

**De.mem Limited**  
**Appendix 4E**  
**Preliminary final report**

**1. Company details**

Name of entity:	De.mem Limited
ABN:	12 614 756 642
Reporting period:	For the year ended 31 December 2020
Previous period:	For the year ended 31 December 2019

**2. Results for announcement to the market**

			\$
Revenues from ordinary activities	up	39.8% to	14,159,088
Loss from ordinary activities after tax attributable to the owners of De.mem Limited	up	1.5% to	(3,538,670)
Loss for the year attributable to the owners of De.mem Limited	up	1.5% to	(3,538,670)

*Dividends*

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

**Commentary on the Results for the Period**

De.mem Group total income (revenues plus other income) increased by 47% to A\$ 15.1 million in 2020 (2019: A\$ 10.2 million). Cash receipts increased by 41% to A\$ 16.5 million (2019: A\$ 11.7 million).

Gross margins (gross profit divided by revenues) increased from 26% in 2019 to 31% in 2020.

As a result of the above, cash outflows from operations significantly reduced to A\$ -1.1 million (2019: A\$ -1.7 million). This splits into cash outflows from operations of approx. A\$ -0.9 million in the first half of the year (see the half year report dated 31 August 2021), and A\$ -0.2 million in the second half.

Furthermore, thanks to the strong development in the second half of the year, the Company reported its first quarter with positive operating cash flows with the December 2020 quarter, as announced to the ASX on 20 January 2021.

Net loss before taxes for the year amounted to approx. A\$ -3.5 million during 2020 (2019: A\$ -3.5 million). The reported net loss includes a number of non-cash expenses including depreciation and amortisation (A\$ -0.6 million), share based payments (A\$ -0.5 million), increases in leave provisions for employees (A\$ -0.3 million), and other non-cash selling, general & administrative expenses (A\$ -0.1 million).

Net assets were A\$ 6.7 million as at 31 December 2020 (A\$ 9.5 million as at 31 December 2019).

De.mem ends the year with cash and term deposits of A\$ 5.4 million as of 31 December 2020, which gives the Company sufficient funding to execute on its ambitious growth plans.

**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	2.97	4.56

#### 4. Controlled Entities

	Country of Incorporation	Principal Activities	Ownership
Parent entity			
De.mem Limited	Australia	Parent	
Name of Controlled Entity			
De.mem-Akwa Pty Ltd	Australia	Water and waste water treatment	100%
Akwa Facility Maintenance Pty Ltd	Australia	Water and waste water treatment	100%
De.mem Pte Ltd	Singapore	Water and waste water treatment	100%
De.mem Vietnam Ltd	Vietnam	Technical Advisory services	100%
De.mem-Pumptech Pty Ltd (formerly Pumpteck Tasmania Pty Ltd)	Australia	Water and waste water treatment	100%
De.mem-Geutec GmbH (formerly Geutec Umwelt- and Abwassertechnik GmbH)	Germany	Water and waste water treatment	75%

#### 5. Loss of control over entities

Name of entities (or group of entities)	GD Wasser Nghe An Company Ltd
Date control lost	16 December 2020

#### 6. Dividends

*Current period*

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

#### 7. Details of associates

Name of associate / joint venture	Reporting entity's percentage holding	
	Reporting period %	Previous period %
Aromatec Pte Ltd	31.56%	32.00%
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>		
Profit/(loss) from ordinary activities before income tax		

#### 8. Independent Audit Report

*Details of audit/review dispute or qualification (if any):*

9. Signed



Signed \_\_\_\_\_

Andreas Kroell  
Director

Date: 26 February 2021

**De.mem Limited**

**ABN 12 614 756 642**

**Consolidated Financial Report - 31 December 2020**

**De.mem Limited**  
**Corporate directory**  
**31 December 2020**

Directors	Cosimo Trimigliozi - 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	William Buck Level 20, 181 William Street Melbourne Vic 3000 Australia Phone: (03) 9824 8555
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	<a href="http://www.demembranes.com">www.demembranes.com</a>

**De.mem Limited**  
**Contents**  
**31 December 2020**

Review of operations	3
Directors' report	6
Auditor's independence declaration	16
Consolidated statement of profit or loss and other comprehensive income	17
Consolidated statement of financial position	18
Consolidated statement of changes in equity	19
Consolidated statement of cash flows	20
Notes to the consolidated financial statements	21
Directors' declaration	46
Independent auditor's report to the members of De.mem Limited	47
Shareholder information	51

## **Overview**

De.mem provides a “one stop shop” offering around high-quality water and waste treatment equipment, services and consumables. The Company’s focus is on industrial customers across a wide range of industries including the mining & resources, infrastructure, food & beverage/agriculture, power generation and heavy industrial sectors.

Equipment manufactured and sold by De.mem includes a wide range of water and waste water treatment systems which are deployed on-site at the customer’s facility. De.mem’s solutions are typically containerised, packaged and/or with modular design, for easy transport to and turn-key deployment at the customer site.

De.mem has a services division which offers Operations & Maintenance and Build, Own, Operate or Build, Own, Transfer agreements, under which the equipment is provided to the customer similar to a leasing scheme and operated & maintained on behalf of the customer.

The Company’s offering is backed by leading hollow-fibre membrane technology and Intellectual Property developed and manufactured at the Company’s site in Singapore. De.mem’s membranes often serve as the key component in the Company’s integrated, turn-key systems.

## **2020 Highlights**

During the year, De.mem has made substantial progress and delivered on key business milestones.

### *Revenue Growth*

- Total income (revenues plus other income) increased by 47% to A\$ 15.1 million (2019: A\$ 10.2 million)
- Cash receipts increased by 41% to A\$ 16.5 million (2019: A\$ 11.7 million)
- Record order intake for water treatment equipment during second half of the year, including the award of a A\$ 2.7 million seawater desalination plant

### *Inaugural Operating Cash Flow Positive*

- Inaugural operating cash flow positive quarter of +\$544k in December Quarter 2020 (as announced to the ASX on 20 January 2021)
- Cash outflows from operations significantly reduced to A\$ -1.1 million (2019: A\$ -1.7 million)

### *Strong Balance Sheet*

- Cash and term deposits of A\$ 5.4 million at 31 December 2020
- Net assets of A\$ 6.7 million as at 31 December 2020 (A\$ 9.5 million as at 31 December 2019)

### *Acquisition Value-Add*

- Strong growth of acquired businesses De.mem-Pumptech, Tasmania, and De.mem-Geutec, Germany, vs. prior year

### *Improved Revenue Quality*

- Strong growth of recurring revenue segments
- Revenue diversification and new customer wins in key growth segments including food & beverage / agriculture and power generation

## **Business Development and Operations**

In spite of a challenging macroeconomic environment in view of the global Covid-19 pandemic, De.mem achieved key milestones during the year.

Thanks to the implementation of strict risk management and health & safety measures for the workplace, De.mem was able to keep all staff healthy and well throughout the pandemic and the workshops in the different locations free from major disruption.

The Company achieved substantial growth of revenues and cash receipts respectively vs. prior year (47% and 41% respectively).

