ABN 12 614 756 642

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

CORPORATE DIRECTORY

Directors	Cosimo Trimigliozzi Andreas Kroell Bernd Dautel Stuart Carmichael Michael Edwards
Company Secretaries	Brett Tucker Deborah Ho
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 Australia
Auditor	Grant Thornton Audit Pty Ltd Central Park, Level 43, 152-158 St Georges Terrace Perth, WA, 6000 Australia
Solicitors	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth, WA, 6000 Australia
Bankers	Westpac Bank Perth
Website	www.demembranes.com
Stock Exchange Listing	Australian Securities Exchange ASX Code: DEM

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CEO's Letter

Dear Shareholders,

On behalf of the board I am delighted to present the Annual Report for the year ended 31 December 2018 to you. Targeting the so-called "de-centralized" water treatment market, our company De.mem offers packaged, modular and containerized water treatment systems for a wide range of applications – ranging from potable water treatment, sewage treatment, industrial waste water to providing process water to factories and water recycling. Our high-quality water treatment systems are delivered to our customers on a turn-key basis and often include our range of proprietary membrane technologies as a key component. These technologies give De.mem a strong competitive edge and provide a unique value proposition.

During calendar year 2018, De.mem achieved strong top line growth driven mainly by the Australian market and positioned the company well to deliver on its ultimate vision – to be the market leader in the "de-centralized" water treatment segment in Australia and the Asia-Pacific region.

De.mem recorded revenues of $10.5 million during 2018 (2017: $2.9 million), which resulted mainly from our 100% owned subsidiary De.mem-Akwa Pty Ltd, Caboolture (formerly: Akwa-Worx Pty Ltd). Key projects which contributed to the strong top-line growth were a $1.7 million project for the delivery of a waste water treatment plant to a facility in Cultana, South Australia, or a $580,000 project for the delivery of a potable water treatment plant deployed at a site in Grafton, New South Wales.

The De.mem services business provides a significant recurring revenue stream to the group and contributed approximately 31% of the revenues recorded in 2018. De.mem provides services to customers in Australia and Singapore based on long term operations and maintenance contracts or build, own, operate (BOO) agreements. An example is our agreement with Rio Tinto for the operations and maintenance of the water and waste water treatment facilities at the Amrun mine near Weipa, Queensland.

In Singapore, De.mem operates a research lab and a manufacturing facility for the development and production of novel types of hollow fibre membranes. During 2018, the company made important progress in this area by further testing and validating our proprietary low pressure hollow fiber nanofiltration membrane and deploying this technology into commercial installations in Asia. Furthermore, De.mem introduced two additional proprietary products to the market. The first is an Ultrafiltration membrane, which can be used for a wide range of applications in water, sewage and waste water treatment including the pre-treatment for Reverse Osmosis water treatment plants. The second is a hollow fibre Forward Osmosis membrane, which is used for the concentration or de-watering of liquids. Applications within industrial waste water treatment, i.e. the concentration of brine or concentrate from Reverse Osmosis water treatment plants, are pursued by De.mem directly; applications within food and beverage production such as the concentration of beverages like fruit juice, milk or beer during the industrial manufacturing process are promoted via a Joint Venture company called Aromatec Ptd Ltd, Singapore, in which De.mem owns a 32% stake.

De.mem Ltd recorded negative net operating cash flows of approximately $1.6 million during the year (2017: outflow of $2.4 million). The balance reflects income before taxes of approximately $370,000 from the De.mem-Akwa Pty Ltd subsidiary on the one hand, and funding required for membrane research and manufacturing plus corporate overhead and listing related expenses on the other.

De.mem ends the year with a cash balance of approximately $1.7 million as of 31 December 2018 and sees itself sufficiently funded to execute on its current growth plans.

The De.mem team is working diligently on further building our revenue base and our technology platform in the ongoing financial year 2019 and I am confident that De.mem will b deliver on its ambitious growth plans and provide further good news to its shareholders.

Andreas Kroell
Chief Executive Officer

The Directors present their report, together with the consolidated financial report for De.mem Limited ("De.mem" or the "Company") and its controlled entities (collectively the "Consolidated Entity" or "Group"), for the year ended 31 December 2018.

Directors

The names and particulars of the Director of the Company during or since the end of the financial year are:

Name:	Mr Cosimo Trimigliozzi
Title:	Non-Executive Chairman
Qualifications:	MBA equivalent, University of Basel, Switzerland
Experience and expertise:	Mr. Trimigliozzi 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. Trimigliozzi 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. Trimigliozzi had been in other senior management roles, amongst others as Managing Director – Asia for Givaudan, a multinational corporation headquartered in Switzerland.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	557,764
Interests in options:	500,000
Contractual rights to shares:	None

Name:	Mr Andreas Kroell
Title:	Chief Executive Officer and Director
Qualifications:	MBA equivalent, University of Frankfurt, Germany
Experience and expertise:	Mr. Kroell has been the director and CFO of De.mem Singapore since the company was established and was appointed as the Chief Executive Officer in 2016. Prior to that, Mr. Kroell has been involved in the venture capital and finance industries in Germany and Singapore since 2000. Mr. Kroell has led investments and held board seats in numerous companies within the water, environmental, industrial and other technology related sectors and has managed over 20 venture capital investments throughout his career, including a number of exits by trade sale and initial public offerings. Andreas Kroell has worked with several portfolio companies in management and financial roles.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	2,606,410
Interests in options:	500,000
Contractual rights to shares:	None

Directors (continued)

Name:	Mr 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:	None
Interests in options:	500,000
Contractual rights to shares:	None

Name:	Mr 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 Serpentine Technologies Limited (ASX:S3R) and Non-Executive Director of ClearVue Technologies Limited (ASX: CPV).
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	21,500
Interests in options:	500,000
Contractual rights to shares:	None

Name:	Mr 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.

Directors (continued)

Other current directorships:	Non-Executive Director of Norwood Systems Ltd (ASX:NOR), Non-Executive Director of Serpentine Technologies Ltd (ASX:S3R), Non-Executive Director of Dawine Limited (ASX:DW8)
Former directorships (last 3 years):	Non-Executive Chairman of International Goldfields (ASX:IGS)
Special responsibilities:	None
Interests in shares:	None
Interests in options:	500,000
Contractual rights to shares:	None

Company Secretaries

Brett Tucker holds the role of Company Secretary. Mr Tucker is a Chartered Accountant and has acted as Company Secretary to a number of ASX listed and private companies across a range of industries.

On 11 February 2019, Deborah Ho was appointed as Joint Company Secretary. Ms Ho is an Associate Member of the Governance Institute of Australia and has acted as Company Secretary to a number of ASX listed companies.

Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the financial year ended 31 December 2018 and the number of meetings attended by each director were:

	Full board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held*	Attended	Held*	Attended	Held*
Cosimo Trimigliozzi	8	8	-	-	-	-
Andreas Kroell	8	8	-	-	1	1
Bernd Dautel	7	8	-	-	-	-
Stuart Carmichael	8	8	-	-	1	1
Michael Edwards	8	8	-	-	-	-

* Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

The Board also approved eight (8) circular resolutions during the year ended 31 December 2018 which were signed by all Directors of the Company.

Principal Activities

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

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

Review of Operations and Financial Position

The net loss for the year ended 31 December 2018 was $2,003,829 (2017: $6,337,252). The Group had a net asset position as at 31 December 2018 of $1,866,055 (2017: $3,226,128).

With approximately $10.5 million in revenues recorded during the year, De.mem Limited achieved strong topline growth of 259% relative to the approximate $2.9 million 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.

Review of Operations and Financial Position (continued)
Those include in particular, a $1.7 million project for the delivery of a water treatment system to a site in Cultana, South Australia and a $580,000 project for the deployment of a water treatment system at a site in Grafton, New South Wales. The full inclusion of De.mem-Akwa Pty Ltd into the accounts (acquired on 13 September 2017) contributed to the increase in revenues as well.

