance	<u>338,641</u>	<u>63,670</u>

*Accounting policy for contract liabilities*

Income received in advance represents payments received in advance of performance (contract liabilities) that are expected to be recognised as revenue in future periods. The amounts recognised as a contract liability will generally be utilised within the next reporting period.

**Note 20. Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Hire purchase liabilities	17,798	33,937
Credit card amount payable	291,309	297,095
Working capital facility	336,687	-
Debtor financing	95,829	-
	<u>741,623</u>	<u>331,032</u>

Refer to note 30 for further information on financial instruments.

**Note 21. Current liabilities - lease liabilities**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Lease liability	<u>233,223</u>	<u>-</u>

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**Note 21. Current liabilities - lease liabilities (continued)**

Refer to note 30 for further information on financial instruments.

*Lease payments not recognised as a liability*

The group has elected not to recognise a lease liability for short term leases or for leases of low value assets. Payments made under such leases are expensed on a straight line basis. The expense during the 2019 year relating to payments not included in the measurement of a lease liability is as \$3,014.

Future minimum lease payments at 31 December 2019	Within 1 year	Between 1 and 5 years	Total
Lease payments	259,667	312,582	572,249
Finance charges	(26,444)	(16,846)	(43,290)
Net present values	<u>233,223</u>	<u>295,736</u>	<u>528,959</u>

**Note 22. Current liabilities - employee benefits**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Annual leave	<u>271,024</u>	<u>359,141</u>

*Short-term employee benefits*

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

**Note 23. Non-current liabilities - payables**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Other payables	<u>300,000</u>	<u>-</u>

Refer to note 30 for further information on financial instruments.

Other payables relates to deferred consideration in relation to the acquisition of Pumpteck Tasmania Pty Ltd. Refer to note 38 for further details.

**Note 24. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Hire purchase liabilities	<u>158,536</u>	<u>173,275</u>

Refer to note 30 for further information on financial instruments.

**Note 25. Non-current liabilities - lease liabilities**

	Consolidated	
	2019	2018
	\$	\$
Lease liability	295,736	-

Refer to note 30 for further information on financial instruments.

**Note 26. Non-current liabilities - employee benefits**

	Consolidated	
	2019	2018
	\$	\$
Long service leave	26,285	26,285

*Accounting policy for other long-term employee benefits*

The Group's liabilities for annual leave and long service leave are included in other long term benefits as they are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

**Note 27. Non-current liabilities - provisions**

	Consolidated	
	2019	2018
	\$	\$
Lease make good	14,693	-

*Accounting policy for provisions*

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

**Note 28. Equity - issued capital**

	Consolidated			
	2019	2018	2019	2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	175,351,332	112,256,736	24,021,251	12,867,799



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**Note 28. Equity - issued capital (continued)**

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 January 2018	107,048,854		12,123,451
Share issue for contingent consideration for acquisition of subsidiary	20 February 2018	620,120	\$0.20	125,000
Issue of shares - non-renounceable entitlements issue	24 December 2018	<u>4,587,762</u>	\$0.13	<u>619,348</u>
Balance	31 December 2018	112,256,736		12,867,799
Issue of shares - entitlement issue	16 January 2019	4,453,702	\$0.14	601,250
Issue of shares - entitlement issue	5 March 2019	1,970,296	\$0.14	265,990
Issue of shares - entitlement issue	15 March 2019	2,900,000	\$0.14	391,500
Share Placement	4 April 2019	2,222,222	\$0.14	300,000
Share issue for contingent consideration for acquisition of a subsidiary	4 June 2019	1,665,367	\$0.12	203,174
Share Placement	1 July 2019	13,621,427	\$0.14	1,906,999
Share issue for consideration for acquisition of a subsidiary	5 August 2019	906,582	\$0.20	181,370
Share Placement	2 October 2019	14,755,000	\$0.20	2,951,000
Share Placement	11 December 2019	20,600,000	\$0.25	5,150,000
Share issue costs				<u>(797,831)</u>
Balance	31 December 2019	<u><u>175,351,332</u></u>		<u><u>24,021,251</u></u>

*Accounting policy for issued capital*

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Note 29. Equity - reserves**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	(161,594)	(112,846)
Share-based payments reserve	<u>712,445</u>	<u>667,280</u>
	<u><u>550,851</u></u>	<u><u>554,434</u></u>

