

## DE.MEM LIMITED – HALF-YEAR REPORT

### Appendix 4D

De.mem Limited and Controlled Entities

**ABN 12 614 756 642**

#### Half Year ended 30 June 2018 - Additional Disclosures

##### 1. Reporting periods

Half year ended (‘Current period’)	Half year ended (‘Previous corresponding period’)
30 June 2018	30 June 2017

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

Revenues from ordinary activities	Up	4169%	to	\$5,959,762
Loss from ordinary activities after tax attributable to members	Down	-41%	to	(\$872,808)
Loss for the period attributable to members	Down	-41%	to	(\$872,808)

**Brief explanation of above figures** – De.mem Limited’s business developed well during the first 6 months of FY 2018, with De.mem Limited being awarded the largest single project in the Group’s history. The 1.7 million (AUD) project was signed in April 2018 and is for the delivery of a water treatment system to a site in Cultana, South Australia.

De.mem recorded a net loss of approx. 0.873 million (AUD) during the six months ended 30 June 2018. This compares to a net loss of approx. 1.5 million (AUD) in the corresponding period of the previous year. The reduced loss is due to the revenue growth and increase in gross margin.

**Dividends** - There were no dividends declared or paid during the period and the directors do not recommend that any dividend be paid.

##### 3. Net tangible asset backing

	Current period	Previous corresponding period
Net tangible asset backing / (deficiency) per ordinary security	2.3 cents / share	5.5 cents / share

## DE.MEM LIMITED – HALF-YEAR REPORT

### 4. Controlled Entities

	Country of Incorporation	Principal Activities	Ownership %
<b>Parent entity</b>			
De.mem Ltd	Australia	Parent	
<b>Name of Controlled Entity</b>			
Akwa – Worx 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%
GD Wasser Pte Ltd	Singapore	Manufacturing and repair	100%
GD Wasser Vietnam Ltd	Vietnam	Technical consulting Services	100%
GD Wasser Long An Company Ltd*	Vietnam	Water and waste water treatment	90%*
GD Wasser Nghe An Company Ltd**	Vietnam	Water and waste water treatment	90%**

\*The non-controlling interests hold 10% of the voting rights of GD Wasser Long An Company Ltd

\*\*The non-controlling interests hold 10% of the voting rights of GD Wasser Nghe An Company Ltd

### 5. Details of associates

	Percentage holding (current period)	Percentage holding (Previous corresponding period)
<b>Name of associate</b>		
Aromatec Pte Ltd	32%	-

### 6. Dividends or Distributions

Nil.

### 7. Dividend or Distribution Reinvestment Plans

N/A.

### 8. Independent Review Report

Refer to the Independent Review Report within the attached Financial Report for the half year ended 30 June 2018.

### 9. Compliance statement

This report should be read in conjunction with the attached Half Year Financial Report for the half year ended 30 June 2018.

Sign here:



Date: 27 August 2018

Print name: Brett Tucker



**De.mem Limited**  
**ACN 614 756 642**

**Interim Financial Report**  
**for the Half-Year Ended 30 June 2018**

**De.mem Limited**  
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**De.mem Limited**  
**Corporate directory**  
**30 June 2018**

Directors	Cosimo Trimigliozi Andreas Kroell Bernd Dautel Stuart Carmichael Michael Edwards
Company secretary	Brett Tucker
Registered office	Ground Floor, 16 Ord Street West Perth, WA, 6005 Australia
Principal place of business	Ground Floor, 16 Ord Street West Perth, WA, 6005 Australia
Share register	Link Market Services Limited Central Park, Level 4, 152 St Georges Terrace Perth, WA, 6000
Auditor	RSM Australia Partners Level 32, Exchange Tower 2 The Esplanade Perth, WA 6000
Solicitors	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth, WA 6000
Bankers	Westpac Bank Perth
Website	<a href="http://www.demembranes.com">www.demembranes.com</a>
Corporate Governance Statement	<a href="http://demembranes.com/wp-content/uploads/2017/12/Corporate-Governance-Statement.pdf">http://demembranes.com/wp-content/uploads/2017/12/Corporate-Governance-Statement.pdf</a>

**De.mem Limited**  
**Directors' report**  
**For the half-year ended 30 June 2018**

Your directors present their report, together with the interim financial statements, on the Group of De.mem Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2018.