The group's top-line growth was driven by strong growth of its recurring revenue segments, which include De.mem's services (Operations & Maintenance and Build, Own Operate), consumables, pumps (via De.mem-Pumptech) and water treatment chemicals (via De.mem-Geutec) businesses. Furthermore, the Company saw record order intake for water treatment equipment in the second half of the year.

The Company achieved record order intake for water treatment equipment in the second half of the year. While order intake during the first half of the year was somewhat impacted by Covid-19 delays, many industrial customers recommenced activity in the second half of the year, with the Company observing re-activation of previously deferred customer pipeline opportunities.

### **Expansion into strategic growth segments**

The Company is experiencing strong revenue growth momentum in the key strategic growth segments of food & beverages, agriculture, and power generation.

Milestone contracts signed during the year include the following:

- The supply of a sea water desalination plant to a customer from the food & beverage sector, worth approx. A\$ 2.6 million (as announced to the ASX on 12 October 2020);
- The supply of an Ultrapure water treatment system worth approx. A\$ 400,000 to a customer from the power generation sector (as announced to the ASX on 29 September 2020);
- A contract for the supply of water treatment equipment worth A\$ 500,000 with a customer from the Australian mining industry (as announced to the ASX on 17 August 2020);
- A Build, Own, Operate Agreement with Givaudan 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\$ 800,000 over the fixed term (as announced to the ASX on 10 September 2020);
- A minimum 2-year service (Operations & Maintenance agreement) with a customer from the real estate / infrastructure segment, worth approx. 200,000 per annum (as announced to the ASX on 3 August 2020).

After the end of the financial year, the Company announced another important contract award:

- The supply of water treatment equipment worth A\$ 550,000 to an Australian power station, the customer being AGL Energy (as announced on 2 February 2021).

### **Delivered contracted work to customers**

During the year, De.mem delivered material contracts previously awarded to the Company. This includes:

- The supply of a membrane-based water treatment plant to Acciona, a leader in providing sustainable solutions for infrastructure and renewable energy headquartered in Spain;
- The supply of water treatment equipment and provision of Operations & Maintenance services under a Build, Own, Operate ("BOO") Agreement with Givaudan Pte Ltd, Singapore, worth approx. A\$ 1.7 million, with revenue generation to commence from 2021.

### **Strong acquisition value-add track record**

De.mem has a strong acquisition value-add track record, with both businesses acquired in 2019, De.mem-Pumptech, Launceston, Tasmania, and De.mem-Geutec, Essen, Germany, showing substantial growth. This growth was driven by the introduction of the De.mem Group's wider "one-stop shop" product range to the acquired companies' customers and new sales team investment generating substantial cross-sell and up-sell growth.

De.mem-Pumptech Pty Ltd (formerly: Pumptech Tasmania Pty Ltd) achieved strong revenue growth by approx. 60% to A\$ 3.8 million in 2020.

**De.mem Limited**  
**Review of operations**  
**31 December 2020**

German subsidiary De.mem-Geotec GmbH, Essen ("De.mem-Geotec"), although substantially more exposed to the economic impact of the Covid-19 pandemic in Europe, increased revenues by approx. 10% to A\$ 2.4 million in 2020.

**Financials**

De.mem Group total income (revenues plus other income) increased by 47% to A\$ 15.1 million in 2020 (2019: A\$ 10.2 million). Cash receipts increased by 41% to A\$ 16.5 million (2019: A\$ 11.7 million).

Gross margins (gross profit divided by revenues) increased from 26% in 2019 to 31% in 2020.

As a result, cash outflows from operations significantly reduced to A\$ -1.1 million (2019: A\$ -1.7 million), comprising:

- First half-year, A\$ -0.9 million; and
- Second half-year, A\$ -0.2 million.

The Company is pleased to have achieved its inaugural cash positive quarter, with \$544k operating cash positive in December 2020 quarter (see ASX release, 20 January 2021).

Net loss before taxes for the year amounted to approx. A\$ -3.5 million during 2020 (2019: A\$ -3.5 million). The reported net loss includes a number of non-cash expenses including depreciation and amortisation (A\$ -0.6 million), share based payments (A\$ -0.5 million), increases in leave provisions for employees (A\$ -0.3 million), and other non-cash selling, general & administrative expenses (A\$ -0.1 million).

Net assets were A\$ 6.7 million as at 31 December 2020 (A\$ 9.5 million as at 31 December 2019).

De.mem ends the year with cash and term deposits of A\$ 5.4 million as of 31 December 2020, which gives the Company sufficient funding to execute on its ambitious growth plans.

**De.mem Limited**  
**Directors' report**  
**31 December 2020**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') 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 2020.

**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 an Australian-Singaporean 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 Australia, Singapore, Vietnam 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**

Refer to the Review of operations in the preceding section.

**Significant changes in the state of affairs**

On 24 June 2020, the Company issued 2,750,000 options to directors as approved at the Annual General Meeting on 29 May 2020. The options have an exercise price of \$0.217 and expire on 24 June 2023.

On 10 July 2020, the Company issued 1,750,000 options to employees under the Company's Incentive Option Plan. The options have an exercise price of \$0.18 and expire on 10 July 2024.

On 27 July 2020, the Company issued 209,677 fully paid ordinary shares at a price of \$0.155 per share, to a consultant as part consideration for services provided.

On 28 August 2020, the Company issued 4,500,000 options to a consultant as part consideration for services provided, as approved at the Annual General Meeting on 29 May 2020. The options have an exercise price of \$0.22 and expire on 30 December 2021.

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**

No matter or circumstance has arisen since 31 December 2020 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 Trimiglioizzi
Title:	Non-Executive Chairman
Qualifications:	MBA equivalent, University of Basel, Switzerland
Experience and expertise:	Mr. Trimiglioizzi 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. Trimiglioizzi 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. Trimiglioizzi 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 fully paid ordinary shares
Interests in options:	750,000 unlisted options
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:	3,213,341 fully paid ordinary shares
Interests in options:	500,000 unlisted options
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 fully paid ordinary shares
Interests in options:	500,000 unlisted options
Contractual rights to shares:	None

**De.mem Limited**  
**Directors' report**  
**31 December 2020**

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 fully paid ordinary shares
Interests in options:	500,000 unlisted options
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 Esense Lab (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:	500,000 unlisted options
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**

*Ms Melanie Leydin - BBus (Acc. Corp Law) CA FGIA*

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the Resources, technology, bioscience, biotechnology and health sectors.

Melanie has over 25 years' experience in the accounting profession and over 15 years as a Company Secretary. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

### **Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2020, and the number of meetings attended by each director were:

	Full Board Attended	Held
Cosimo Trimiglozzi	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):

- 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 Trimiglozzi
- Andreas Kroell
- Bernd Dautel
- Stuart Carmichael
- Michael Edwards

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus **	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2020	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Cosimo Trimiglozzi	36,000	-	-	-	-	57,150	93,150
Bernd Dautel	30,000	-	-	-	-	38,100	68,100
Stuart Carmichael	30,000	-	-	2,850	-	38,100	70,950
Michael Edwards	30,000	-	-	2,850	-	38,100	70,950
<i>Executive Directors:</i>							
Andreas Kroell *	276,288	51,526	-	21,850	-	38,100	387,764
	<u>402,288</u>	<u>51,526</u>	<u>-</u>	<u>27,550</u>	<u>-</u>	<u>209,550</u>	<u>690,914</u>

\* Included in cash salary and fees is movements in leave entitlements of \$16,288.