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**Note 29. Equity - reserves (continued)**

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

<b>Consolidated</b>	Foreign currency reserve \$	Share-based payments reserve \$	Total \$
Balance at 1 January 2018	47,839	606,705	654,544
Foreign currency translation	(160,685)	-	(160,685)
Share-based payments	-	60,575	60,575
Balance at 31 December 2018	(112,846)	667,280	554,434
Foreign currency translation	(48,748)	-	(48,748)
Share-based payments	-	45,165	45,165
Balance at 31 December 2019	<u>(161,594)</u>	<u>712,445</u>	<u>550,851</u>

**Note 30. Financial instruments**

***Financial risk management objectives***

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed, such as sensitivity analysis and maturity analysis.

The Consolidated entity's principal financial instruments are as follows.

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	7,750,210	1,679,939
Trade and other receivables	2,361,366	1,866,614
Term deposits	423,250	-
Total Financial assets	<u>10,534,826</u>	<u>3,546,553</u>
<b>Financial liabilities</b>		
Trade and other payables	2,996,319	2,429,966
Borrowings	900,159	504,307
Lease liabilities	528,959	-
Total financial liabilities	<u>4,425,437</u>	<u>2,934,273</u>

***Market risk***

***Foreign currency risk***

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

**Note 30. Financial instruments (continued)**

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

<b>Consolidated</b>	<b>Assets</b>		<b>Liabilities</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Euros	272,864	-	213,603	-
Singapore dollars	236,428	585,254	309,795	470,753
	<u>509,292</u>	<u>585,254</u>	<u>523,398</u>	<u>470,753</u>

The consolidated entity had net liabilities denominated in foreign currencies of \$14,106 as at 31 December 2019 (31 December 2018: net assets of \$114,501). Based on this exposure, had the Australian dollars weakened by 15%/strengthened by 15% (31 December 2018: weakened by 15%/strengthened by 15%) against these foreign currencies with all other variables held constant, the consolidated entity's loss before tax for the year would have been \$2,116 higher/\$2,116 lower (31 December 2018: \$17,175 higher/\$17,175 lower) and equity would have been \$2,116 higher/\$2,116 lower (31 December 2018: \$17,175 higher/\$17,175 lower).

**Interest rate risk**

The Consolidated entity's exposure to the risks of changes in market interest rates relates primarily to the Consolidated entity's short- term deposits with a floating interest rate. These financial assets with variable rates expose the Consolidated entity to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Consolidated entity does not engage in any hedging or derivative transactions to manage interest rate risk.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

**Liquidity risk**

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

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**Note 30. Financial instruments (continued)**

*Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

<b>Consolidated - 2019</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	\$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	-	-	-	2,996,319	2,996,319
Borrowings	-	-	-	-	291,309	291,309
<i>Interest-bearing - fixed rate</i>						
Bank overdraft	8.66%	-	-	-	336,687	336,687
Debtor financing	1.50%	-	-	-	95,829	95,829
Lease liabilities	6.45%	259,667	312,582	-	-	572,249
Borrowings	0.87%	21,557	172,945	-	-	194,502
Total non-derivatives		281,224	485,527	-	3,720,144	4,486,895

<b>Consolidated - 2018</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	\$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	-	-	-	2,432,036	2,432,036
Borrowings	-	-	-	-	297,096	297,096
<i>Interest-bearing - fixed rate</i>						
Borrowings	0.87%	41,806	190,956	-	-	232,762
Total non-derivatives		41,806	190,956	-	2,729,132	2,961,894

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Note 31. Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**Note 31. Fair value measurement (continued)**

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Note 32. Key management personnel disclosures**

*Directors*

The following persons were directors of De.mem Limited during the financial year:

Cosimo Trimigliozzi	Non-Executive Chairman
Andreas Kroell	Chief Executive Officer and Director
Bernd Dautel	Non-Executive Director
Stuart Carmichael	Non-Executive Director
Michael Edwards	Non-Executive Director

*Other key management personnel*

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Shane Ayre	Director of Akwa-Worx Pty Ltd and Akwa Facility Maintenance Pty Ltd
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\* Shane Ayre ceased as a member of Key Management Personnel on 12 June 2019.