**Directors**

The following persons were directors of De.mem Limited during or since the end of the period were as follows:

Cosimo Trimigliozi  
Andreas Kroell  
Bernd Dautel  
Stuart Carmichael  
Michael Edwards

**Principal activities**

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

**Review of operations**

Through its different entities, the De.mem Limited provides integrated, turn-key systems and solutions for de-centralised water treatment. It offers products for the potable water, sewage treatment and industrial waste water treatment segments.

In Australia, De.mem Limited operates through Akwa-Worx. In Singapore, De.mem Limited collaborates with Singapore's Nanyang Technological University ("NTU") in technology research and product development. The Company has licensed a range of membrane-based technologies from NTU, which it manufactures in its factory in Singapore and commercializes as a key component of its integrated water treatment systems.

De.mem Limited's business developed well during the first 6 months of 2018, with De.mem Limited being awarded the largest single project in the Group's history. The 1.7 million (AUD) project was signed in April 2018 and is referring to the delivery of a water treatment system to a site in Cultana, South Australia.

The Group released a revenue forecast of 8-10 million (AUD) for the Financial Year 2018. The forecast was raised to 10-12 million (AUD) in May 2018. De.mem Limited recorded revenues of approx. 6 million (AUD) during the six months ended 30 June 2018, which implies substantial growth over the revenues in the corresponding period of the previous year 0.14 million (AUD). The Group sees itself on track to achieve this forecast.

Bottom line, De.mem Limited recorded a net loss of approx. 0.873 million (AUD) during the six months ended 30 June 2018. This compares to a net loss of approx. 1.5 million (AUD) in the corresponding period of the previous year. The reduced loss is due to the revenue growth and increase in gross margin.

On the technology side, De.mem Limited achieved important milestones with the successful validation of its proprietary low-pressure hollow fiber nanofiltration (NF) membrane in commercial scale-projects, which was announced in February 2018. The first actual commercial projects with the new technology were signed and announced in April 2018.

In addition to this, De.mem Limited was able to expand its proprietary product range during the quarter. The Group presented a new ultrafiltration (UF) membrane, effectively a variation of the above-mentioned NF membrane with a somewhat larger pore size, in May 2018. The new UF membrane allows the Group to offer proprietary products for additional applications, as UF is a frequently used technology in potable, sewage and waste water treatment projects.

In the second quarter of financial year 2018, De.mem Limited announced further initiatives around a new hollow fiber Forward Osmosis (FO) membrane developed at NTU. FO works without mechanical pressure, based on osmotic pressure differences only. This new membrane can be deployed for the de-watering or concentration of liquids. De.mem Limited licensed the technology for applications in industrial waste water treatment, and obtained a 32% stake and started a partnership with a new entity called Aromatec Pte Ltd, Singapore, which aims to commercialize the technology to the food & beverage industry.

De.mem Limited held its second annual general meeting on 30 May 2018 in Perth, Western Australia, with all resolutions being passed.

De.mem Limited announced to the ASX in July 2018 that it presented a new product line using its hollow fiber membrane targeting domestic point-of-use water filtration.

**De.mem Limited**  
**Directors' report**  
**For the half-year ended 30 June 2018**

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the Group.

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

There are no matters or circumstance that has arisen since 30 June 2018 to the date of this report that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Environmental regulation**

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

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**



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Mr Andreas Kroell  
Director and Chief Executive Officer

27 August 2018  
Perth

**RSM Australia Partners**

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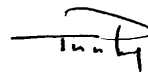
**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of De.mem Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 27 August 2018

**THE POWER OF BEING UNDERSTOOD**  
**AUDIT | TAX | CONSULTING**

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**De.mem Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half-year ended 30 June 2018**