\*\* The cash bonus was granted on 8 April 2020 by decision of the Board of Directors. It was based on the performance of the group during the 2019 calendar year.

**De.mem Limited**  
**Directors' report**  
**31 December 2020**

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus *	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2019	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Cosimo Trimigliozi	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
	465,576	36,909	-	13,592	34,022	-	550,099

\* 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.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
<i>Non-Executive Directors:</i>						
Cosimo Trimigliozi	39%	100%	-	-	61%	-
Bernd Dautel	44%	100%	-	-	56%	-
Stuart Carmichael	46%	100%	-	-	54%	-
Michael Edwards	46%	100%	-	-	54%	-
<i>Executive Directors:</i>						
Andreas Kroell	77%	86%	13%	14%	10%	-
<i>Other Key Management Personnel:</i>						
Shane Ayre	-	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 2020.

#### *Options*

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date		Expiry date		Exercise price	Fair value per option at grant date
29 May 2020	29 May 2020		24 June 2023		\$0.217	\$0.076
Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Cosimo Trimigliozzi	750,000	29 May 2020	29 May 2020	24 June 2023	\$0.217	\$0.076
Andreas Kroell	500,000	29 May 2020	29 May 2020	24 June 2023	\$0.217	\$0.076
Bernd Dautel	500,000	29 May 2020	29 May 2020	24 June 2023	\$0.217	\$0.076
Stuart Carmichael	500,000	29 May 2020	29 May 2020	24 June 2023	\$0.217	\$0.076
Michael Edwards	500,000	29 May 2020	29 May 2020	24 June 2023	\$0.217	\$0.076

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 31 December 2020 are set out below:

Name	Number of options granted during the year 2020	Number of options granted during the year 2019	Number of options vested during the year 2020	Number of options vested during the year 2019
Cosimo Trimiglozzi	750,000	-	750,000	-
Andreas Kroell	500,000	-	500,000	-
Bernd Dautel	500,000	-	500,000	-
Stuart Carmichael	500,000	-	500,000	-
Michael Edwards	500,000	-	500,000	-

### **Additional information**

The earnings of the consolidated entity for the four years to 31 December 2020 are summarised below:

	2020 \$	2019 \$	2018 \$	2017 * \$
Loss after income tax	(3,538,646)	(3,516,810)	(2,003,829)	(6,337,252)

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

	2020	2019	2018	2017*
Share price at financial year end (\$)	0.23	0.26	0.14	0.25
Basic earnings per share (cents per share)	(2.02)	(2.58)	(1.76)	(8.02)
Diluted earnings per share (cents per share)	(2.02)	(2.58)	(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
<b><i>Ordinary shares</i></b>					
Cosimo Trimigliozi	557,764	-	-	-	557,764
Andreas Kroell	2,756,410	-	456,931	-	3,213,341
Bernd Dautel	800,000	-	-	-	800,000
Stuart Carmichael	21,500	-	-	-	21,500
	<u>4,135,674</u>	<u>-</u>	<u>456,931</u>	<u>-</u>	<u>4,592,605</u>

\* Off-market purchase of shares.

***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
<b><i>Options over ordinary shares</i></b>					
Cosimo Trimigliozi	-	750,000	-	-	750,000
Andreas Kroell	-	500,000	-	-	500,000
Bernd Dautel	-	500,000	-	-	500,000
Stuart Carmichael	-	500,000	-	-	500,000
Michael Edwards	-	500,000	-	-	500,000
	<u>-</u>	<u>2,750,000</u>	<u>-</u>	<u>-</u>	<u>2,750,000</u>

***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.

***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 2020 was \$19,382 (2019: \$4,417). No fees remain unpaid at year end (2019: nil). 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 with Ventnor Capital Pty Ltd for the year ended 31 December 2020 was nil (2019: \$91,100), of which none (2019: \$7,500) remained unpaid 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
13 April 2018	13 April 2021	\$0.300	500,000
24 June 2020	24 June 2023	\$0.217	2,750,000
10 July 2020	10 July 2024	\$0.180	1,750,000
28 August 2020	30 December 2021	\$0.220	4,500,000
			<u>9,500,000</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 2020 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.

### **Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

### **Officers of the company who are former partners of William Buck**

There are no officers of the Company who are former partners of William Buck.

**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**

William Buck 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 298(2)(a) of the Corporations Act 2001. The directors have the power to amend and reissue the financial statements.

On behalf of the directors



---

Mr Andreas Kroell  
Director

26 February 2021  
Melbourne

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF DE.MEM LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2020 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

**William Buck Audit (Vic) Pty Ltd**  
ABN 59 116 151 136

N. S. Benbow

**N. S. Benbow**  
Director

Melbourne, 26 February 2021

**ACCOUNTANTS & ADVISORS**

Level 20, 181 William Street  
Melbourne VIC 3000  
Telephone: +61 3 9824 8555  
**williambuck.com**

**De.mem Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2020**

	Note	Consolidated 2020 \$	Consolidated 2019 \$
Revenue	5	14,159,088	10,125,900
Cost of sales		<u>(9,829,531)</u>	<u>(7,543,697)</u>
Gross profit		4,329,557	2,582,203
Other income		934,690	119,309
Administrative and corporate expenses	6	<u>(8,063,340)</u>	<u>(5,875,340)</u>
<b>Operating loss</b>		(2,799,093)	(3,173,828)
Finance income		47,795	16,231
Interest expense		(112,472)	(75,142)
Depreciation and amortisation expense		(645,603)	(260,399)
Share of loss on investment in associate		<u>(25,708)</u>	<u>(10,512)</u>
<b>Loss before income tax expense</b>		(3,535,081)	(3,503,650)
Income tax expense		<u>(3,565)</u>	<u>(13,160)</u>
<b>Loss after income tax expense for the year</b>		(3,538,646)	(3,516,810)
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>175,991</u>	<u>(19,685)</u>
Other comprehensive income/(loss) for the year, net of tax		<u>175,991</u>	<u>(19,685)</u>
<b>Total comprehensive loss for the year</b>		<u><u>(3,362,655)</u></u>	<u><u>(3,536,495)</u></u>
Loss for the year is attributable to:			
Non-controlling interest		24	(30,635)
Owners of De.mem Limited		<u>(3,538,670)</u>	<u>(3,486,175)</u>
		<u><u>(3,538,646)</u></u>	<u><u>(3,516,810)</u></u>
Total comprehensive loss for the year is attributable to:			
Non-controlling interest		(10,815)	(1,572)
Owners of De.mem Limited		<u>(3,351,840)</u>	<u>(3,534,923)</u>
		<u><u>(3,362,655)</u></u>	<u><u>(3,536,495)</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	29	(2.02)	(2.58)
Diluted earnings per share	29	(2.02)	(2.58)