Along the increase in revenues, gross profit increased substantially as well to approximately $2.6 million or approximately 25% of revenues, from approximately $0.5 million or approximately 18% of revenues in the previous year.

Administrative, general and selling expenses increased significantly less than revenues, by approximately 45% to approximately $4.4 million in 2018, from approximately $3 million in the previous year. Furthermore, 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 in 2017.

The above explains why the net loss was reduced considerably to approximately $2.0 million in 2018, compared to an approximate net loss of $6.3 million in the previous year.

Net operating cash outflows reflect the above developments and were approximately $1.6 million during the year, compared to an approximate $2.4 million in 2017. De.mem ends the financial year with a cash balance of approximately $1.7 million.

The Company confirms that during the financial year ended 31 December 2018, it used its cash and assets in a form readily convertible to cash, in a manner consistent with its business objectives.

Subsequent Events
On 16 January 2019, 5 March 2019 and 15 March 2019, a total of 13,911,760 shortfall shares were issued pursuant to the non-renounceable Entitlements issue offer document dated 26 November 2018, raising a total of approximately $1.88 million AUD.

On 21 January 2019, the Company's controlled entity GD Wasser Vietnam Ltd was closed.

Other than the above, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected or may significantly affect in future financial years, the operations of the Group, the results of those operations or the Group's state of affairs

Future Developments
The Group will continue to design, build, and operate water and waste water treatment systems for its clients.

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

Dividends Paid or Recommended
No dividends were paid during the year ended 31 December 2018.

Remuneration Report (audited)
The remuneration report details the key management personnel remuneration arrangements for the entity, in accordance with the requirements of the Corporations Act 2001 and the Corporation Regulations 2001. 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 disclosures relation to key management personnel

Remuneration Report (audited) (continued)

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):

I. The Eligible Participant's length of service with the Group;
II. The contribution made by the Eligible Participant to the Group;
III. The potential contribution of the Eligible Participant to the Group; or
IV. 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 entity are set out in the following tables.

De.mem Limited and its Controlled Entities
Consolidated Annual Report
Directors' Report
For the year ended 31 December 2018

Remuneration Report (audited) (continued)

Details of Remuneration (continued)

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

	Short-term benefits			Post-employment benefits	Share-based payments		
2017	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Equity-settled shares $	Equity-settled options $	Total $
Non-Executive Directors:							
Cosimo Trimigliozzi	-	-	-	-	-	-	-
Bernd Dautel	-	-	-	-	-	-	-
Stuart Carmichael	22,000	-	-	2,090	-	-	24,090
Michael Edwards	22,000	-	-	2,090	-	-	24,090
Executive Directors and Key Management Personnel:							
Andreas Kroell	170,065	28,344	-	-	-	-	198,409
Shane Ayre*	51,288	-	-	4,872	-	-	56,160
	265,353	28,344	-	9,052	-	-	302,749

*Appointed 18/09/2017

Remuneration Report (audited) (continued)

Details of Remuneration (continued)

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2018	2017	2018	2017	2018	2017
Non-Executive Directors:						
Cosimo Trimigliozzi	-	-	-	-	-	-
Bernd Dautel	-	-	-	-	-	-
Stuart Carmichael	100%	100%	-	-	-	-
Michael Edwards	100%	100%	-	-	-	-
Executive Directors and Key Management Personnel:						
Andreas Kroell	86%	86%	14%	14%	-	-
Shane Ayre*	100%	100%	-	-	-	-

*Appointed 18/09/2017

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.

Name:	Shane Ayre
Title:	Director of Akwa-Worxs Pty Ltd and Akwa Facility Maintenance Pty Ltd.
Agreement commenced:	18 September 2017
Term of agreement:	Permanent
Details:	Base salary of $180,000 per annum plus superannuation.

Share-based Compensation

Options Issued as Remuneration

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 past reporting years are as follows:

Remuneration Report (audited) (continued)

Share-based Compensation (continued)

Name	Number of options granted	Grant date	Vesting date and exercisable	Expiry date	Exercise price	Fair value per option at grant date
Andreas Kroell	500,000	21/11/2016	21/11/2016	22/11/2019	0.30	0.09
Cosimo Trimigliozzi	500,000	21/11/2016	21/11/2016	22/11/2019	0.30	0.09
Bernd Dautel	500,000	21/11/2016	21/11/2016	22/11/2019	0.30	0.09
Stuart Carmichael	500,000	21/11/2016	21/11/2016	22/11/2019	0.30	0.09
Mike Edwards	500,000	21/11/2016	21/11/2016	22/11/2019	0.30	0.09

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. The number of options granted was determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Entity performance and link to remuneration'. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation are set out below:

2018 Name	Value of options Granted/vested during the period $	Value of options exercised during the period $	Value of options lapsed during the period $	Remuneration consisting of options for the period %
Andreas Kroell	-	-	-	-
Cosimo Trimigliozzi	-	-	-	-
Bernd Dautel	-	-	-	-
Stuart Carmichael	-	-	-	-
Mike Edwards	-	-	-	-
Shane Ayre	-	-	-	-

2017 Name	Value of options Granted/vested during the period $	Value of options exercised during the period $	Value of options lapsed during the period $	Remuneration consisting of options for the period %
Andreas Kroell	42,576	-	-	100
Cosimo Trimigliozzi	42,576	-	-	100
Bernd Dautel	42,576	-	-	100
Stuart Carmichael	42,576	-	-	100
Mike Edwards	42,576	-	-	100
Shane Ayre*	-	-	-	-

*Appointed 18/09/2017

Remuneration Report (audited) (continued)

Additional Disclosures Relating to Key Management Personnel

Shareholding

The number of shares in the entity held during the financial years ended 31 December 2018 and 31 December 2017 by each director and other members of key management personnel of the entity, including their personally related parties, is set out below:

2018	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/Other	Balance at the end of the year
Ordinary shares					
Directors					
Cosimo Trimigliozzi	384,615	-	173,149	-	557,764
Andreas Kroell	2,606,410	-	-	-	2,606,410
Bernd Dautel	-	-	-	-	-
Stuart Carmichael	21,500	-	-	-	21,500
Mike Edwards	-	-	-	-	-
Key Management Personnel					
Shane Ayre	1,807,200	-	620,120	-	2,427,320
	4,819,725	-	793,269	-	5,612,994

2017	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/Other	Balance at the end of the year
Ordinary shares					
Directors					
Cosimo Trimigliozzi	384,615	-	-	-	384,615
Andreas Kroell	2,606,410	-	-	-	2,606,410
Bernd Dautel	-	-	-	-	-
Stuart Carmichael	-	-	21,500	-	21,500
Mike Edwards	-	-	-	-	-
Key Management Personnel					
Shane Ayre*	-	-	1,807,200	-	1,807,200
	2,991,025	-	1,828,700	-	4,819,725

*Appointed 18/09/2017

Option holding

The number of options over ordinary shares in the company held during the financial years ended 31 December 2018 and 31 December 2017 by each director and other members of key management personnel of the entity, including their personally related parties, is set out below:

2018	Balance at the start of the year	Granted	Exercised	Expired/Forfeited /Other	Balance at the end of the year
Options over ordinary shares					
Directors					
Cosimo Trimigliozzi	500,000	-	-	-	500,000
Andreas Kroell	500,000	-	-	-	500,000
Bernd Dautel	500,000	-	-	-	500,000
Stuart Carmichael	500,000	-	-	-	500,000
Mike Edwards	500,000	-	-	-	500,000
Key Management Personnel					
Shane Ayre	-	-	-	-	-
	2,500,000	-	-	-	2,500,000

Remuneration Report (audited) (continued)

Additional Disclosures Relating to Key Management Personnel (continued)

2017	Balance at the start of the year	Granted	Exercised	Expired/Forfeited /Other	Balance at the end of the year
Options over ordinary shares					
Directors					
Cosimo Trimigliozzi	500,000	-	-	-	500,000
Andreas Kroell	500,000	-	-	-	500,000
Bernd Dautel	500,000	-	-	-	500,000
Stuart Carmichael	500,000	-	-	-	500,000
Mike Edwards	500,000	-	-	-	500,000
Key Management Personnel					
Shane Ayre*	-	-	-	-	-
	2,500,000	-	-	-	2,500,000

*Appointed 18/09/2017

Other Equity-related Key Management Personnel Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to shareholdings and options.