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	502,485	507,428
Post-employment benefits	13,592	22,800
Long-term benefits	34,022	-
	<u>550,099</u>	<u>530,228</u>



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**Note 33. Remuneration of auditors**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	48,000	32,000
<i>Audit services - RSM Chio Lim LLP</i>		
Australia	-	20,000
Singapore	-	10,911
	-	30,911

**Note 34. Contingent Assets and Liabilities**

There are no contingent assets and or liabilities at the date of this report (2018: Nil).

**Note 35. Commitments**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	47,039
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	259,667	-
One to five years	312,582	-
Total commitment	572,249	-
Less: Future finance charges	(43,290)	-
Net commitment recognised as liabilities	528,959	-
<i>Finance Leasing and Hire Purchase Commitments</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	21,557	41,806
One to five years	172,945	190,955
Total commitment	194,502	232,761
Less: Future finance charges	(18,168)	(25,549)
Net commitment recognised as liabilities	176,334	207,212

**Note 36. Related party transactions**

*Parent entity*

De.mem Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 39.

*Associates*

Interests in associates are set out in note 40.

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**Note 36. Related party transactions (continued)**

*Key management personnel*

Disclosures relating to key management personnel are set out in note 32 and the remuneration report included in the directors' report.

*Transactions with related parties*

There were no transactions with related parties during the current and previous financial year.

*Receivable from and payable to related parties*

There were no other transactions conducted between the Group and Key Management Personnel or their related parties, apart from those disclosed above and below, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

*Corporate advisory services*

Corporate advisory fees to Ventnor Capital Pty Ltd incurred for the year ended 31 December 2019 was \$4,417 (2018: \$13,203). No corporate advisory fees remained payable at year end (2018: \$6,800). Stuart Carmichael is a director and shareholder of Ventnor Capital Pty Ltd.

*Company secretarial and registered office services*

Company secretarial and registered office fees incurred for the year ended 31 December 2019 of \$91,100 (2018: \$90,000), of which \$7,500 (2018: \$15,000) remains payable to Ventnor Capital Pty Ltd as at year end. Stuart Carmichael is a director and shareholder of Ventnor Capital Pty Ltd.

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 37. Parent entity information**

	Parent 2019 \$	Parent 2018 \$
Financial position		
Total current assets	8,008,730	1,395,380
Total non-current assets	-	935,947
Total assets	<u>8,008,730</u>	<u>2,331,327</u>
Total current liabilities	221,214	465,272
Total non-current liabilities	331,250	-
Total liabilities	<u>552,464</u>	<u>465,272</u>
Net assets	<u>7,456,267</u>	<u>1,866,055</u>
	Parent 2019 \$	Parent 2018 \$
Issued capital	19,296,194	8,142,742
Reserves	1,073,695	1,028,530
Accumulated losses	<u>(12,913,622)</u>	<u>(7,305,217)</u>
Total equity	<u>7,456,267</u>	<u>1,866,055</u>
	Parent 2019 \$	Parent 2018 \$
Financial performance		
Loss for the year	<u>(8,767,268)</u>	<u>(2,014,682)</u>

**Note 38. Provisional Accounting for Business combinations**

*Pumptech Tasmania Pty Ltd (Pumptech)*

On 5 August 2019 the Company acquired 100% of the ordinary shares of Pumptech Tasmania Pty Ltd (Pumptech) for total consideration of \$1,081,370, comprising of a cash component and shares component.

The cash component consisted of \$450,000 paid immediately, following by three deferred payments of \$150,000 each payable in 12, 24, and 36 months from the completion date of the transaction. The shares component consisted of \$181,370 in shares in the Company, based on the average share price during the last 30 days prior to the completion of the transaction (subject to 12-months escrow), to be issued immediately.

Pumptech is a leading provider of water and waste water treatment systems in Tasmania. Its main product lines include membrane-based and other water and waste water treatment systems, as well as hydraulic and mechanical equipment. There is strong strategic rationale for the acquisition including geographic expansion, further penetration of target customer verticals, product portfolio expansion, cross-sell opportunities, economies of scale, cost synergies and earnings accretion.

The acquired business contributed revenues of \$1,111,277 and loss after tax of \$41,551 to the consolidated entity for the period from 5 August 2019 to 31 December 2019.