*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 2020**

	Note	Consolidated 2020 \$	2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	4,638,117	7,750,210
Trade and other receivables	8	1,494,644	2,361,366
Inventories	9	406,397	325,089
Term deposits		423,250	423,250
Prepayments		31,192	67,340
Contract assets		406,847	404,663
Other current assets	10	135,234	149,304
Total current assets		<u>7,535,681</u>	<u>11,481,222</u>
<b>Non-current assets</b>			
Investment in associate		9,135	79,094
Property, plant and equipment	11	1,344,140	838,065
Right-of-use assets	12	430,068	519,843
Intangible assets	13	1,544,401	1,716,001
Term deposits		359,263	-
Total non-current assets		<u>3,687,007</u>	<u>3,153,003</u>
<b>Total assets</b>		<u>11,222,688</u>	<u>14,634,225</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	3,072,276	2,696,421
Contract liabilities		109,509	338,641
Borrowings		94,736	723,825
Lease liabilities	15	237,098	251,021
Employee benefits	16	572,350	271,024
Income tax payable		-	29,866
Total current liabilities		<u>4,085,969</u>	<u>4,310,798</u>
<b>Non-current liabilities</b>			
Deferred consideration	17	150,000	300,000
Lease liabilities	15	230,604	454,272
Employee benefits		26,855	26,285
Lease make good provisions		14,693	14,693
Total non-current liabilities		<u>422,152</u>	<u>795,250</u>
<b>Total liabilities</b>		<u>4,508,121</u>	<u>5,106,048</u>
<b>Net assets</b>		<u>6,714,567</u>	<u>9,528,177</u>
<b>Equity</b>			
Issued capital	18	24,053,751	24,021,251
Reserves		576,781	550,851
Accumulated losses		(17,915,981)	(15,054,756)
Equity attributable to the owners of De.mem Limited		<u>6,714,551</u>	<u>9,517,346</u>
Non-controlling interest		16	10,831
<b>Total equity</b>		<u>6,714,567</u>	<u>9,528,177</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 2020**

<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 income/(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)
Vesting of 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>

<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 2020	24,021,251	(161,594)	712,445	(15,054,756)	10,831	9,528,177
Profit/(loss) after income tax expense for the year	-	-	-	(3,538,670)	24	(3,538,646)
Other comprehensive income/(loss) for the year, net of tax	-	186,830	-	-	(10,839)	175,991
Total comprehensive income/(loss) for the year	-	186,830	-	(3,538,670)	(10,815)	(3,362,655)
Issue of shares	32,500	-	-	-	-	32,500
Vesting of Share-based payments	-	-	516,545	-	-	516,545
Expiry of options	-	-	(677,445)	677,445	-	-
Balance at 31 December 2020	<u>24,053,751</u>	<u>25,236</u>	<u>551,545</u>	<u>(17,915,981)</u>	<u>16</u>	<u>6,714,567</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 2020**

	Note	Consolidated 2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		16,520,018	11,706,169
Payments to suppliers and employees (inclusive of GST)		(18,211,432)	(13,371,137)
Interest received		47,795	12,599
Interest and other finance costs paid		(110,913)	(26,850)
Income tax paid		(3,565)	-
Grant income received		594,112	-
		<hr/>	<hr/>
Net cash used in operating activities	28	(1,163,985)	(1,679,219)
<b>Cash flows from investing activities</b>			
Payments for Research & development investments		-	(103,000)
Payments for property, plant and equipment		(839,049)	(200,309)
Payment for consideration for acquisition of subsidiaries		(150,000)	(1,428,702)
Payment for investments		-	(208,470)
Payments for investments in term deposits		(356,764)	(423,250)
Cash acquired on acquisition of businesses		-	119,366
		<hr/>	<hr/>
Net cash used in investing activities		(1,345,813)	(2,244,365)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	10,197,784
Repayment of borrowings		(284,389)	(149,806)
Repayment of lease liabilities		(259,667)	(150,728)
Proceeds from borrowings		-	120,723
		<hr/>	<hr/>
Net cash from/(used in) financing activities		(544,056)	10,017,973
Net increase/(decrease) in cash and cash equivalents		(3,053,854)	6,094,389
Cash and cash equivalents at the beginning of the financial year		7,750,210	1,679,939
Effects of exchange rate changes on cash and cash equivalents		(58,239)	(24,118)
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	7	<u>4,638,117</u>	<u>7,750,210</u>

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

**De.mem Limited**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**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 is:

Level 4, 96-100 Albert Road  
South Melbourne VIC 3205  
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 26 February 2021. 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 consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

*Conceptual Framework for Financial Reporting (Conceptual Framework)*

The consolidated entity has adopted the revised Conceptual Framework from 1 January 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

**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 intangible assets arising from prior year business combinations and deferred consideration, which are both measured at fair value.

*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 25.

**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 2020 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*

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.

**Revenue recognition**

The consolidated entity recognises revenue as follows:

*Revenues earned under construction contracts (contracting revenue)*

Revenues earned under construction contracts are earned over the life of the contract according to the fulfilment of distinct and separable performance milestones. The % of budgeted expenditure method is applied for these contracts, which records revenue proportionately to the quantum of actual expenditure incurred under each performance milestone relative to its budgeted expenditure, less any expectations for any future losses under the contract.

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

*Revenues earned for the provision of waste water treatment services (rendering of services)*

These revenues are earned as services are rendered under contract.

*Revenues earned from the sale of waste water treatment products (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.

*Differences between the timing of invoicing for services and recording of revenue*

From time to time, revenues are billed to customers that may be in-advance or in-arrears for when that revenue is earned. When in-advance, the difference is recorded as a contract liability; when in-arrears, the difference is recorded as a contract asset.

*Government grants*

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

*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.

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.

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

### **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

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.

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

*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.

**Impairment of non-financial assets**

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.

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

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.

*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.

*Recovery of deferred tax assets*

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

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

*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.

*Business combinations*

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.

The directors have examined the net present value of the cash inflows expected to be received from the customer relationships acquired from the acquisitions of Pumptech Tasmania Pty Ltd (Pumptech) and Geutec Umwelt- und Abwassertechnik GmbH (Geutec) (the "businesses"). Refer to note 13 for further details.

In assessing this, the directors assumed the following: a) a growth rate in revenues from recurring customers of 3%; b) gross margins per customer of between 30% and 50%; c) a post-tax discount rate on those revenues of 12% (Geutec) and 15% (Pumptech); and d) an expected churn of the customer base of 10% per annum.

The useful life of the respective customer relationships has been assessed as 10 years, based upon past experience of customer turnover within these businesses and general expectations of ongoing customer relationships. The respective businesses experience with their customers indicates that: both businesses are well-established and have long relationships with their customers; the type of customer obtained by these business is usually larger businesses which are better able to survive variations in overall business and economic conditions; the type of products and services sold by the businesses are long-lived, resulting in greater probability of ongoing service arrangements with those customers and repeat business. This assessed 10 year life is reflected in the expected churn of 10% per annum used in the net present value calculations.

Due to the limited input from market observable factors, this fair valuation is a level 3 valuation.

