

De.mem Limited and its Controlled Entities (ABN 12 614 756 642)

**Appendix 4E – Consolidated Preliminary Final Report for the Year Ended 31
December 2018**



**Consolidated Preliminary Final Report
for the Year Ended 31 December 2018**

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Key Information – Results for Announcement to the Market

	31-Dec-18	31-Dec-17	Change	
	\$(‘000)	\$(‘000)	\$(‘000)	
Revenue	10,523	2,930	7,593	Up 259%
Loss for the year after tax	(1,989)	(6,337)	4,348	Up 69%
Loss attributable to members of the parent entity	(2,032)	(6,302)	4,270	Up 68%

	31-Dec-18	31-Dec-17
Basic loss per share (cents/share)	(1.86)	(8.02)
Diluted loss per share (cents/share)	(1.86)	(8.02)
Net tangible assets per share (cents/share)	1.66	3.04

Commentary on the Results for the Period

With approximately 10.5 million (AUD) in revenues recorded during the year, De.mem Limited achieved strong topline growth of 259% relative to the approximate 2.9 million (AUD) of revenues in the previous year. The growth was mainly attributed to the Australian operations, where De.mem won important milestone projects via its De.mem-Akwa Pty Ltd (formerly: Akwa-Worx Pty Ltd) subsidiary. Those include in particular, a 1.7 million (AUD) project for the delivery of a water treatment system to a site in Cultana, South Australia.

The current year net loss was reduced considerably to approximately 2.0 million (AUD) in the current year, compared to an approximate net loss of 6.3 million (AUD) in the previous year. In the previous year, goodwill write-offs from the acquisition of De.mem-Akwa Pty Ltd as well as restructuring and ASX listing expenses had a negative impact on net loss. The reduced loss has resulted in increased gross margins in view of the strong revenue growth.

Net operating cash outflows reflect the above developments and were approximately 1.5 million (AUD) during the year, compared to an approximate 2.4 million (AUD) in the previous year.

Dividends

No dividends have been declared or paid during the financial year ended 31 December 2018 and the directors do not recommend that any dividend be paid. As such, there is no dividend or distribution plans in operation.

Controlled Entities

	Country of Incorporation	Principal Activities	Ownership %
Parent entity			
De.mem Ltd	Australia	Parent	
Name of Controlled Entity			
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%*

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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

Details of Associates

Name of associate	Percentage holding	Percentage holding
	31-Dec-18	31-Dec-17
Aromatec Pte Ltd	32%	-

Audit

These Consolidated Preliminary Financial Statements are based on the Consolidated Annual Financial Report which is in the process of being audited by Grant Thornton Audit Pty Ltd and are not subject to dispute or qualification.



Andreas Kroell
Director
28 February 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2018

	Note	Consolidated 31-Dec-18 \$	31-Dec-17 \$
Revenue		10,522,989	2,930,423
Cost of sales		(7,893,794)	(2,394,538)
Gross profit		2,629,195	535,885
Other Income			
Interest income		12,943	23,066
Other income		52,955	6,977
Total Income		65,898	30,043
Interest expense		(7,228)	(4,920)
Administrative, general & selling expenses		(4,356,890)	(3,007,484)
Depreciation expense		(216,813)	(131,049)
Impairment of goodwill		-	(3,007,100)
Restructuring and listing expenses		-	(788,342)
Share of loss on investment in associate		(15,259)	-
Loss before income tax		(1,901,097)	(6,372,967)
Income tax income		-	35,715
Loss for the year from continuing operations		(1,901,097)	(6,337,252)
Loss for the year from discontinued operation		(102,732)	-
Loss for the Year		(2,003,829)	(6,337,252)
Other comprehensive income			
Exchange differences on translating foreign operations (net of tax)		(161,166)	(22,956)
Total comprehensive loss		(2,164,996)	(6,360,208)
Loss attributable to owners of the parent, net of tax		(2,046,793)	(6,302,303)
Profit/(loss) attributable to non-controlling interests, net of tax		42,964	(34,949)
Loss net of tax		(2,003,829)	(6,337,252)
<u>Basic and diluted loss per share:</u>			
Loss from continuing operation		(1.86)	(8.02)
Loss from discontinued operation		(0.10)	-

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

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Consolidated Statement of Financial Position
As at 31 December 2018