Other Transactions with Key Management Personnel and/or 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 incurred for the year ended 31 December 2018 of $13,203 (2017: $163,295), of which $6,800 (2017: $nil) remains payable to Ventnor Capital Pty Ltd as at year end. Stuart Carmichael is a director and shareholder of Ventnor Capital Pty Ltd.

Company secretarial and registered office services

Company secretarial and registered office fees incurred for the year ended 31 December 2018 of $90,000 (2017: $7,500), of which $15,000 (2017: $7,500) remains payable to Ventnor Capital Pty Ltd as at year end. Stuart Carmichael is a director and shareholder of Ventnor Capital Pty Ltd.

Akwa-Worx and ENF Group Pty Ltd

Purchases and sales by Akwa-Worx Pty Ltd from ENF Group Pty Ltd for the year ended 31 December 2018 was $451,768 and $12,862 respectively (2017: $51,689 and A$15,305 respectively). Shane Ayre is a director and shareholder of ENF Group Pty Ltd.

Loans to/from related parties

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

End of Remuneration Report (Audited)

Share Options

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Number of options granted	Grant date	Expiry date	Exercise price ($)	Fair value per option at grant date ($)
4,250,000	21/11/2016	21/11/2019	0.30	0.09
3,800,000	30/03/2017	30/03/2020	0.30	0.09
750,000	12/05/2017	12/05/2020	0.30	0.16
1,250,000	11/09/2017	11/09/2020	0.30	0.20
250,000	10/04/2018	10/04/2021	0.30	0.07
250,000	13/04/2018	13/04/2021	0.30	0.07

Non-audit Services

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

Indemnification of Officers and Auditors

The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Voting and comments made at the Company's last Annual General Meeting

The Company received 92.8% of votes, of those shareholders who exercised their right to vote, in favour of the Remuneration Report for the financial year ending 31 December 2017. The Company did not receive any specific feedback on its Remuneration Report at the Annual General Meeting.

Proceedings of 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.

Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 has been received and immediately follows the Directors' Report.

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.

Signed in accordance with a resolution of the Directors.

A. Kroell

Andreas Kroell
Director

29 March 2019

Level 43, 152-158 St Georges Terrace
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Auditor's Independence Declaration

To the Directors of De.Mem Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of De.Mem Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

L A Stella
Partner – Audit & Assurance

Perth, 29 March 2019

De.mem Limited and its Controlled Entities
Consolidated Annual Report
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2018

	Note	Consolidated 31-Dec-18 $	Consolidated 31-Dec-17 $
Revenue	7	10,522,989	2,930,423
Cost of sales		(7,893,794)	(2,394,538)
Gross profit		**2,629,195**	**535,885**
Other income		52,955	6,977
Administrative expenses	8	(4,573,703)	(6,933,975)
Operating profit		**(1,891,553)**	**(6,391,113)**
Finance income		12,943	23,066
Finance costs		(7,228)	(4,920)
Share of loss on investment in associate		(15,259)	-
Loss before income tax		**(1,901,097)**	**(6,372,967)**
Income tax benefit	9	-	35,715
Loss for the year from continuing operations		**(1,901,097)**	**(6,337,252)**
Loss for the year from discontinued operation	5	(102,732)	-
Loss for the Year		**(2,003,829)**	**(6,337,252)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations, net of tax		(161,166)	(22,956)
Total comprehensive loss		**(2,164,995)**	**(6,360,208)**
Loss attributable to owners of the parent, net of tax		(2,046,794)	(6,302,303)
Profit/(Loss) attributable to non-controlling interests, net of tax		42,965	(34,949)
Loss net of tax		**(2,003,829)**	**(6,337,252)**
Basic and diluted loss per share (cents)			
Loss from continuing operation	18	(1.76)	(8.02)
Loss from discontinued operation	18	(0.10)	-

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

De.mem Limited and its Controlled Entities
Consolidated Annual Report
Consolidated Statement of Financial Position
As at 31 December 2018

		Consolidated	
	Note	**31-Dec-18**	**31-Dec-17**
		$	**$**
ASSETS			
Current Assets			
Cash and cash equivalents	10	1,679,939	3,270,633
Trade and other receivables	11	1,866,614	1,793,737
Inventories	12	263,039	236,039
Other assets	13	133,862	357,763
Contract and other assets	26	293,891	-
Total Current Assets		**4,237,345**	**5,658,172**
Non-Current Assets			
Property plant and equipment	14	926,172	639,776
Other assets		-	4,095
Investment in associate	6	87,977	-
Total Non-Current Assets		**1,014,149**	**643,871**
TOTAL ASSETS		**5,251,494**	**6,302,043**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	2,432,036	1,853,726
Contract and other liabilities	26	63,670	451,382
Borrowings	16	331,032	376,314
Employee benefits	17	359,141	271,779
Total Current Liabilities		**3,185,879**	**2,953,201**
Non-Current Liabilities			
Borrowings	16	173,275	77,339
Employee benefits	17	26,285	45,375
Total Non-Current Liabilities		**199,560**	**122,714**
TOTAL LIABILITIES		**3,385,439**	**3,075,915**
NET ASSETS		**1,866,055**	**3,226,128**
EQUITY			
Issued capital	19	12,867,799	12,123,451
Share based payment reserve	20	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

De.mem Limited and its Controlled Entities
Consolidated Annual Report
Consolidated Statement of Changes in Equity
For the year ended 31 December 2018

	Issued Capital $	Foreign currency translation reserve $	Share Based Payment Reserve $	Non-Controlling Interest $	Accumulated Losses $	Total Equity $
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 year	-	(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**
Balance at 1 January 2018	**12,123,451**	**47,839**	**606,705**	**(30,081)**	**(9,521,787)**	**3,226,127**
Profit (Loss) after income tax	-	-	-	42,965	(2,046,794)	(2,003,829)
Other comprehensive loss	-	(160,685)	-	(481)	-	(161,166)
Total comprehensive loss for the year	-	(160,685)	-	42,484	(2,046,794)	(2,164,995)
Transactions with equity holders						
Share issue for contingent consideration for acquisition of subsidiary	125,000	-	-	-	-	125,000
Capital raising	619,348	-	-	-	-	619,348
Share based payment	-	-	60,575	-	-	60,575
Balance at 31 December 2018	**12,867,799**	**(112,846)**	**667,280**	**12,403**	**(11,568,581)**	**1,866,055**

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

De.mem Limited and its Controlled Entities
Consolidated Annual Report
Consolidated Statement of Cash Flows
For the year ended 31 December 2018

		Consolidated	
	Note	**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	23	**(1,584,882)**	**(2,394,711)**
Cash flows from investing activities			
Payments for property, plant and equipment		(503,209)	(257,763)
Proceeds from sale of property, plant and equipment		-	361,090
Acquisition of subsidiary, net cash proceeds		-	(752,753)
Payment for contingent consideration for acquisition of a subsidiary		(125,000)	-
Investment in associate		(56,450)	-
Net cash used in operating 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	10	**1,679,939**	**3,270,633**

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

Note 1. Significant Accounting Policies

General

These consolidated financial statements and notes represent those of De.mem Limited and its controlled entities (the "Consolidated entity" or" Group"). 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 29. The financial report was authorised for issue by the Board on 29 March 2019.