*Impairment*

In accordance with the impairment policy, the directors considered whether or not any indicator of impairment existed as at report date of any of its non-current and non-monetary assets. In assessing whether or not any trigger existed, the directors specifically considered the following:

- (a) Each of its cash-generating units, which are the same as those geographic areas set out in the segment note, continue to operate according to their projected plans;
- (b) The overall market capitalization of the Group is in-excess of the Group's net assets as at report date; and
- (c) There were no exogenous matters in the industry or market that would impact the value of those assets. In-particular, the directors specifically considered the impact of COVID-19 on the business and the resilience of the Group's cash-generating units to the pressures of COVID-19, including overall increases sales and improving profitability.

**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.

**De.mem Limited**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**Note 4. Segment Reporting (continued)**

*Major customers*

During the year ended 31 December 2020, approximately \$2.6 million of the consolidated entity's external revenue was derived from sales to a customer through the Australia segment.

Other represents head office.

*Operating segment information*

<b>Consolidated - 2020</b>	Singapore \$	Australia \$	Germany \$	Other \$	Total \$
<b>Revenue</b>					
Revenue from external customers	352,686	11,674,567	2,355,572	-	14,382,825
Intersegment revenue	(98,949)	(124,788)	-	-	(223,737)
<b>Total revenue</b>	<u>253,737</u>	<u>11,549,779</u>	<u>2,355,572</u>	<u>-</u>	<u>14,159,088</u>
Segment result (before tax)	<u>(28,034)</u>	<u>(1,500,558)</u>	<u>(22,145)</u>	<u>(1,984,344)</u>	<u>(3,535,081)</u>
<b>Assets</b>					
Segment assets	<u>1,947,338</u>	<u>4,090,296</u>	<u>605,583</u>	<u>16,492,003</u>	<u>23,135,220</u>
Intersegment eliminations					<u>(11,912,532)</u>
<b>Total assets</b>					<u>11,222,688</u>
<i>Total assets includes:</i>					
Investments in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,135</u>	<u>9,135</u>
Acquisition of non-current assets	<u>715,232</u>	<u>94,909</u>	<u>82,949</u>	<u>-</u>	<u>893,090</u>
<b>Liabilities</b>					
Segment liabilities	<u>614,363</u>	<u>6,909,980</u>	<u>451,483</u>	<u>368,288</u>	<u>8,344,114</u>
Intersegment eliminations					<u>(3,835,993)</u>
<b>Total liabilities</b>					<u>4,508,121</u>
<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>
<i>Total assets includes:</i>					
Investments in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,094</u>	<u>79,094</u>
Acquisition of non-current assets	<u>-</u>	<u>45,430</u>	<u>38,308</u>	<u>-</u>	<u>83,738</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>

**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 - 2020</b>				
<i>Geographical regions</i>				
Australia	2,488,175	4,223,063	4,838,542	11,549,780
Singapore	170,221	83,516	-	253,737
Germany	170,920	2,184,651	-	2,355,571
	<u>2,829,316</u>	<u>6,491,230</u>	<u>4,838,542</u>	<u>14,159,088</u>
<i>Timing of revenue recognition</i>				
Goods transferred at a point in time	-	6,491,231	-	6,491,231
Services transferred at point in time	2,829,316	-	-	2,829,316
Services transferred over time	-	-	4,838,541	4,838,541
	<u>2,829,316</u>	<u>6,491,231</u>	<u>4,838,541</u>	<u>14,159,088</u>
	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>
			<b>Consolidated</b>	
			<b>2020</b>	<b>2019</b>
Rendering of services			2,829,316	3,392,864
Sale of goods			6,491,231	2,575,965
Contracting revenue			4,838,541	4,157,071
Total revenue			<u>14,159,088</u>	<u>10,125,900</u>

**De.mem Limited**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**Note 6. Administrative and corporate expenses**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2020</b>	<b>2019</b>
Salaries and wages	4,485,945	2,756,424
Superannuation	268,577	165,299
Share based payments	516,545	248,339
Other payroll on-costs	208,892	121,704
Other administration and corporate expenses	2,583,381	2,583,574
	<u>8,063,340</u>	<u>5,875,340</u>

**Note 7. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Cash on hand	2,683	19,821
Cash at bank	1,428,808	7,226,846
Cash on deposit	3,206,626	503,543
	<u>4,638,117</u>	<u>7,750,210</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 8. Current assets - trade and other receivables**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	1,440,800	2,445,258
Less: Allowance for expected credit losses	-	(230,122)
	<u>1,440,800</u>	<u>2,215,136</u>
Other receivables	53,844	146,230
	<u>1,494,644</u>	<u>2,361,366</u>

*Allowance for expected credit losses*

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

	<b>Expected credit loss rate</b>		<b>Carrying amount</b>		<b>Allowance for expected credit losses</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Consolidated</b>	<b>%</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Not overdue	-	-	1,217,800	1,249,446	-	-
0 to 2 months overdue	-	-	159,136	776,306	-	-
3 to 4 months overdue	-	-	937	24,944	-	-
Over 4 months overdue	-	58%	62,927	394,562	-	230,122
			<u>1,440,800</u>	<u>2,445,258</u>	<u>-</u>	<u>230,122</u>

**De.mem Limited**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**Note 9. Current assets - inventories**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Consumables and supplies	406,397	325,089

*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 10. Current assets - Other current assets**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Other deposits	23,000	-
Other assets	-	26,567
Advances to employees	112,234	122,737
	135,234	149,304

**Note 11. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Leasehold improvements - at cost	49,635	36,122
Less: Accumulated depreciation	(28,678)	(22,796)
	20,957	13,326
Plant and equipment - at cost	2,454,307	1,988,359
Less: Accumulated depreciation	(1,140,524)	(1,174,307)
	1,313,783	814,052
Construction in progress	-	1,287
Buildings	9,400	9,400
	1,344,140	838,065

**Note 11. Non-current assets - property, plant and equipment (continued)**

*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>	<b>Buildings</b> \$	<b>Leasehold improvements</b> \$	<b>Property, plant and equipment at cost</b> \$	<b>Construction in progress</b> \$	<b>Total</b> \$
Balance at 1 January 2019	-	8,616	916,269	1,287	926,172
Additions	-	-	83,738	-	83,738
Additions through business combinations	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	9,400	8,762	818,616	1,287	838,065
Additions	-	15,475	877,615	-	893,090
Disposals	-	-	(2,916)	-	(2,916)
Exchange differences	-	1,121	(35,702)	-	(34,581)
Write off of assets	-	-	(7,874)	-	(7,874)
Transfers in/(out)	-	-	(101,858)	(1,287)	(103,145)
Depreciation expense	-	(4,402)	(234,097)	-	(238,499)
Balance at 31 December 2020	<u>9,400</u>	<u>20,956</u>	<u>1,313,784</u>	<u>-</u>	<u>1,344,140</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.