If the acquisition occurred on 1 January 2019, the full year contributions would have been revenues of \$2,460,162 and loss after tax of \$115,030.

In relation to the business acquisition, the consolidated entity has performed a provisional assessment of the fair value of the assets and liabilities as at the date of the acquisition. For the purposes of the balance sheet, the assets and liabilities have been recorded at their provisional fair values. Under Australian Accounting Standards, the consolidated entity has up to 12 months from the date of acquisition to complete its initial acquisition accounting. The consolidated entity has already commenced this exercise to consider the fair value of intangible assets acquired. As at the date of this report, this assessment is not complete.

Details of the acquisition are as follows:

	<b>Fair value</b>
	<b>\$</b>
Cash and cash equivalents	70,370
Trade receivables	508,889
Inventories	20,532
Other current assets	34,870
Plant and equipment	60,516
Trade payables	(318,683)
Other payables	(179,953)
Other provisions	(31,119)
Net assets acquired	165,422
Goodwill	915,948
Acquisition-date fair value of the total consideration transferred	<u>1,081,370</u>
Representing:	
Cash paid or payable to vendor	900,000
De.mem Limited shares issued to vendor	181,370
	<u>1,081,370</u>

**De.mem Limited**  
**Notes to the consolidated financial statements**  
**31 December 2019**

**Note 38. Provisional Accounting for Business combinations (continued)**

*Geotec Umwelt- und Abwassertechnik GmbH (Geotec)*

On 30 September 2019 the Company acquired 75% of the ordinary shares of Geotec Umwelt- und Abwassertechnik GmbH (Geotec) for total consideration transferred of \$917,169.

Geotec supplies waste water treatment products and solutions to small and medium sized companies (“SMEs”) and a number of multinational corporations from the heavy industrial, plating and metals processing industries. It has a strong customer base in Germany and Europe.

The acquired business contributed revenues of \$625,360 and profit after tax of \$25,576 to the consolidated entity for the period from 30 September 2019 to 31 December 2019.

If the acquisition occurred on 1 January 2019, the full year contributions would have been revenues of \$2,219,765 and profit after tax of \$140,993.

In relation to the business acquisition, the consolidated entity has performed a provisional assessment of the fair value of the assets and liabilities as at the date of the acquisition. For the purposes of the balance sheet, the assets and liabilities have been recorded at their provisional fair values. Under Australian Accounting Standards, the consolidated entity has up to 12 months from the date of acquisition to complete its initial acquisition accounting. The consolidated entity has already commenced this exercise to consider the fair value of intangible assets acquired. As at the date of this report, this assessment is not complete.

Details of the acquisition are as follows:

	<b>Fair value</b>
	<b>\$</b>
Cash and cash equivalents	232,413
Trade receivables	71,958
Other receivables	2,616
Work in progress	21,877
Finished goods	11,492
Prepayments	4,820
Plant and equipment	17,245
Trade payables	(49,108)
Other payables	(133,060)
Provision for income tax	(41,855)
Other provisions	(21,282)
Net assets acquired	117,116
Goodwill	800,053
Acquisition-date fair value of the total consideration transferred	<u>917,169</u>
Representing:	
Cash paid to vendor	<u>917,169</u>

**De.mem Limited**  
**Notes to the consolidated financial statements**  
**31 December 2019**

**Note 39. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
De.mem-Akwa Pty Ltd	Australia	100.00%	100.00%
Akwa Facility Maintenance Pty Ltd	Australia	100.00%	100.00%
De.mem Pte Ltd	Singapore	100.00%	100.00%
De.mem Vietnam Ltd	Vietnam	100.00%	100.00%
GD Wasser Nghe An Company Ltd	Vietnam	90.00%	90.00%
GD Wasser Pte Ltd *	Singapore	-	100.00%
GD Wasser Vietnam Ltd **	Vietnam	-	100.00%
GD Wasser Long An Company Ltd ***	Vietnam	-	-
Pumpstech Tasmania Pty Ltd ****	Australia	100.00%	-
Geutec Umwelt- und Abwassertechnik GmbH *****	Germany	75.00%	-

\* This entity was discontinued and liquidated on 4 November 2019.

\*\* This entity was discontinued and liquidated on 21 January 2019.