De.mem Limited (ASX:DEM) is a Singaporean-Australian decentralised water and waste water treatment business that designs, builds, owns and operates a wide range of water and waste water treatment systems for its clients. Where applicable and in the best interest of the customer, De.mem makes use of proprietary components – around a range of innovative and highly unique membrane technologies manufactured at the company's facility in Singapore.

Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. De.mem Limited is a for-profit entity for financial reporting purposes under Australian Accounting Standards. These financials also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs. Cost is based on the fair values of the consideration given in exchange for assets.

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

Foreign currency transactions and balances

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 operation

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

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

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

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

Note 1. Significant Accounting Policies (continued)

New or amended accounting standards and interpretations adopted (continued)

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 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 using the modified retrospectively approach has had no impact on timing of revenue recognition or on the presentation of the statement of financial position.

New accounting standards and interpretations not yet mandatory

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

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. Based on the management’s assessment, it is expected that the first-time adoption of AASB 16 for the year ending 31 December 2019 will not have a material impact on the transactions and balances recognised in the financial statement.

Note 1. Significant Accounting Policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of De.mem Limited as at 31 December 2018 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" or "Group".

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.

Revenue recognition

Revenue arises mainly from the contracts for the construction of decentralised water and waste water treatment systems and sale of products and services.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of the contracts.

Revenue is recognised by reference to labour and material costs incurred to date as a percentage of total estimated labour and material costs for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations

Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Note 1. Significant Accounting Policies (continued)

Revenue recognition (continued)

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. 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 entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits.

Tax consolidation

De.mem Limited and its wholly-owned subsidiaries have not formed an income tax consolidated group under tax consolidation legislation.

Goods and services tax ('GST') and other similar taxes

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 1. Significant Accounting Policies (continued)

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors. Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services;
- Nature of the production processes;
- Type or class of customer for the products and services;
- Methods used to distribute the products or provide the services; and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

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.

Investment in Associates

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

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

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

Note 1. Significant Accounting Policies (continued)

Profit or loss from discontinued operations

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and:
represents a separate major line of business or geographical area of operations

- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of profit or loss and other comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date for the latest period presented.

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 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 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.

Deferred tax assets and liabilities are always classified as non-current.

Property, plant and equipment

Property, plant and equipment is measured on the cost basis less depreciation and impairment losses.

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.

Depreciation

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 1. Significant Accounting Policies (continued)

Impairment of assets

At each reporting date, the Consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit and loss and comprehensive income.
Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

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

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

There are no FVPL and FVOCI instruments for the group.

Note 1. Significant Accounting Policies (continued)

Financial instruments (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 or 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.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Note 1. Significant Accounting Policies (continued)

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, is transferred to entities in the Consolidated entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Cash and cash equivalents

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.

Trade and other payables

These amounts represent liabilities for goods and services provided to the 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.

Employee benefits

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.

Other long-term employee benefits

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

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.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 1. Significant Accounting Policies (continued)

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current

Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred.

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.

Share-based payments

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

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

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

Note 1. Significant Accounting Policies (continued)

Share-based payments (continued)

The cost of equity-settled transactions are recognized 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 option 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 entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the 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.

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. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Basic loss per share

Basic loss per share is determined by dividing the operating profit/(loss) after income tax attributable to members of De.mem Limited by the weighted average number of ordinary shares outstanding during the financial year

Diluted loss per share

Diluted loss per share adjusts the amounts used in the determination of basic loss per share by taking into account unpaid amounts on ordinary shares and any reduction in loss per share that will probably arise from the exercise of options outstanding during the financial year.

Note 1. Significant Accounting Policies (continued)

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

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 within the next financial year are discussed below.

Share-based payment transactions

The 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

Note 2. Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policies described in note 1:

	Country of Incorporation	Principal Activities	Ownership (%)
Parent entity:			
De.mem Ltd	Australia	Parent	
Controlled entities:			
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[1]	Vietnam	Water and waste water treatment	90%[1]
GD Wasser Nghe An Company Ltd[2]	Vietnam	Water and waste water treatment	90%[2]

[1] The non-controlling interests hold 10% of the voting rights of GD Wasser Long An Company Ltd. This entity was discontinued on 23 August 2018.

[2] The non-controlling interests hold 10% of the voting rights of GD Wasser Nghe An Company Ltd

Note 3. Acquisition Accounting – De.mem Pte Ltd

On 14 March 2017, the Company issued 65 million fully paid ordinary shares to the shareholders of De.mem Pte Ltd pursuant to an implementation agreement to acquire the entire issued capital of De.mem Pte Ltd. Under Australian Accounting Standards, De.mem Pte Ltd was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a share-based payment in which De.mem Pte Ltd acquires the net assets and listing status of De.mem Limited.

a) Deemed Consideration Acquisition De.mem Pte Ltd

The purchase consideration was the issue of 65,000,000 shares in De.mem Limited (legal parent) to the shareholders of De.mem Pte Ltd.

	$
Quoted share price on 14 March 2017	0.20
Shares on issue at acquisition date	7,307,693
Deemed consideration	**1,461,538**

b) Deemed Issued Capital Acquisition De.mem Pte Ltd

	$
De.mem Limited share capital on issue at acquisition date	949,975
Elimination of De.mem Limited issued capital	(949,975)
Deemed consideration as per note (a)	1,461,538
Acquired share capital of De.mem Pte Ltd	4,213,493
Capital raising	4,500,000
Capital raising costs	(860,948)
Total De.mem Limited share capital on 14 March 2017	**9,314,083**

c) Fair value of Assets and Liabilities Acquired – De.mem Pte Ltd

	$
Cash and cash equivalents	713,201
Trade and other receivables	415,713
Total Assets	**1,128,914**
Trade and other payables	455,718
Total Liabilities	**455,718**
Net Assets	**673,196**

d) Listing expense

	$
Deemed consideration	1,461,538
Less: net assets of De.mem Limited on acquisition date – 14 March 2017	(673,196)
Excess of consideration provided over net assets at acquisition date – 14 March 2017, being restructuring and listing costs	**788,342**

Note 4. Acquisition Accounting – Awka-Worx Pty Ltd and Akwa Facility Maintenance Pty Ltd

On 18 September 2017, De.mem Limited acquired 100% of the ordinary shares of Akwa-Worx Pty Limited and Akwa Facility Maintenance Pty Ltd for the total consideration transferred of $2,366,250. The aforementioned companies, together, comprise a waste management business which operates in Australia and were acquired to expand operations in Australia.

The acquired business contributed revenues of $2,133,095 and losses before tax of $173,495 to the Consolidated entity for the period from 18 September 2017 to 31 December 2017.

As the acquisition of Akwa-Worx Pty Limited and Akwa Facility Maintenance Pty Ltd was only completed on 18 September 2017, the accounting for the business combination at 31 December 2017 is provisional.