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 12. Non-current assets - right-of-use assets**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Land and buildings - right-of-use	649,403	649,403
Less: Accumulated depreciation	<u>(371,680)</u>	<u>(129,560)</u>
	<u>277,723</u>	<u>519,843</u>
Motor vehicles - right-of-use	246,258	-
Less: Accumulated depreciation	<u>(93,913)</u>	<u>-</u>
	<u>152,345</u>	<u>-</u>
	<u><u>430,068</u></u>	<u><u>519,843</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>	Motor vehicles - right-of-use \$	Land and buildings - right-of-use \$	Total \$
Balance at 1 January 2019	-	-	-
Recognition of opening balances through adoption of AASB 16	-	649,403	649,403
Depreciation expense	<u>-</u>	<u>(129,560)</u>	<u>(129,560)</u>
Balance at 31 December 2019	-	519,843	519,843
Transfers in/(out)	246,258	-	246,258
Depreciation expense	<u>(93,913)</u>	<u>(242,120)</u>	<u>(336,033)</u>
Balance at 31 December 2020	<u><u>152,345</u></u>	<u><u>277,723</u></u>	<u><u>430,068</u></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.

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 13. Non-current assets - Intangible assets**

On 5 August 2019 the Company acquired 100% of the ordinary shares of Pumptech Tasmania Pty Ltd (Pumptech), and on 30 September 2019 the Company acquired 75% of the ordinary shares of Geutec Umwelt- und Abwassertechnik GmbH (Geutec). The acquisitions were accounted for as business combinations under AASB 3, and a total of \$1,716,001 in goodwill was recognised during the 2019 year.

**Note 13. Non-current assets - Intangible assets (continued)**

In relation to the business acquisitions, the consolidated entity had performed a provisional assessment of the fair value of the assets and liabilities as at the date of the acquisitions. For the purposes of the balance sheet, the assets and liabilities had been recorded at their provisional fair values. Under Australian Accounting Standards, the consolidated entity had up to 12 months from the date of acquisition to complete its initial acquisition accounting.

At the completion of this exercise, the consolidated entity determined that the entire goodwill amount represented an Intangible asset - Customer relationships, as this was the fair value of intangible assets acquired.

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Customer relationships	1,716,001	1,716,001
Less: Accumulated amortisation	(171,600)	-
	<u>1,544,401</u>	<u>1,716,001</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>	Customer relationships \$	Total \$
Balance at 1 January 2019	-	-
Additions through business combinations	1,716,001	1,716,001
Balance at 31 December 2019	1,716,001	1,716,001
Amortisation expense	(171,600)	(171,600)
Balance at 31 December 2020	<u>1,544,401</u>	<u>1,544,401</u>

*Accounting policy for intangible assets*

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.

**Note 14. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Trade payables	1,251,471	1,843,510
Accruals and other payables	1,670,805	702,911
Deferred consideration for the acquisition of Pumptech Tasmania Pty Ltd	150,000	150,000
	<u>3,072,276</u>	<u>2,696,421</u>

Refer to note 19 for further information on financial instruments.

**Note 14. Current liabilities - trade and other payables (continued)**

*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 15. Current liabilities - lease liabilities**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Lease liability - land and buildings	192,702	233,223
Lease liability - motor vehicles	44,396	17,798
	<u>237,098</u>	<u>251,021</u>

Refer to note 19 for further information on financial instruments.

	Within 1 year	Between 1 and 5 years	Total
Future minimum lease payments at 31 December 2020			
Lease payments	249,104	234,640	483,744
Finance charges	(12,006)	(4,036)	(16,042)
Net present values	<u>237,098</u>	<u>230,604</u>	<u>467,702</u>
Future minimum lease payments at December 2019			
Lease payments	277,465	471,118	748,583
Finance charges	(26,444)	(16,846)	(43,290)
Net present values	<u>251,021</u>	<u>454,272</u>	<u>705,293</u>

**Note 16. Current liabilities - employee benefits**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Annual leave	<u>572,350</u>	<u>271,024</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 17. Non-current liabilities - Deferred consideration**

	Consolidated 2020 \$	2019 \$
Deferred consideration for the acquisition of Pumptech Tasmania Pty Ltd	150,000	300,000

Refer to note 19 for further information on financial instruments.

**Note 18. Equity - issued capital**

	2020 Shares	2019 Shares	Consolidated 2020 \$	2019 \$
Ordinary shares - fully paid	175,561,009	175,351,332	24,053,751	24,021,251

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 January 2019	112,256,736		12,867,799
Issue of shares - entitlement issue	16 January 2019	4,453,702	\$0.140	601,250
Issue of shares - entitlement issue	5 March 2019	1,970,296	\$0.140	265,990
Issue of shares - entitlement issue	15 March 2019	2,900,000	\$0.140	391,500
Share Placement	4 April 2019	2,222,222	\$0.140	300,000
Share issue for contingent consideration for acquisition of a subsidiary	4 June 2019	1,665,367	\$0.120	203,174
Share Placement	1 July 2019	13,621,427	\$0.140	1,906,999
Share issue for consideration for acquisition of a subsidiary	5 August 2019	906,582	\$0.200	181,370
Share Placement	2 October 2019	14,755,000	\$0.200	2,951,000
Share Placement	11 December 2019	20,600,000	\$0.250	5,150,000
Share issue costs				(797,831)
Balance	31 December 2019	175,351,332		24,021,251
Share issue for consideration for services provided	27 July 2020	209,677	\$0.155	32,500
Balance	31 December 2020	175,561,009		24,053,751

*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 19. 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.

**Note 19. Financial instruments (continued)**

	Consolidated 2020 \$	2019 \$
<b>Financial assets</b>		
Cash and cash equivalents	4,638,117	7,750,210
Trade and other receivables	1,494,644	2,361,366
Term deposits	782,513	423,250
Total Financial assets	<u>6,915,274</u>	<u>10,534,826</u>
<b>Financial liabilities</b>		
Trade and other payables	3,072,276	2,696,421
Borrowings	94,736	723,825
Lease liabilities	467,702	705,293
Deferred consideration	150,000	300,000
Total financial liabilities	<u>3,784,714</u>	<u>4,425,539</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.

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

Consolidated	Assets		Liabilities	
	2020 \$	2019 \$	2020 \$	2019 \$
Euros	418,360	272,864	371,726	213,603
Singapore dollars	703,527	236,428	530,910	309,795
	<u>1,121,887</u>	<u>509,292</u>	<u>902,636</u>	<u>523,398</u>

The consolidated entity had net assets denominated in foreign currencies of \$219,252 as at 31 December 2020 (2019: net liabilities of \$14,106).

Based on this exposure, the following sensitivity analysis has been performed. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date.

Consolidated - 2020	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Euro	25%	11,659	11,659	(25%)	(11,659)	(11,659)
Singapore dollar	25%	43,154	43,154	(25%)	(43,154)	(43,154)
		<u>54,813</u>	<u>54,813</u>		<u>(54,813)</u>	<u>(54,813)</u>

**Note 19. Financial instruments (continued)**

*Interest rate risk*

The Consolidated entity's exposure to the risks of changes in market interest rates is not material.

**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.

*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.