\*\*\* This entity was discontinued and liquidated on 23 August 2018.

\*\*\*\* This entity was acquired on 5 August 2019.

\*\*\*\*\* This entity was acquired on 30 September 2019.

**Note 40. Interests in associates**

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
Aromatec Pte Ltd	Singapore	32.00%	32.00%



**De.mem Limited**  
**Notes to the consolidated financial statements**  
**31 December 2019**

**Note 40. Interests in associates (continued)**

*Summarised financial information*

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Summarised statement of financial position</i>		
Current assets	8,407	276,149
Total assets	8,407	276,149
Current liabilities	37,328	1,221
Total liabilities	37,328	1,221
Net assets/(liabilities)	<u>(28,921)</u>	<u>274,928</u>
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	21,924	76,307
Cost of sales	(10,090)	(72,880)
Other income	1,055	6
Administrative, general and selling expenses	(96,432)	(51,117)
Loss before income tax	(83,543)	(47,684)
Other comprehensive loss	-	-
Total comprehensive loss	<u>(83,543)</u>	<u>(47,684)</u>
<i>Reconciliation of the consolidated entity's carrying amount</i>		
Opening carrying amount	87,977	100,025
Share of loss after income tax	(10,512)	(15,259)
Translation differences	1,629	3,211
Closing carrying amount	<u>79,094</u>	<u>87,977</u>

**Note 41. Events after the reporting period**

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the Australian and international economies. At the date of this report, the Company foresees no material impacts on its business, while there remains uncertainty and there may be a material impact to its operations if the pandemic persists for a longer time.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**De.mem Limited**  
**Notes to the consolidated financial statements**  
**31 December 2019**

**Note 42. Reconciliation of loss after income tax to net cash used in operating activities**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax expense for the year	(3,516,810)	(2,003,829)
Adjustments for:		
Depreciation and amortisation	260,400	216,813
Share of loss - associates	10,512	15,259
Share-based payments	248,339	60,575
Foreign exchange differences	(29,121)	33,202
Movements in assets and liabilities:		
Decrease/(increase) in trade and other receivables	417,474	(366,768)
Increase in inventories	(8,149)	(27,000)
(Increase)/decrease in Other assets	(482,625)	227,996
Increase in trade and other payables	1,512,145	215,044
Increase/(decrease) in employee benefits	(119,237)	68,273
Increase in other provisions	14,693	-
Increase/(decrease) in Income tax balances	13,160	(24,447)
Net cash used in operating activities	<u>(1,679,219)</u>	<u>(1,584,882)</u>

**Note 43. Earnings per share**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of De.mem Limited	<u>(3,516,810)</u>	<u>(1,901,097)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>135,024,121</u>	<u>107,672,019</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>135,024,121</u>	<u>107,672,019</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(2.60)	(1.76)
Diluted earnings per share	(2.60)	(1.76)
	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of De.mem Limited	<u>-</u>	<u>(102,732)</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	-	(0.10)
Diluted earnings per share	-	(0.10)

**Note 44. Share-based payments**

A share option plan has been established by the entity, whereby the entity may grant options over ordinary shares in the company to certain key management personnel and consultants of the entity. The options are issued for nil consideration.

Set out below are summaries of options granted and on issue under the plan at the end of the half year:

2019							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
21/11/2016	21/11/2019	\$0.30	4,250,000	-	-	(4,250,000)	-
30/03/2017	30/03/2020	\$0.30	3,800,000	-	-	-	3,800,000
12/05/2017	12/05/2020	\$0.30	750,000	-	-	-	750,000
11/09/2017	11/09/2020	\$0.30	1,250,000	-	-	-	1,250,000
10/04/2018	10/04/2021	\$0.30	250,000	-	-	-	250,000
13/04/2018	13/04/2021	\$0.30	250,000	-	-	-	250,000
			<u>10,550,000</u>	-	-	<u>(4,250,000)</u>	<u>6,300,000</u>

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2019 Number	2018 Number
30/03/2017	30/03/2020	3,800,000	3,800,000
12/05/2017	12/05/2020	750,000	750,000
11/09/2017	11/09/2020	1,250,000	1,250,000
10/04/2018	10/04/2021	250,000	250,000
13/04/2018	13/04/2021	250,000	250,000
		<u>6,300,000</u>	<u>6,300,000</u>

There were no options granted under the plan during the current half year.