Details of the acquisition are as follows:

	Fair Value $
Cash and cash equivalents	34,046
Trade and other receivables	1,240,839
Inventory	221,651
Plant and equipment	210,665
Trade and other payables	(1,719,314)
Borrowings	(628,737)
Net liabilities acquired	(640,850)
Loss recognised from the acquisition of the business	3,007,100
Acquisition-date fair value of the total consideration	**2,366,250**
Representing:	
Cash paid	1,500,000
Shares issue	460,000
Contingent consideration payable	406,250
Acquisition-date fair value of the total consideration	**2,366,250**
Acquisition costs expensed to profit or loss	85,453
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,500,000
Less: cash and cash equivalents	(34,046)
Net cash used	**1,465,954**

Note 5. Discontinued Operations

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

Assets and Liabilities

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

Note 5. Discontinued Operations (continued)

Financial Performance

The financial performance of the discontinued operations are as follows:

	31-Dec-18
	$
Administrative, general and selling expenses	35,290
Other expenses	67,442
Loss from discontinued operations before tax	102,732
Income tax benefit	-
Loss from discontinued operations	102,732

Cash Flows

The cash flows from discontinued operation are as follows:

	31-Dec-18
	$
Net cash inflows/(outflows) from operating activities	102,732
Net cash inflows from financing activities	(102,732)
Net cash inflow	**-**

Note 6. Investment in Associates

The consolidated financial statements incorporate the assets, liabilities and results of the following associate in accordance with the accounting policies described in Note 1:

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

Summarised aggregated financial information of the Consolidated entity's share in these associates:

	31-Dec-18
	$
Summarised statement of financial position	
Current asset	276,149
Current liabilities	1,221
Net assets	**274,928**
Summarised statement of profit or loss and other comprehensive income	
Revenue	76,307
Cost of sales	(72,880)
Gross profit	3,427
Other income	6
Administrative, general and selling expenses	(51,117)
Loss before income tax	(47,684)
Income tax expenses	-
Loss for the year	(47,684)
Other comprehensive loss	-
Total comprehensive loss	**(47,684)**

Note 6. Investment in Associates (continued)

	31-Dec-18
	$
Reconciliation of Consolidated entity's carrying amount	
Initial cost of investment in associate[1]	100,025
Share of loss after income tax	(15,259)
Translation differences	3,211
Closing carrying amount	**87,977**

[1] Investment in Aromatec Pte Ltd was acquired on the 8 May 2018 for total costs of SGD100,000

Note 7. 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
Total revenue	**10,522,989**	**2,930,423**

The Group's revenue disaggregated by primary geographical markets is as follows:

	Rendering of services	Sale of goods	Contracting revenue	Total
	$	$	$	$
For the year ended 31 December 2018				
Australia	3,132,545	2,033,275	4,916,944	10,082,764
Singapore	176,800	263,425	-	440,225
Vietnam	-	-	-	-
Total	**3,309,345**	**2,296,700**	**4,916,944**	**10,522,989**
For the year ended 31 December 2017				
Australia	780,899	687,966	664,227	2,133,092
Singapore	282,493	514,838	-	797,331
Vietnam	-	-	-	-
Total	**1,063,392**	**1,202,804**	**664,227**	**2,930,423**

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	Rendering of services	Sale of goods	Contracting revenue	Total
	$	$	$	$
For the year ended 31 December 2018				
Goods transferred at a point in time	-	2,296,700	-	2,296,700
Services transferred at a point in time	3,309,345	-	-	3,309,345
Services transferred over time	-	-	4,916,944	4,916,944
Total	**3,309,345**	**2,296,700**	**4,916,944**	**10,522,989**

Note 7. Revenue (continued)

	Rendering of services	Sale of goods	Contracting revenue	Total
	$	$	$	$
For the year ended 31 December 2017				
Goods transferred at a point in time	-	1,202,804	-	1,202,804
Services transferred at a point in time	1,063,392	-	-	1,063,392
Services transferred over time	-	-	664,227	664,227
Total	**1,063,392**	**1,202,804**	**664,227**	**2,930,423**

Note 8. Administration Expenses

	Note	Consolidated 31-Dec-18	Consolidated 31-Dec-17
		$	$
Travelling expenses		185,846	221,108
Motor vehicle expenses		83,882	129,843
Salaries and wages		2,136,618	1,438,859
Corporate advisory services		299,496	260,838
Share based payment		60,575	282,190
Rental expenses		241,318	140,069
Depreciation expenses	14	216,813	131,049
Impairment of goodwill	4	-	3,007,100
Restructuring and listing expenses	3	-	788,342
Other administration expenses		1,349,155	534,577
Total administration, general and selling expenses		**4,573,703**	**6,933,975**

Note 9. Income Tax

	Consolidated 31-Dec-18	Consolidated 31-Dec-17
	$	$
The prima facie tax on loss before income tax in reconciled to the income tax as follows:		
Loss before income tax	(2,003,829)	(6,372,967)
Income tax calculated at 27.5% (2017: 27.5%)	(551,053)	(1,752,566)
Expenses not deductible for tax purposes	(112,384)	837,338
Unrecognised deferred tax assets	441,473	734,564
Effect of different tax rates in different countries	221,964	197,003
Other	-	19,376
Income tax benefit	**-**	**35,715**

Note 9. Income Tax (continued)

The Consolidated entity has following tax losses arising in entities in Australia and Singapore that are available indefinitely to be offset against the future taxable profits of the Consolidated entity. The tax losses arising in entities in Vietnam expire after 5 years.

	Consolidated	
	31-Dec-18	**31-Dec-17**
	$	**$**
Tax loss carried forward:		
Australia	1,403,111	1,475,207
Singapore	1,107,008	711,030
Vietnam	823,115	1,040,037
Total	**3,333,234**	**3,226,274**
Unrecognised deferred tax asset:		
Tax losses		
Australia	508,516	405,682
Singapore	188,191	120,875
Vietnam	164,623	208,007
Temporary differences		
Australia	314,707	-
Total	**1,176,037**	**734,564**

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

Note 10. Cash and Cash Equivalents

	Consolidated	
	31-Dec-18	**31-Dec-17**
	$	**$**
Cash on hand	18,274	14,152
Cash at bank	1,158,122	2,956,481
Cash on deposit	503,543	300,000
Total cash and cash equivalents	**1,679,939**	**3,270,633**

Note 11. Trade and Other Receivables

	Consolidated	
	31-Dec-18	**31-Dec-17**
	$	**$**
Trade receivables	1,705,528	1,732,270
Less: Provision for impairment of receivables	(30,413)	-
	1,675,115	1,732,270
Rent receivable	154,478	-
Other receivables	37,021	61,467
Total trade and other receivables	**1,866,614**	**1,793,737**

Note 11. Trade and Other Receivables (continued)

	Consolidated	
	31-Dec-18	**31-Dec-17**
Customers with balances past due but without provision for impairment:	**$**	**$**
0 to 2 months overdue	212,497	359,962
3 to 4 months overdue	99,844	18,300
Over 4 months	324,737	588,729
Total past due but not impaired	**637,078**	**966,991**

Note 12. Inventories

	Consolidated	
	31-Dec-18	**31-Dec-17**
	$	**$**
Consumables and supplies	263,039	236,039
Total inventories	**263,039**	**236,039**

Note 13. Other Assets

	Consolidated	
	31-Dec-18	**31-Dec-17**
	$	**$**
Prepayments	133,862	357,763
Total other assets	**133,862**	**357,763**

Note 14. Property, Plant and Equipment

	Consolidated	
	31-Dec-18	**31-Dec-17**
	$	**$**
Leasehold Improvements - at cost	30,263	61,971
Less: Accumulated Depreciation	(21,647)	(45,463)
Net leasehold improvement	**8,616**	**16,508**
Plant and Equipment at cost	1,628,908	1,225,165
Less: Accumulated Depreciation	(712,639)	(644,407)
Net plant and equipment	**916,269**	**580,758**
Construction in progress	1,287	42,510
Net construction in progress	**1,287**	**42,510**
Total net carrying amount	**926,172**	**639,776**

Note 14. 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:

	Leasehold Improvements	Property plant and Equipment at cost	Construction in progress	Total
	$	$	$	$
Carrying amount at 1 January 2017	**22,191**	**650,118**	**-**	**672,309**
Additions	-	215,856	41,907	257,763
Additions through business combinations	10,448	200,217	-	210,665
Disposals	(223)	(9,202)	603	(8,822)
Foreign exchange adjustments	-	(361,090)	-	(361,090)
Depreciation expense	(15,908)	(115,141)	-	(131,049)
Carrying amount at 31 December 2017	**16,508**	**580,758**	**42,510**	**639,776**
Addition	-	448,483	27,483	457,966
Disposal	-	(10,465)	-	(10,465)
Transfers	(6,504)	76,756	(70,252)	-
Foreign exchange adjustments	-	36,162	1,546	37,708
Depreciation expense	(1,389)	(215,425)	-	(216,813)
Carrying amount at 31 December 2018	**8,616**	**916,269**	**1,287**	**926,172**