	<b>Consolidated</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Revenue	5,959,762	139,607
Cost of sales	(4,498,769)	(126,853)
<b>Gross profit</b>	<b>1,460,993</b>	<b>12,754</b>
<b>Other Income</b>		
Interest income	3,035	1,850
Other income	20,219	6,030
<b>Total Income</b>	<b>23,254</b>	<b>7,880</b>
Interest expense	(4,429)	-
Administration, general & selling expenses	(2,142,576)	(721,031)
Depreciation expense	(107,314)	-
Restructuring and listing expenses	-	(788,343)
<b>Loss before income tax for the half year</b>	<b>(770,072)</b>	<b>(1,488,740)</b>
Income tax expense	(102,736)	-
<b>Loss after income tax for the half year</b>	<b>(872,808)</b>	<b>(1,488,740)</b>
<b>Other comprehensive income for the half year</b>		
Exchange differences on translating foreign operations, net of tax	(36,579)	(62,414)
<b>Total comprehensive loss for the half year</b>	<b>(909,387)</b>	<b>(1,551,154)</b>
Loss attributable to owners of the parent, net of tax	(868,708)	(1,486,927)
Loss attributable to non-controlling interests, net of tax	(4,100)	(1,813)
<b>Loss net of tax for the half year</b>	<b>(872,808)</b>	<b>(1,488,740)</b>
Basic and Diluted Loss per share – cents per share	(0.81)	(2.61)

*The above 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 30 June 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 2018</b>	<b>31 Dec 2017</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		2,132,681	3,270,633
Trade and other receivables		3,121,871	1,793,737
Inventories		230,859	236,039
Other assets		152,134	357,763
<b>Total Current Assets</b>		<b>5,637,545</b>	<b>5,658,172</b>
<b>Non-Current Assets</b>			
Property plant and equipment		942,075	639,776
Other assets		4,273	4,095
Investment accounted for using equity method		29,756	-
<b>Total Non-Current Assets</b>		<b>976,104</b>	<b>643,871</b>
<b>TOTAL ASSETS</b>		<b>6,613,649</b>	<b>6,302,043</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		2,483,529	1,827,208
Contract liabilities		674,315	451,383
Borrowings		342,425	376,314
Employee benefits		320,649	271,779
Income tax payable		104,806	26,517
<b>Total Current Liabilities</b>		<b>3,925,724</b>	<b>2,953,201</b>
<b>Non-Current Liabilities</b>			
Employee benefits		46,744	45,375
Borrowings		171,347	77,339
<b>Total Non-Current Liabilities</b>		<b>218,091</b>	<b>122,714</b>
<b>TOTAL LIABILITIES</b>		<b>4,143,815</b>	<b>3,075,915</b>
<b>NET ASSETS</b>		<b>2,469,834</b>	<b>3,226,128</b>
<b>EQUITY</b>			
Issued capital	2	12,248,451	12,123,451
Share based payment reserve	3	634,798	606,705
Foreign currency translation reserve		12,372	47,839
Accumulated losses		(10,390,494)	(9,521,786)
<b>Equity, attributable to owners of the parent</b>		<b>2,505,127</b>	<b>3,256,209</b>
Non-controlling interests		(35,293)	(30,081)
<b>TOTAL EQUITY</b>		<b>2,469,834</b>	<b>3,226,128</b>