*Accounting policy for share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

**Note 44. Share-based payments (continued)**

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**De.mem Limited**  
**Directors' declaration**  
**31 December 2019**

In the directors' opinion:

- The consolidated financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors



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Mr Andreas Kroell  
Director

31 March 2020  
Melbourne



# Independent Auditor's Report

To the Members of De.mem Limited

## Report on the audit of the financial report

### Opinion

We have audited the financial report of De.mem Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the year ended on that date; and
- b 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Emphasis of matter – COVID-19

We draw attention to Note 41 of the financial report, which describes the circumstances relating to the material subsequent event regarding COVID-19 and the uncertainty surrounding any potential financial impact on the financials. Our opinion is not modified in respect of this matter.

### 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 of 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.

In addition to the matter described in the *Emphasis of Matter – COVID -19* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

## Key audit matter

### Revenue recognition – Note 2 and Note 5

For the year ended 31 December 2019, the group recognised revenue totalling \$10,125,900 (2018: \$10,522,989) that included contracting services totalling \$4,157,071 (2018: \$4,916,944). Revenue of this nature is recognised over a period of time as performance obligations are satisfied in accordance with AASB 15 *Revenue from Contracts with Customers*.

Revenue derived from contracting services may be complex and involve significant management judgement due to revenue being recognised over time in accordance with the input method. The audit team is required to obtain sufficient audit evidence as to whether the assumptions used by management to recognise revenue are reasonable and accurate in accordance with ISA 540 *Auditing Accounting Estimates and Related Disclosures*.

This area is a key audit matter due to the complexity associated with service revenue as well as the presumed risk of fraud in revenue.

### Business combination – Note 38

During the period, the Group acquired all the shares of Pumptech (Tasmania) Pty Ltd (“Pumptech”) and 75% of the share capital Geutec Umwelt - Und Abwassertechnik GmbH (Geutec). Both acquisitions were treated as *Business Combinations* as defined by AASB 3 and accounted for on a provisional basis.

In performing the purchase price allocations for the acquisitions, the Group identified and estimated the fair value of all assets acquired and liabilities assumed.

The purchase price allocation has resulted in Goodwill of \$0.915 million and \$0.800 million being recognised in relation to the Pumptech and Geutec acquisitions respectively.

This area is a key audit matter due to the management estimates and judgments applied in identifying separately identifiable intangible assets and in determining the fair value of any separately identifiable intangible assets and earn out liabilities.

## How our audit addressed the key audit matter

Our procedures for the contracting services revenue stream included, amongst others:

- Understanding and documenting the design of key controls and testing their operational effectiveness on revenue recognition;
- Testing a sample of fixed price revenue recorded to signed contracts, to gain an understanding of each project’s performance obligations;
- Testing a sample of fixed price contracts to supporting documentation and assessing management estimates are accurately recorded in the correct accounting period in accordance with the input method defined in AASB 15; and
- Assessing adequacy of presentation and disclosures in the financial statements.

Our procedures for the contracting services revenue stream included, amongst others:

- Obtained and review the terms and conditions contained in the Sales and Purchase agreements;
- Obtaining the acquisition trial balance and performing opening balance audit procedures to evaluate the completeness and accuracy of assets acquired and liabilities assumed;
- Ensuring the total cost of the combinations included all elements of consideration paid and payable with reference to signed purchase agreements;
- Tracing cash consideration paid to bank statements;
- Evaluating management’s purchase price allocation documentation and challenging their assessment of separately identifiable intangible assets;
- Re-calculating Goodwill balances reported by deducting the fair value of identifiable net assets acquired by the total costs of the combinations; and
- Ensuring the appropriateness of related financial statement disclosures.

### Information other than the financial report and auditor's report thereon

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability 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 Group or to cease operations, or have 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

### Report on the remuneration report

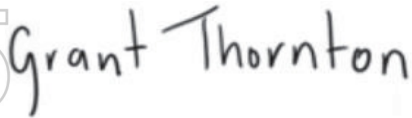
#### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 9 to 13 of the Directors' report for the year ended 31 December 2019.