	Note	Consolidated 31-Dec-18 \$	31-Dec-17 \$
ASSETS			
Current Assets			
Cash and cash equivalents		1,679,939	3,270,633
Trade and other receivables		2,160,505	1,793,737
Inventories		263,039	236,039
Other assets		133,862	357,763
Total Current Assets		4,237,345	5,658,172
Non-Current Assets			
Property plant and equipment		926,172	639,776
Other assets		-	4,095
Investment in associate		87,977	-
Total Non-Current Assets		1,014,149	643,872
TOTAL ASSETS		5,251,494	6,302,044
LIABILITIES			
Current Liabilities			
Trade and other payables		2,493,636	2,278,591
Borrowings		314,893	376,314
Employee benefits		359,141	271,779
Income tax payable		2,070	26,517
Total Current Liabilities		3,169,740	2,953,201
Non-Current Liabilities			
Employee benefits		26,285	45,375
Borrowings		189,414	77,339
Total Non-Current Liabilities		215,699	122,714
TOTAL LIABILITIES		3,385,439	3,075,915
NET ASSETS		1,866,055	3,226,128
EQUITY			
Issued capital		12,867,799	12,123,451
Share based payment reserve		667,280	606,705
Foreign currency translation reserve		(112,846)	47,839
Accumulated losses		(11,568,581)	(9,521,786)
Equity, attributable to owners of the parent		1,853,652	3,256,209
Non-controlling interests		12,403	(30,081)
TOTAL EQUITY		1,866,055	3,226,128

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

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Consolidated Statement of Changes in Equity
For the year ended 31 December 2018

	Share Capital	Other Reserve (foreign exchange difference)	Share Based Payment Reserve	Non-Controlling Interest	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2018	12,123,451	47,839	606,705	(30,081)	(9,521,787)	3,226,127
Loss after income tax	-	-	-	42,964	(2,046,794)	(2,003,830)
Other comprehensive loss	-	(160,685)	-	(480)	-	(161,166)
Total comprehensive loss for the period	-	(160,685)	-	42,483	(2,046,794)	(2,164,996)
Transactions with equity holders						
Share issue for contingent consideration for acquisition of subsidiary	125,000	-	-	-	-	125,000
Capital raising	619,348	-	-	-	-	619,348
Capital raising cost	-	-	-	-	-	-
Share based payment	-	-	60,575	-	-	60,575
Balance at 31 December 2018	12,867,799	(112,846)	667,280	12,403	(11,568,581)	1,886,055
Balance at 1 January 2017	4,213,493	70,299	-	5,364	(3,219,483)	1,069,673
Loss after income tax	-	-	-	(34,949)	(6,302,303)	(6,337,252)
Other comprehensive loss	-	(22,460)	-	(496)	-	(22,956)
Total comprehensive loss for the period	-	(22,460)	-	(35,445)	(6,302,303)	(6,360,208)
Transactions with equity holders						
Share issue for acquisition of subsidiary	1,921,538	-	-	-	-	1,921,538
Capital raising	7,000,000	-	-	-	-	7,000,000
Transaction costs of share issue	(1,011,580)	-	-	-	-	(1,011,580)
Share based payments	-	-	606,705	-	-	606,705
Balance at 31 December 2017	12,123,451	47,839	606,705	(30,081)	(9,521,786)	3,226,128

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

De.mem Limited
Notes to the consolidated financial statements
For the financial year ended 31 December 2018

	Consolidated	
	31-Dec-18	31-Dec-17
	\$	\$
Cash flows from operating activities		
Receipts from customers	10,209,176	2,616,007
Interest received	5,715	18,146
Payments to suppliers and employees	(11,799,773)	(5,028,864)
Net cash used in operating activities	(1,584,882)	(2,394,711)
Cash flows from investing activities		
Payments for property, plant & equipment	(503,209)	(257,763)
Proceeds from sale of property, plant and equipment	-	361,090
Acquisition of subsidiary, net cash acquired	-	(752,753)
Payment for contingent consideration for acquisition of a subsidiary	(125,000)	-
Investment in associate	(56,450)	-
Net cash used in investing activities	(684,659)	(649,426)
Cash flows from financing activities		
Proceeds from issue of shares (net of costs)	619,348	6,312,935
Proceeds from borrowings	50,654	-
Repayment of borrowings	-	(175,084)
Net cash provided by financing activities	670,002	6,137,851
Net (decrease) / increase in cash and cash equivalents	(1,599,539)	3,093,714
Exchange differences on cash and cash equivalents	8,845	(14,134)
Cash and cash equivalents at the beginning of the year	3,270,633	191,053
Cash and cash equivalents at the end of the half year	1,679,939	3,270,633

De.mem Limited
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Note 1. Significant Accounting Policies

Basis of Preparation

It is recommended that the Consolidated Preliminary Final Report be read in conjunction with the half yearly financial statements of De.mem Limited and its controlled entities ("the Group") as at 30 June 2018 together with any public announcements made by De.mem Limited during the year ended 31 December 2018, in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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').