	Weighted average interest rate %	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 2020</b>					
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade and other payables	-	2,922,276	-	-	2,922,276
Borrowings	-	139,132	-	-	139,132
Deferred consideration	-	150,000	150,000	-	300,000
<i>Interest-bearing - fixed rate</i>					
Lease liabilities	6.46%	192,702	101,081	-	293,783
Borrowings	5.61%	115,817	129,523	-	245,340
Total non-derivatives		<u>3,519,927</u>	<u>380,604</u>	<u>-</u>	<u>3,900,531</u>

**Note 19. Financial instruments (continued)**

<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 and other payables	-	2,546,319	-	-	2,546,319
Borrowings	-	291,309	-	-	291,309
Deferred consideration	-	150,000	300,000	-	450,000
<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		3,701,368	785,527	-	4,486,895

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 20. 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.

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 21. 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

**Note 21. Key management personnel disclosures (continued)**

*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>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	453,814	502,485
Post-employment benefits	27,550	13,592
Long-term benefits	-	34,022
Share-based payments	209,550	-
	<u>690,914</u>	<u>550,099</u>

**Note 22. Remuneration of auditors**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - William Buck</i>		
Audit or review of the financial statements	47,000	-
<i>Other services -</i>		
Tax advisory services	2,715	-
	<u>49,715</u>	<u>-</u>
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	-	48,000

**Note 23. Contingent liabilities**

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

The seller holds a put option to sell the remaining 25% of the shares in Geutec to De.mem, and De.mem holds a call option to acquire the remaining 25% from the seller. The valuation is based on 5x the EBIT (Earnings before Interest and Taxes) of Geutec as per Geutec' last financial statements prior to the exercise of the option.

At 31 December 2020, management have assessed that this outcome is possible, but not probable. This will be reassessed in future reporting periods.

The company has \$156,049 in retentions receivable as at 31 December 2020. These amounts may not be receivable in the case of a defects liability claim under the respective customer contracts.

Additionally, as at 31 December 2020 there are \$359,263 of non-current term deposits held which represent bank warranties relating to two projects and the completion of the defect liability period.

**Note 24. Related party transactions**

*Parent entity*

De.mem Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 26.

**De.mem Limited**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**Note 24. Related party transactions (continued)**

*Key management personnel*

Disclosures relating to key management personnel are set out in note 21 and the remuneration report included in the directors' report.

*Transactions with related parties*

With the exception of the below, there were no transactions with related parties during the current year.

*Corporate advisory services*

Corporate advisory fees to Ventnor Capital Pty Ltd incurred for the year ended 31 December 2020 was \$19,382 (2019: \$4,417). No fees remain unpaid at year end (2019: nil). 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 with Ventnor Capital Pty Ltd for the year ended 31 December 2020 was nil (2019: \$91,100), of which none (2019: \$7,500) remained unpaid 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 25. Parent entity information**

	Parent 2020 \$	Parent 2019 \$
Financial position		
Total current assets	3,981,248	8,008,730
Total non-current assets	2,314,962	-
Total assets	<u>6,296,210</u>	<u>8,008,730</u>
Total current liabilities	216,682	221,214
Total non-current liabilities	2,464,962	331,250
Total liabilities	<u>2,681,644</u>	<u>552,464</u>
Net assets	<u>3,614,566</u>	<u>7,456,267</u>
	Parent 2020 \$	Parent 2019 \$
Issued capital	19,328,694	19,296,194
Reserves	912,795	1,073,695
Accumulated losses	<u>(16,626,923)</u>	<u>(12,913,622)</u>
Total equity	<u>3,614,566</u>	<u>7,456,267</u>
	Parent 2020 \$	Parent 2019 \$
Financial performance		
Profit/(Loss) for the year	<u>(12,292,800)</u>	<u>(8,767,268)</u>

**Note 26. 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	
		2020 %	2019 %
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%
De.mem-Pumptech Pty Ltd (formerly Pumptechn Tasmania Pty Ltd)	Australia	100.00%	100.00%
De.mem-Geutec GmbH (formerly Geutec Umwelt- and Abwassertechnik GmbH)	Germany	75.00%	75.00%

\* This entity was discontinued and sold on 16 December 2020.

**Note 27. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2020 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.

**Note 28. Reconciliation of loss after income tax to net cash used in operating activities**

	Consolidated	
	2020 \$	2019 \$
Loss after income tax expense for the year	(3,538,646)	(3,516,810)
Adjustments for:		
Depreciation and amortisation	645,603	260,400
Share of loss - associates	-	10,512
Share-based payments	516,545	248,339
Foreign exchange differences	-	(29,121)
Movements in assets and liabilities:		
Decrease in trade and other receivables	835,764	417,474
Increase in inventories	(81,309)	(8,149)
(Increase)/decrease in Other assets	6,175	(482,625)
Increase in trade and other payables	319,267	1,512,145
Decrease in contract liabilities	(229,133)	-
Increase/(decrease) in employee benefits	361,749	(119,237)
Increase in other provisions	-	14,693
Increase/(decrease) in Income tax balances	-	13,160
Net cash used in operating activities	<u>(1,163,985)</u>	<u>(1,679,219)</u>

**Note 29. Earnings per share**

	Consolidated 2020 \$	2019 \$
Loss after income tax	(3,538,646)	(3,516,810)
Non-controlling interest	(24)	30,635
Loss after income tax attributable to the owners of De.mem Limited	<u>(3,538,670)</u>	<u>(3,486,175)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>175,441,275</u>	<u>135,024,121</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>175,441,275</u>	<u>135,024,121</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(2.02)	(2.58)
Diluted earnings per share	(2.02)	(2.58)

*Accounting policy for earnings per share*

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of De.mem Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

The rights to shares held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted earnings per share as they do not meet the requirements for inclusion in AASB 133 Earnings per Share. The rights are non-dilutive as the consolidated entity has generated a loss for the year.

**Note 30. 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.

**De.mem Limited**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**Note 30. Share-based payments (continued)**

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

2020							
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
30/03/2017	30/03/2020	\$0.300	3,800,000	-	-	(3,800,000)	-
12/05/2017	12/05/2020	\$0.300	750,000	-	-	(750,000)	-
11/09/2017	11/09/2020	\$0.300	1,250,000	-	-	(1,250,000)	-
10/04/2018	10/04/2021	\$0.300	250,000	-	-	-	250,000
13/04/2018	13/04/2021	\$0.300	250,000	-	-	-	250,000
24/06/2020	24/06/2023	\$0.217	-	2,750,000	-	-	2,750,000
10/07/2020	10/07/2024	\$0.180	-	1,750,000	-	-	1,750,000
28/08/2020	30/12/2021	\$0.220	-	4,500,000	-	-	4,500,000
			6,300,000	9,000,000	-	(5,800,000)	9,500,000

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	\$0.300	4,250,000	-	-	(4,250,000)	-
30/03/2017	30/03/2020	\$0.300	3,800,000	-	-	-	3,800,000
12/05/2017	12/05/2020	\$0.300	750,000	-	-	-	750,000
11/09/2017	11/09/2020	\$0.300	1,250,000	-	-	-	1,250,000
10/04/2018	10/04/2021	\$0.300	250,000	-	-	-	250,000
13/04/2018	13/04/2021	\$0.300	250,000	-	-	-	250,000
			10,550,000	-	-	(4,250,000)	6,300,000

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

Grant date	Expiry date	2020 Number	2019 Number
30/03/2017	30/03/2020	-	3,800,000
12/05/2017	12/05/2020	-	750,000
11/09/2017	11/09/2020	-	1,250,000
13/04/2018	13/04/2021	500,000	500,000
24/06/2020	24/06/2023	2,750,000	-
10/07/2020	10/07/2024	1,750,000	-
28/08/2020	30/12/2021	4,500,000	-
		<u>9,500,000</u>	<u>6,300,000</u>

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
24/06/2020	24/06/2023	\$0.148	\$0.217	85.23%	-	0.27%	\$0.066
10/07/2020	10/07/2024	\$0.160	\$0.180	85.83%	-	0.33%	\$0.094
28/08/2020	30/12/2021	\$0.160	\$0.220	100.28%	-	0.27%	\$0.062

**Accounting policy for share-based payments**

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

**Note 30. Share-based payments (continued)**

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.