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

### Responsibilities

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



L A Stella  
Partner – Audit & Assurance

Perth, 31 March 2020

**De.mem Limited**  
**Shareholder information**  
**31 December 2019**

The shareholder information set out below was applicable as at 20 March 2020.

Corporate Governance Statement

Refer to the Company's Corporate Governance statement at: [www.demembranes.com](http://www.demembranes.com).

**Distribution of equitable securities**

Analysis of number of equitable security holders by size of holding:

Range	Number of holders of options No.	Percentage of total options held by holders in this range %	Number of holders of ordinary shares No.	Percentage of ordinary shares held by holders in this range %
1 to 1,000	-	-	21	-
1,001 to 5,000	-	-	119	-
5,001 to 10,000	1	6	86	-
10,001 to 100,000	5	29	379	8
100,001 and over	11	65	113	92
	<b>17</b>	<b>100</b>	<b>718</b>	<b>100</b>
Holding less than a marketable parcel	-	-	114	-

**Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares % of total shares issued
Number held	
NA Singapore Early-Stage Venture Fund I Pte Ltd	41,795,168 23.84
J-P Morgan Nominees Australia Pty Limited	24,043,106 13.71
National Nominees Limited	19,759,860 11.27
New Asia Investments Pte Ltd	11,921,611 6.80
BNP Paribas Noms Pty Ltd	8,163,563 4.66
Soul Finance Group	4,000,000 2.28
BNP Paribas Nominees Pty Ltd	3,302,569 1.88
Citicorp Nominees Pty Limited	3,299,681 1.88
Andreas Kroell	2,856,409 1.63
HSBC Custody Nominees (Australia) Limited	2,833,102 1.62
HSBC Custody Nominees (Australia) Limited - A/C 2	2,005,000 1.14
1215 Capital Pty Ltd	1,562,079 0.89
Kian Lip Teo	1,548,850 0.88
Dr Afshin Pour Mirza	1,111,111 0.63
Acmaios GmbH	1,111,111 0.63
Wei Yang Chua	1,027,342 0.59
Singapore Early-Stage Venture Fund I Pte Ltd	1,000,000 0.57
Mrs Thi Ngoc Anh Nguyen	906,931 0.52
Helmut Menhart	850,000 0.48
Unaval Nominees Pty Ltd Unaval Management Retirement	849,999 0.48
	<b>133,947,492 76.38</b>

**De.mem Limited**  
**Shareholder information**  
**31 December 2019**

*Unquoted equity securities*

	<b>Number on issue</b>	<b>Number of holders</b>
Advisor options - exercise price \$0.30 (30 cents), expiring 30 March 2020	3,800,000	10
Employee options - exercise price \$0.30 (30 cents), expiring 15 May 2020	750,000	1
Advisor options - exercise price \$0.30 (30 cents), expiring 11 September 2020	1,250,000	7
Employee options - exercise price \$0.30 (30 cents), expiring 10 April 2021	500,000	2

The following persons hold 20% or more of unquoted equity securities:

<b>Name</b>	<b>Class</b>	<b>Number held</b>
Ventnor Capital Pty Ltd	Advisor options - exercise price \$0.30 (30 cents), expiring 30 March 2020	1,900,000
Mr Shane Hoehock Wee	Advisor options - exercise price \$0.30 (30 cents), expiring 11 September 2020	450,000
Oldview Enterprises Pty Ltd	Advisor options - exercise price \$0.30 (30 cents), expiring 11 September 2020	300,000
Cobblestones Corporate Pty Ltd	Advisor options - exercise price \$0.30 (30 cents), expiring 11 September 2020	300,000

**Substantial holders**

Substantial holders in the company are set out below:

	<b>Ordinary shares Number held</b>	<b>% of total shares issued</b>
NA Singapore Early-Stage Venture Fund I Pte Ltd	41,795,168	23.84
Perennial Value Management Limited (PVM)	24,937,546	14.22
New Asia Investments Pte Ltd	11,921,611	6.80
J.P Morgan Nominees Australia Pty Ltd	10,081,515	5.75

**Voting rights**

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Other classes of equity securities do not carry voting rights.

**Securities subject to voluntary escrow**

<b>Class</b>	<b>Expiry date</b>	<b>Number of shares</b>
Ordinary shares	5 August 2020	906,582