Note 15. Trade and Other Payables

	Consolidated	
	31-Dec-18	31-Dec-17
	$	$
Trade payables	1,531,037	1,327,316
Accruals	78,743	162,735
GST and other tax payable	234,953	233,715
Other Payables	357,303	129,960
Amount received in advance from shareholders	230,000	-
Total trade and other payables	**2,432,036**	**1,853,726**

Note 16. Borrowings

	Consolidated	
	31-Dec-18	31-Dec-17
	$	$
Current:		
Lease liabilities (secured)	33,937	17,798
Credit card amount payable	297,095	358,516
	331,032	376,314
Non-current:		
Lease liabilities (secured)	173,275	77,339
Total borrowings	**504,307**	**453,653**

Note 17. Employee Benefits

	Consolidated	
	31-Dec-18	**31-Dec-17**
	$	**$**
Employee benefits (current)	359,141	271,779
Employee benefits (non-current)	26,285	45,375
Total employee benefits	385,426	317,154

Note 18. Loss per Share

The following reflects the income and data used in the calculations of basic and diluted loss per share:

	Consolidated	
	31-Dec-18	**31-Dec-17**
	No. of Shares	**No. of Shares**
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	107,672,019	79,037,404
	$	**$**
Loss net of tax for the year from continuing operations	(1,901,097)	(6,337,252)
Loss net of tax used in calculating operating basic and diluted loss per share	(1,901,097)	(6,337,252)
Loss net of tax for the year from discontinued operation	(102,732)	-
Loss net of tax used in calculating discontinuing basic and diluted loss per share	(102,732)	-
	Cents	**Cents**
Continuing operations basic and diluted loss per share	(1.76)	(8.02)
Discontinued operation basic and diluted loss per share	(0.10)	-

Note 19. Issued Capital

	31-Dec-18	**31-Dec-18**	**31-Dec-17**	**31-Dec-17**
	No. of Shares	**$**	**No. of Shares**	**$**
Ordinary shares	112,256,736	12,867,799	107,048,854	12,123,451

Movements in ordinary share capital

Details	**Date**	**No. of Shares**	**Issue price**	**$**
Balance	**01-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**

Note 19. Issued Capital (continued)

Movements in ordinary share capital (continued)

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	**01-Jan-17**	7,307,692	$0.13	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**

Capital 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. There is no current on-market share buy-back.

Capital risk management

When managing capital, management's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Company.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets.

The Company does not have a defined share buy-back plan. No dividends were paid in 2018 and no dividends are expected to be paid in 2019.

There is no current intention to incur debt funding on behalf of the Company as on-going expenditure will be funded via cash reserves or equity. The Company is not subject to any externally imposed capital requirements.

Note 20. Share-based Payment Reserve

	Consolidated	
	31-Dec-18	**31-Dec-17**
	$	**$**
Options Reserve	667,280	606,705
Total share-based payment reserve	**667,280**	**606,705**

Note 20. Share-based Payment Reserve (continued)

Movements in reserve

	No. of Options	$
Balance 1 January 2018	**10,050,000**	**606,705**
Unlisted options to a key employee vesting over multiple periods	-	50,762
New options issued:		
Unlisted options to key employees vesting over multiple periods[4]	500,000	9,813
Balance 31 December 2018	**10,550,000**	**667,280**
Balance 1 January 2017	**4,250,000**	**-**
New options issued:		
Unlisted options to lead manager[1]	3,800,000	324,515
Unlisted options to a key employee vesting over multiple periods[2]	750,000	32,405
Unlisted options to lead manager[3]	1,250,000	249,785
Balance 31 December 2017	**10,050,000**	**606,705**

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.

[1] On 30 March 2017, 3,800,000 options were issued to an advisor who acted as lead manager for the ASX initial public offering. The fair value of these options ($324,515) were treated as share issue costs.
[2] On 12 May 2017, 750,000 options vesting over multiple service periods were issued to an employee of the Company.
[3] On 11 September 2017, 1,250,000 options were issued to an advisor of the Company.
[4] On 13 February 2018, 500,000 options vesting over multiple service periods were issued to employees of the Company

The fair value of the options issued was estimated at the date of grant using the Black-Scholes option pricing model. The following table sets out the assumptions made in determining the fair value of the options granted during the years ended 31 December 2017 and 2018:

	Options expiring 30/03/2020	**Options expiring 12/05/2020**	**Options expiring 19/09/2020**	**Options expiring 10/04/2021**	**Options expiring 13/04/2021**
Grant date	30/03/2017	12/05/2017	11/09/2017	10/04/2018	13/04/2018
Dividend yield	0%	0%	0%	0%	0%
Expected volatility	80%	50%	100%	60%	60%
Risk-free interest rate	1.99%	1.78%	1.97%	2.18%	2.18%
Option exercise price	$0.30	$0.30	$0.30	$0.30	$0.30
Expected life (years)	3	3	3	3	3
Share price on date of grant	$0.200	$0.375	$0.315	$0.210	$0.210
Value attributable to the options in the options benefits reserve at 31 December 2018	$324,515	$83,167	$249,785	$3,957	$5,856

Note 21. Segment Reporting

Management identifies its operating segments based on the Group's geographical presence, which represent the main products and services provided by the Group. Information regarding these segments is presented below. The following tables are an analysis of the Group's revenue and results by reportable segment for the year ended 31 December 2018 and 31 December 2017.

2018	**Singapore – De.mem Pte Ltd**	**Australia - Akwa Group Pty Ltd**	**Australia – De.mem Limited (Other)**	**Consolidated**
	$	**$**	**$**	**$**
Revenue from external customers	440,224	11,566,776	-	**12,007,000**
Intersegment revenue	(84,476)	(1,399,535)	-	**(1,481,011)**
Segment revenue	**355,748**	**10,167,241**	**-**	**10,522,989**
Segment result (loss/profit before tax)	(1,633,791)	369,753	(637,059)	**(1,901,097)**
Segment current assets	687,068	2,154,897	1,395,380	**4,237,345**
Segment non-current assets	707,719	306,430	-	**1,014,149**
Total segment assets	1,394,787	2,461,327	1,395,380	**5,251,494**
Segment liabilities	470,753	2,451,911	462,775	**3,385,449**

2017	**Singapore – De.mem Pte Ltd**	**Australia - Akwa Group Pty Ltd**	**Australia – De.mem Limited (Other)**	**Consolidated**
	$	**$**	**$**	**$**
Revenue from external customers	797,328	2665,539	-	**3,462,867**
Intersegment revenue	-	(532,444)	-	**(532,444)**
Segment revenue	**797,328**	**2,133,095**	**-**	**2,930,423**
Segment result (loss/profit before tax)	(1,876,223)	(173,495)	(4,323,249)	**(6,372,967)**
Segment current assets	858,069	1,880,260	2,919,843	**5,658,172**
Segment non-current assets	437,884	205,987	-	**643,871**
Total 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**

Revenue from the top customer amounted to $1,445,077 (2017: $768,693).