The accounting policies used in this report are the same as those used in the half yearly financial statements of the Group as at 30 June 2018, except in relation to the matters disclosed below:

New and Revised Accounting Standards and Interpretations

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the Group's accounting policies.

Functional and Presentation Currency

This Consolidated Preliminary Final Report has been presented in Australian dollars (AUD), which is the Group's functional and presentational currency.

Note 2. Revenue

	Consolidated	
	31-Dec-18	31-Dec-17
	\$	\$
Rendering of services	3,309,345	1,063,392
Sale of goods	2,296,700	1,202,804
Contracting revenue	4,916,944	664,227
Balance	10,522,989	2,930,423

Note 3. Issued Capital

		31-Dec-18	31-Dec-17	
		\$	\$	
112,256,376 ordinary shares - fully paid (2017: 107,048,854)		12,123,451	12,123,451	
Movements in ordinary share capital				
Details	Date	Shares	Issue price	\$
Balance	1-Jan-18	107,048,854	\$0.113	12,123,451
Share issue for contingent consideration for acquisition of subsidiary	20-Feb-18	620,120	\$0.202	125,000
Issues of shares – non-renounceable entitlements issue	24-Dec-18	4,587,762	\$0.135	619,348
Balance	31-Dec-18	112,256,736		12,867,799

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Details	Date	Shares	Issue price	\$
Balance	1-Jan-17	7,307,692	\$0.138	949,975
Elimination of pre-acquisition share capital of De.mem Limited		-	-	(949,975)
Acquired share capital of De.mem Pte Ltd	14-Mar-17	-	-	4,213,493
Issue of shares to shareholders of De.mem Pte Ltd	14-Mar-17	66,000,000	-	1,461,538
Issue of shares – initial public offering	14-Mar-17	22,500,000	\$0.20	4,500,000
Issue of shares to shareholders of Akwa Worx Pty Ltd and Akwa Facility Maintenance Pty Ltd	14-Sep-17	1,807,200	\$0.25	460,000
Share issue	14-Nov-17	9,433,962	\$0.27	2,500,000
Cost of share issues		-	-	(1,011,580)
Balance	31-Dec-17	107,048,854		12,123,451

Note 4. Share Based Payment Reserve

	31-Dec-18	31-Dec-17
	\$	\$
Options Reserve	667,280	606,705
	667,280	606,705

Movements in the share based payment reserve during the current financial year are set out below:

	No of Options	2018 \$
Balance 1 January 2018	10,050,000	606,705
Unlisted options to a key employee vesting over multiple periods *	-	50,762
<i>New options issued</i>		
Unlisted options to a key employee vesting over multiple periods**	500,000	9,813
Balance 31 December 2018	10,550,000	667,280
	No of Options	2017 \$
Balance 1 January 2017	4,250,000	-
<i>New options issued</i>		
Unlisted options to lead manager	3,800,000	324,515
Unlisted options to a key employee vesting over multiple periods	750,000	32,405
Unlisted options to lead manager	1,250,000	249,785
Balance 31 December 2017	10,050,000	606,705

* 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.

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Note 5. Segment reporting

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

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies. The following tables are an analysis of the Group's revenue and results by reportable segment provided to the Directors for the year ended 31 December 2017 and 31 December 2018.

2018	Singapore – De.mem Pte Ltd	Akwa Group Pty Ltd	Australia – De.mem Limited	Consolidated
Revenue from external customers	440,224	11,566,776	-	12,007,000
Intersegment revenue	(84,476)	(1,399,535)	-	(1,484,011)
Segment revenue	355,749	10,167,240	-	10,522,989
Segment result (loss/profit before tax)	(1,633,791)	370,472	(637,059)	(1,900,378)
Segment assets	1,394,787	2,461,328	1,395,380	5,251,495
Segment liabilities	470,753	2,451,911	462,775	3,385,440
2017				
Revenue from external customers	797,328	2,665,539	-	3,462,867
Intersegment revenue	-	(532,444)	-	(532,444)
Segment revenue	797,328	2,133,095	-	2,930,423
Segment result (loss before tax)	(1,876,223)	(173,495)	(4,323,249)	(6,372,967)
Segment assets	1,295,953	2,086,247	2,919,843	6,302,043
Segment liabilities	265,977	2,363,181	446,757	3,075,915

Note 6. Contingent assets and liabilities

There are no contingent assets and or liabilities at the date of this Consolidated Preliminary Final Report.