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

**De.mem Limited**  
**Consolidated statement of changes in equity**  
**For the half-year to 30 June 2018**

	Share capital	Foreign currency translation reserve	Share based payment reserve	Non- controlling interest	Accumulated losses	Total Equity
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 January 2017</b>	<b>4,213,493</b>	<b>70,299</b>	<b>-</b>	<b>5,364</b>	<b>(3,219,483)</b>	<b>1,069,673</b>
Loss after income tax	-	-	-	(1,813)	(1,486,927)	(1,488,740)
Other comprehensive loss	-	(62,351)	-	(63)	-	(62,414)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(62,351)</b>	<b>-</b>	<b>(1,876)</b>	<b>(1,486,927)</b>	<b>(1,551,154)</b>
<b>Transactions with equity holders</b>						
Share issue for acquisition of subsidiary	1,461,538	-	-	-	-	1,461,538
Capital raising	4,500,000	-	-	-	-	4,500,000
Capital raising cost	(860,957)	-	-	-	-	(860,957)
Share based payments	-	-	326,300	-	-	326,300
<b>Balance at 30 June 2017</b>	<b>9,314,074</b>	<b>7,948</b>	<b>326,300</b>	<b>3,488</b>	<b>(4,706,410)</b>	<b>4,945,400</b>
<b>Balance at 1 January 2018</b>	<b>12,123,451</b>	<b>47,839</b>	<b>606,705</b>	<b>(30,081)</b>	<b>(9,521,786)</b>	<b>3,226,128</b>
Loss after income tax	-	-	-	(4,100)	(868,708)	(872,808)
Other comprehensive loss	-	(35,467)	-	(1,112)	-	(36,579)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(35,467)</b>	<b>-</b>	<b>(5,212)</b>	<b>(868,708)</b>	<b>(909,387)</b>
<b>Transactions with equity holders</b>						
Share issue for contingent consideration for acquisition of a subsidiary	125,000	-	-	-	-	125,000
Share based payment	-	-	28,093	-	-	28,093
<b>Balance at 30 June 2018</b>	<b>12,248,451</b>	<b>12,372</b>	<b>634,798</b>	<b>(35,293)</b>	<b>(10,390,494)</b>	<b>2,469,834</b>

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

**De.mem Limited**  
**Consolidated statement of cash flows**  
**For the half-year ended 30 June 2018**

	<b>Consolidated</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	4,649,916	278,358
Interest (paid)/received	(1,394)	1,850
Payments to suppliers and employees	(5,245,644)	(1,193,271)
<b>Net cash (used in) operating activities</b>	<b>(597,122)</b>	<b>(913,063)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant & equipment	(409,613)	(71,197)
Acquisition of subsidiary, net cash acquired	-	710,847
Payment for contingent consideration for acquisition of a subsidiary	(125,000)	-
Investment in associate	(29,756)	-
<b>Net cash (used in)/provided by investing activities</b>	<b>(564,369)</b>	<b>639,650</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares (net of costs)	-	4,012,971
Net cash flows from borrowings	60,118	-
<b>Net cash provided by financing activities</b>	<b>60,118</b>	<b>4,012,971</b>
Net (decrease)/ increase in cash and cash equivalents	(1,101,373)	3,739,558
Effects of exchange rates changes	(36,579)	(101,255)
Cash and cash equivalents at the beginning of the half-year	3,270,633	191,053
<b>Cash and cash equivalents at the end of the half-year</b>	<b>2,132,681</b>	<b>3,829,356</b>

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

**Note 1. Significant accounting policies**

These interim financial statements are general purpose financial statements prepared in accordance with requirements of Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These interim financial statements do not include full disclosures of the type normally included in an annual report. It is recommended that these interim financial statements be read in conjunction with the annual financial report for the year ended 31 December 2017 and any public announcements made by De.mem Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

These interim financial statements were authorised for issue on 27 August 2018.

The interim financial statements have been presented in Australian dollars (AUD), which is the Group's functional and presentation currency.

Accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

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

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

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

Accounting Standards and Interpretations adopted by the Group that are mandatory for the current reporting period:

***AASB 9 Financial Instruments***

The Group has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. Applying AASB 9 did not have any significant impact on the classification or valuation of financial assets, impairment bookings on trade receivables and other financial assets.

***AASB 15 Revenue from Contracts with Customers***

The Group has adopted AASB 15 from 1 January 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period. Applying AASB 15 has had no impact on timing of revenue recognition or on the presentation of the statement of financial position.

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

### **Revenue recognition**

The Group recognises revenue as follows:

#### **Revenue from contracts with customers**

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

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

#### **Sale of goods**

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

#### **Rendering of services**

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

#### **Interest**

Interest revenue is recognised as interest accrues using the effective interest method.

#### **Other revenue**

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

#### **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

#### **Contract assets**

Contract assets are recognised when the Group has satisfied the performance obligations in the contract and either has not recognised a receivable to reflect its unconditional right to consideration or the consideration is not due. Contract assets are treated as financial assets for impairment purposes.