Note 22. Auditors' Remuneration

	Consolidated	
	31-Dec-18	**31-Dec-17**
Australia	**$**	**$**
Audit of financial reports – Grant Thornton Audit Pty Ltd	32,000	-
Audit and review of the financial statements – RSM Chio Lim LLP	20,000	51,000
Singapore		
Audit and review of the financial statements – RSM Chio Lim LLP	10,911	27,820
Total auditors' remuneration	**62,911**	**78,820**

Note 23: Cash Flow Information

Reconciliation of net cash and cash equivalents used in operating activities to loss for the year:

	Consolidated	
	31-Dec-18	**31-Dec-17**
	$	**$**
Loss for the year	(2,003,829)	(6,372,967)
Depreciation	216,813	131,049
Foreign exchange differences	33,202	-
Share-based payments	60,575	282,190
Restructuring and listing expenses	-	788,342
Loss from acquisition of a business	-	3,007,100
Share of loss of equity accounted investment	15,259	-
Movements in assets and liabilities:		
Trade and other receivables	(366,768)	154,401
Inventories	(27,000)	64,658
Other assets	227,996	(49,581)
Trade and other payables	215,044	(399,903)
Employee benefits	68,273	-
Income tax balances	(24,447)	-
Net cash used in operating activities	**(1,584,882)**	**(2,394,711)**
Non-cash investing and financing activities:		
Issue of shares for acquisition of De.mem Pte Ltd	-	1,461,538
Issue of shares for acquisition of Akwa-Worx Pty Ltd and Akwa Facility Maintenance Pty Ltd	-	460,000
	-	**1,921,538**

Note 24. Key Management Personnel Disclosures

	Consolidated	
	31-Dec-18	**31-Dec-17**
	$	**$**
Short term employee benefits	507,428	293,697
Post-employment benefits	22,800	9,052
Total employee benefits	**530,228**	**302,749**

Other Transactions with Key Management Personnel and/or 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 incurred for the year ended 31 December 2018 of $13,203 (2017: $163,295), of which $6,800 (2017: $nil) remains payable to Ventnor Capital Pty Ltd as at year end. Stuart Carmichael am a director and shareholder of Ventnor Capital Pty Ltd.

Company secretarial and registered office services

Company secretarial and registered office fees incurred for the year ended 31 December 2018 of $90,000 (2017: $7,500), of which $15,000 (2017: $7,500) remains payable to Ventnor Capital Pty Ltd as at year end. Stuart Carmichael is a director and shareholder of Ventnor Capital Pty Ltd.

Note 24. Key Management Personnel Disclosures (continued)

Akwa-Worx and ENF Group Pty Ltd

Purchases and sales by Akwa-Worx Pty Ltd from ENF Group Pty Ltd for the year ended 31 December 2018 was $451,768 and $12,862 respectively (2017: $51,689 and A$15,305 respectively). Shane Ayre is a director and shareholder of ENF Group Pty Ltd.

Loans to/from related parties

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

Note 25. Financial Instruments

The Consolidated entity's principal financial instruments comprise cash, short-term deposits accounts receivable and payable.

	Consolidated	
	31-Dec-18	31-Dec-17
Financial assets:	$	$
Cash and cash equivalents	1,679,939	3,270,633
Trade and other receivables	1,866,614	1,793,737
Total financial assets	**3,546,553**	**5,064,370**
Financial liabilities:		
Trade and other payables	2,432,036	1,853,726
Borrowings	504,307	453,653
Total financial liabilities	**2,936,343**	**2,307,379**

Financial risk management policies

The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as other receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Group's financial instruments is cash flow interest rate risk. Other minor risks are either summarised below or disclosed at Note 19 in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

Cash Flow Interest Rate Risk

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

The following tables set out the carrying amount by maturity of the Consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments.

The Consolidated entity has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the Consolidated entity does not have a formal policy in place to mitigate such risks.

Note 25. Financial Instruments (continued)

Financial risk management policies (continued)

Cash Flow Interest Rate Risk (continued)

2018	**Fixed Interest Rate Maturing**						
	Non-Interest Bearing	**1 Year or Less**	**Over 1 to 5 Years**	**More than 5 years**	**Floating Interest Rate**	**Total**	**Weighted average interest rate**
	$	**$**	**$**	**$**	**$**	**$**	
Financial assets							
Cash and cash equivalents	1,176,395	503,544	-	-	-	1,679,939	0.87%
Trade and other receivables	1,866,614	-	-	-	-	1,866,614	
	3,043,009	**503,544**	**-**	**-**	**-**	**3,546,553**	
Financial liabilities							
Trade and other payables	2,432,036	-	-	-	-	2,432,036	
Borrowings	297,096	41,806	190,956	-	-	529,857	0.87%
	2,729,132	**41,806**	**190,956**	**-**	**-**	**2,961,893**	
Net financial instruments	**313,878**	**461,738**	**(190,956)**	**-**	**-**	**584,660**	

2017	**Fixed Interest Rate Maturing**						
	Non-Interest Bearing	**1 Year or Less**	**Over 1 to 5 Years**	**More than 5 years**	**Floating Interest Rate**	**Total**	**Weighted average interest rate**
	$	**$**	**$**	**$**	**$**	**$**	
Financial assets							
Cash and cash equivalents	2,970,633	300,000	-	-	-	3,270,633	2%
Trade and other receivables	1,793,737	-	-	-	-	1,793,737	
	4,764,370	**300,000**	**-**	**-**	**-**	**5,064,370**	
Financial liabilities							
Trade and other payables	1,853,726	-	-	-	-	1,853,726	
Borrowings	358,516	21,557	82,353	-	-	462,426	0.87%
	2,212,242	**21,557**	**82,353**	**-**	**-**	**2,316,152**	
Net financial instruments	**2,552,128**	**278,443**	**(82,353)**	**-**	**-**	**2,748,218**	

Interest Rate Sensitivity

At 31 December 2018, if interest rates had changed by 10% during the entire year with all other variables held constant, the impact on loss for the year and equity will be immaterial.

Credit Risk Exposure

The Company is not currently exposed to credit risk other than in the normal course of business.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Note 25. Financial Instruments (continued)

Financial risk management policies (continued)

Credit risk related to balances with banks and other financial institutions is managed by the Board in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings

	Consolidated	
	31-Dec-18	**31-Dec-17**
Cash and cash equivalents	**$**	**$**
AA- rated	1,679,939	3,270,633
Total	**1,679,939**	**3,270,633**

Liquidity Risk

The Consolidated entity manages liquidity risk by maintaining sufficient cash reserves and marketable securities and through the continuous monitoring of budgeted and actual cash flows.

	Consolidated	
	31-Dec-18	**31-Dec-17**
Contracted maturities of liabilities	**$**	**$**
Trade and other payables	2,432,036	1,853,726
Borrowings	504,307	453,653
Total expected outflows	**2,936,343**	**2,307,379**
Cash flow realisable for assets		
Cash and cash equivalents	1,679,939	3,270,633
Trade and other receivables	1,866,614	1,793,737
Total expected inflows	**3,546,553**	**5,064,370**
Net inflow on financial instruments	**610,210**	**2,756,991**

Foreign Exchange Risk

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

	Assets		Liabilities	
	31-Dec-18	**31-Dec-17**	**31-Dec-18**	**31-Dec-17**
Consolidated	**$**	**$**	**$**	**$**
Singapore dollars (SGD)	585,254	570,825	470,753	265,977

The Consolidated entity had net assets denominated in foreign currencies of $237,048 (2017: $304,848). At 31 December 2018, if AUD/SGD rates had changed by 15% with all other variables held constant, the impact on loss for the year and equity will be immaterial.

Net Fair Values

For other assets and liabilities the net fair value approximates their carrying value. The Consolidated entity has no financial assets or liabilities that are readily traded on organised markets and has no financial assets where the carrying amount exceeds net fair values at the reporting date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Note 26. Contract and Other Assets and Liabilities

	Consolidated	
	31-Dec-18	**31-Dec-17**
	$	**$**
Contract and other assets		
Accrued income	293,891	-
	293,891	**-**
Contract and other liabilities		
Income received in advance	63,670	451,382
	63,670	**451,382**

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

Income received in advance represents payments received in advance of performance (contract liabilities) that are expected to be recognised as revenue in 2019. The amounts recognised as a contract liability will generally be utilised within the next reporting period.