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 2020**

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 2020 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



---

Mr Andreas Kroell  
Director

26 February 2021  
Melbourne

## De.mem Limited

### Independent auditor's report to members

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of De.mem Limited (the Company) and the entities it controlled (collectively, the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### ACCOUNTANTS & ADVISORS

Level 20, 181 William Street  
Melbourne VIC 3000

Telephone: +61 3 9824 8555

[williambuck.com](http://williambuck.com)

## 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.

REVENUE RECOGNITION	
Area of focus	How our audit addressed it
<p>For the year ended 31 December 2020, the Group recognised revenue totalling \$14,159,088 (2019: \$10,125,900) which is made up of several different revenue streams including:</p> <ul style="list-style-type: none"> <li>- Revenue from contracts with customers;</li> <li>- Sale of goods; and</li> <li>- Rendering of services.</li> </ul> <p>Each revenue stream requires a bespoke revenue recognition model to ensure that revenue is only recognised:</p> <ul style="list-style-type: none"> <li>a) when a performance milestone is achieved;</li> <li>b) can be reliably measured; and</li> <li>c) there is a low likelihood for dispute by the customer for revenues that are recognised which are beyond that originally scoped at the inception of the engagement. <p>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.</p> <p>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 the relevant accounting and auditing standards.</p> </li></ul>	<p>Our audit procedures include:</p> <ul style="list-style-type: none"> <li>- Determining whether revenue recognised is in-compliance with AASB 15 <i>Revenue from Contracts with Customers</i> and the Group's accounting policies;</li> <li>- Identifying and verifying the achievement of performance milestones and recognition of revenue relative to the accretion of that achievement;</li> <li>- Agreeing revenue streams to a sample of underlying contracts with third parties;</li> <li>- Examining the existence of the revenue, both by testing to contract and to subsequent receipt of invoicing of the revenue to the customer;</li> <li>- Examining significant aged debtors for evidence of collectability and/or dispute with the services provided; and</li> <li>- Analytically reviewing the reasonableness of accrued revenue and billings-in-advance accounts.</li> </ul> <p>We also assessed the appropriateness of disclosures attached to revenues and expected credit losses on receivables, particularly those mandatorily required by the Accounting Standard AASB 15 and AASB 9 <i>Financial Instruments</i>.</p>

## Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2020 but does not include the financial report and the 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.

### **Other Matter**

The financial report of De.mem Limited for the year ended 31 December 2019 was audited by another auditor, who expressed an unmodified opinion to that report.

### **Responsibilities of the Directors for the Financial Report**

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

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

A further description of our responsibilities for the audit of these financial statements 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 independent auditor's report.

## Report on the Remuneration Report

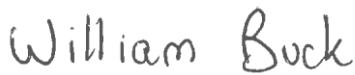
### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of De.mem Limited for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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



**William Buck Audit (Vic) Pty Ltd**  
ABN 59 116 151 136



**N.S. Benbow**  
Director

Melbourne, 26 February 2021

**De.mem Limited**  
**Shareholder information**  
**31 December 2020**

The shareholder information set out below was applicable as at 17 February 2021.

**Corporate Governance Statement**

Refer to the Company's Corporate Governance statement at: <https://dembranes.com/investors/>

**Distribution of equity securities**

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

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total options issued
1 to 1,000	107	90.02	11	100.00
1,001 to 5,000	396	8.98	-	-
5,001 to 10,000	131	0.62	-	-
10,001 to 100,000	210	0.38	-	-
100,001 and over	40	-	-	-
	<u>884</u>	<u>100.00</u>	<u>11</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**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	
	Number held	% of total shares issued
NA SINGAPORE EARLY-STAGE VENTURE FUND I PTE LTD	41,795,168	23.81
NATIONAL NOMINEES LIMITED	27,693,917	15.77
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	25,594,450	14.58
NEW ASIA INVESTMENTS PTE LTD	11,921,611	6.79
BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT DRP)	7,226,324	4.12
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,650,515	2.08
ANDREAS KROELL	3,213,340	1.83
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,605,000	0.91
CITICORP NOMINEES PTY LIMITED	1,580,073	0.90
WEI YANG CHUA & CHUA WEI YANG	1,577,342	0.90
MR HIEN QUANG TRINH (TRIVEST CAPITAL A/C)	1,497,531	0.85
ACMAIOS GMBH	1,111,111	0.63
DR AFSHIN POUR MIRZA	1,111,111	0.63
BNP PARIBAS NOMINEES PTY LTD (LGT BANK AG DRP)	1,000,000	0.57
SINGAPORE EARLY-STAGE VENTURE FUND I PTE LTD	1,000,000	0.57
MR ANDREAS HENDRIK DE WIT	1,000,000	0.57
MS YUNHUA JIN	865,000	0.49
NEO INTERNATIONAL INVESTMENTS LTD	835,969	0.48
MR BERND HEINRICH DAUTEL	800,000	0.46
SPURGIN SMSF PTY LTD (SPURGIN SMSF A/C)	800,000	0.46
	<u>135,878,462</u>	<u>77.40</u>

**De.mem Limited**  
**Shareholder information**  
**31 December 2020**

*Unquoted equity securities*

	<b>Number on issue</b>	<b>Number of holders</b>
Employee options - exercise price \$0.30 (30 cents), expiring 10 April 2021	500,000	2
Director options - exercise price \$0.217 (21.7cents), expiring 24 June 2023	2,750,000	5
Employee options - exercise price \$0.18 (18 cents), expiring 10 July 2024	1,750,000	6
Consultant options - exercise price \$0.22 (22 cents), expiring 31 December 2021	4,500,000	1

The following person holds 20% or more of unquoted equity securities:

<b>Name</b>	<b>Class</b>	<b>Number held</b>
RP Investment Management Pty Ltd	Consultant options - exercise price \$0.22 (22 cents), expiring 31 December 2021	4,500,000

**Substantial holders**

Substantial holders in the company, as disclosed in substantial holding notices given to the company under the Corporations Act, are set out below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
NA Singapore Early-Stage Venture Fund I Pte Ltd	41,795,168	23.81
Perennial Value Management Limited (PVM)	24,937,546	14.20
New Asia Investments Pte Ltd	11,921,611	6.79
J P Morgan Nominees Australia Pty Ltd	10,081,515	5.74

**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.

**On-market buy-back**

There is no current on-market buy-back.