#### **Right of return assets**

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

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

**Customer acquisition costs**

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

**Customer fulfilment costs**

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the Group that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.

**Right of return assets**

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

**Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

**Impairment of financial assets**

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

**Contract liabilities**

Contract liabilities are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), before the Group has transferred the goods or services to the customer. The liability is the Group's obligation to transfer goods or services to a customer from which it has received consideration.

**Refund liabilities**

Refund liabilities are recognised where the Group receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the Group does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

**De.mem Limited**  
**Notes to the financial statements**  
**For the half-year ended 30 June 2018**

**Note 2: Issued Capital**

	<b>30 June 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
ordinary shares - fully paid	12,248,451	12,123,451

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
<b>Balance</b>	<b>1 January 2018</b>	107,048,854		12,123,451
Share issue for contingent consideration for acquisition of a subsidiary	20 February 2018	620,120	\$0.2015	125,000
<b>Balance</b>	<b>30 June 2018</b>	<u>107,668,974</u>		<u>12,248,451</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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.

**Note 3. Share based payment reserve**

	<b>30 June 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Share based payment reserve	634,798	606,705
	<u>634,798</u>	<u>606,705</u>

Movements in the share based payment reserve are set out below:

	<b>No of Options</b>	<b>2018 \$</b>
<b>Balance 1 January 2018</b>	<b>10,050,000</b>	<b>606,705</b>
Unlisted options to a key employee vesting over multiple periods*	-	25,173
<i>New options issued</i>		
Unlisted options to key employees vesting over multiple periods**	500,000	2,920
<b>Balance 30 June 2018</b>	<u><b>10,550,000</b></u>	<u><b>634,798</b></u>

\* On 12 May 2017, the entity issued 750,000 options (exercisable at \$0.30) vesting over multiple service periods to an employee of the Company.

\*\* On 8 February 2018, the entity issued 500,000 options (exercisable at \$0.30) vesting over multiple service periods to employees of the Company



**Note 4. Segment reporting**

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

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies. The following tables are an analysis of the Group's revenue and results by reportable segment provided to the Directors for the half year ended 30 June 2018 and 30 June 2017.

<b>2018</b>	<b>Singapore – De.mem Pte Ltd</b>	<b>Akwa Group Pty Ltd</b>	<b>Australia – De.mem Limited</b>	<b>Consolidated</b>
Revenue from external customers	244,269	6,609,249	-	6,853,518
Intersegment revenue	(72,088)	(821,668)	-	(893,756)
<b>Segment revenue</b>	<b>172,181</b>	<b>5,787,581</b>	<b>-</b>	<b>5,959,762</b>
Segment result	(818,568)	270,848	(325,088)	<b>(872,808)</b>
Segment assets	1,415,270	3,549,265	1,649,114	<b>6,613,649</b>
Segment liabilities	310,169	3,555,740	277,906	<b>4,143,815</b>
<b>2017</b>				
Revenue from external customers	139,607	-	-	139,607
Intersegment revenue	-	-	-	-
<b>Segment revenue</b>	<b>139,607</b>	<b>-</b>	<b>-</b>	<b>139,607</b>
Segment result	(795,815)	-	(692,925)	<b>(1,488,740)</b>
Segment assets	1,295,953	2,086,247	2,919,843	<b>6,302,043</b>
Segment liabilities	265,977	2,363,181	446,757	<b>3,075,915</b>

**Note 5. Contingent assets and liabilities**

There are no contingent assets and or liabilities at the date of this report.

**Note 6. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2018 to the date of this report that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**De.mem Limited**  
**Directors' declaration**  
**For the half-year ended 30 June 2018**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

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

On behalf of the directors



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Andreas Kroell  
Director and Chief Executive Officer

27 August 2018  
Perth

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**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
DE.MEM LIMITED**

We have reviewed the accompanying half-year financial report of De.mem Limited, which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of De.mem Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**THE POWER OF BEING UNDERSTOOD**  
**AUDIT | TAX | CONSULTING**

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### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of De.mem Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

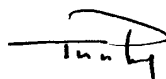
### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of De.mem Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 28 August 2018