Note 27. Commitments

	Consolidated	
	31-Dec-18	**31-Dec-17**
Finance Leasing and Hire Purchase Commitments:	**$**	**$**
Payables - minimum lease payments		
Within 1 year	41,806	21,557
After 1 year but not more than 5 years	190,955	82,353
Minimum lease payments	**232,761**	**103,910**
Less future finance charges	(25,549)	(8,773)
Present value of minimum lease payments	**207,212**	**95,137**
Presented on the Consolidated Statement of Financial Position:		
Within 1 year	33,937	17,798
After 1 year but not more than 5 years	173,275	77,339
Total	**207,212**	**95,137**
Office Rental Commitments:		
Within 1 year	47,039	109,725
After 1 year but not more than 5 years	-	25,017
Total representing commitments	**47,039**	**134,742**

Note 28. Contingent Liabilities

The Directors of the Group are not aware of any contingent liabilities which require disclosure in the financial year ended 31 December 2018.

Note 29. Parent Entity Disclosures

	Consolidated	
	31-Dec-18	**31-Dec-17**
Financial Position	**$**	**$**
Total current assets	1,395,380	2,919,843
Total non-current assets	935,947	753,043
Total assets	**2,331,327**	**3,672,886**
Total current liabilities	465,272	446,758
Total liabilities	**465,272**	**446,758**
Net assets	**1,866,055**	**3,226,128**
Issued capital	8,142,742	7,909,958
Option reserves	1,028,530	606,705
Accumulated losses	(7,305,217)	(5,290,535)
Total equity	**1,866,055**	**3,226,128**
Financial Performance		
Loss for the year	(2,014,682)	(4,923,367)
Other comprehensive income	-	-
Total comprehensive loss	**(2,014,682)**	**(4,923,367)**

Note 30. Subsequent Events

On 16 January 2019, 5 March 2019 and 15 March 2019, a total of 13,911,760 shortfall shares were issued pursuant to the non-renounceable Entitlements issue offer document dated 26 November 2018, raising a total of approximately $1.88 million AUD.

On 21 January 2019, the Company's controlled entity GD Wasser Vietnam Ltd was closed.

Other than the above, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected or may significantly affect in future financial years, the operations of the Group, the results of those operations or the Group's state of affairs

Directors' Declaration

The Directors' of the Group declare that:

1. In the Directors' opinion, the financial statements and accompanying notes set out on pages 16 to 49 are in accordance with the *Corporations Act 2001* and:
    a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
    b) give a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the year ended on that date;
2. Note 1 confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
3. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
4. The remuneration disclosures included in pages 7 to 13 of the directors' report (as part of the audited Remuneration Report), for the year ended 31 December 2018, comply with section 300A of the *Corporations Act 2001*; and

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Andreas Kroell
Director

29 March 2019

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Independent Auditor's Report

To the Members of De.Mem Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of De.Mem Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition – Note 1 and Note 7	
For the year ended 31 December 2018, the group recognised revenue totalling \$10,522,989 (2017: \$2,930,423) that included contracting services totalling \$4,916,944. Revenue of this nature is recognised over a period of time as performance obligations are satisfied in accordance with AASB 15 *Revenue from Contracts with Customers*. Revenue derived from contracting services may be complex and involve significant management judgement due to revenue being recognised over time in accordance with the input method. The audit team is required to obtain sufficient audit evidence as to whether the assumptions used by management to recognise revenue are reasonable and accurate in accordance with ISA 540 *Auditing Accounting Estimates and Related Disclosures*. This area is a key audit matter due to the complexity associated with service revenue as well as the presumed risk of fraud in revenue.	Our procedures for the contracting services revenue stream included, amongst others: • Understanding and documenting the design of key controls and testing their operational effectiveness on revenue recognition; • Testing a sample of fixed price revenue recorded to signed contracts, to gain an understanding of each project's performance obligations; • Testing a sample of fixed price contracts to supporting documentation and assessing management estimates are accurately recorded in the correct accounting period in accordance with the input method defined in AASB 15; and • Assessing adequacy of presentation and disclosures in the financial statements.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

Grant Thornton

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 7 to 13 of the Directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of De.Mem Limited, for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

L A Stella
Partner – Audit & Assurance

Perth, 29 March 2019

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

SHAREHOLDINGS

The issued capital of the Company as at 19 March 2019 is 121,580,734 ordinary fully paid shares. All ordinary shares carry one vote per share.

TOP 20 SHAREHOLDERS AS AT 19 MARCH 2019

		No. of Shares Held	% Held
1	NA SINGAPORE EARLY-STAGE VENTURE FUND I PTE LTD	41,795,168	34.38
2	NEW ASIA INVESTMENTS PTE LTD	11,921,611	9.81
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	10,081,515	8.29
4	ANDREAS KROELL	2,606,409	2.14
5	NGUYEN THI NGOC ANH	2,356,931	1.94
6	KIAN LIP TEO	2,048,850	1.69
7	MR ANDREAS HENDRIK DE WIT	2,000,000	1.64
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,817,079	1.49
9	CITICORP NOMINEES PTY LIMITED	1,475,777	1.21
10	UNAVAL NOMINEES PTY LTD UNAVAL MANAGEMENT RETIREMENT	1,400,000	1.15
11	ALZIE PT LTD	1,227,619	1.01
12	LYNALIMACK PTY LTD	1,199,701	0.99
13	NICANOR TAN SUARIN	1,027,342	0.84
14	SINGAPORE EARLY-STAGE VENTURE FUND I PTE LTD	1,000,000	0.82
15	PROF ANTHONY GORDON FANE	991,221	0.82
16	MRS LILY MAH	963,076	0.79
17	ANDREAS HENDRIK DE WIT	961,538	0.79
18	ANDREAS HENDRIK DE WIT	943,396	0.78
19	HELMUT MENHART	850,000	0.70
20	NEO INTERNATIONAL INVESTMENTS LTD	835,969	0.69
	TOTAL	**87,503,202**	**71.97**

Shares Range	No. of Holders	No. of Shares
100,001 and Over	106	112,849,427
10,001 to 100,000	195	8,255,883
5,001 to 10,000	41	344,041
1,001 to 5,000	40	130,944
1 to 1,000	11	439
	393	**121,580,734**

As at 19 March 2019, there were 36 shareholders, representing a total of 69,777 shares, holding less than a marketable parcel.

Shareholders by Location	No. of Holders	No. of Shares
Australian holders	352	44,279,806
Overseas holders	41	77,300,928
	393	**121,580,734**

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ASX ADDITIONAL INFORMATION (continued)

VOTING RIGHTS

The holders of ordinary shares are entitled to one vote per share at meetings of the Group.

SUBSTANTIAL SHAREHOLDERS AS AT 19 MARCH 2019

	No. of Shares Held	% Held
NA SINGAPORE EARLY-STAGE VENTURE FUND I PTE LTD	41,795,168	34.38
NEW ASIA INVESTMENTS PTE LTD	11,921,611	9.81
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	10,081,515	8.29

OPTION HOLDINGS

Class		Terms	No. of Options
A	Unlisted Options	30c Management Options, expiring 21/11/19	4,250,000
B	Unlisted Options	30c Advisor Options, expiring 30/03/20	3,800,000
A	Unlisted Options	30c Employee Options, expiring 15/05/20	375,000
B	Unlisted Options	30c Employee Options, expiring 15/05/20	375,000
B	Unlisted Options	30c Advisor Options, expiring 11/09/20	1,250,000
A	Unlisted Options	30c Employee Options, expiring 10/04/21	250,000
B	Unlisted Options	30c Employee Options, expiring 10/04/21	250,000
			10,550,000

Options Range	Unlisted Options	
	No. of Holders	No. of Options
100,001 and over	19	10,243,000
10,001 – 100,000	5	297,000
5,001 – 10,000	1	10,000
1,001 – 5,000	-	-
1 – 1,000	-	-
	25	10,550,000

The following Option holders hold more than 20% of a particular class of the Group's Unlisted Options.

Holder	A	B
VENTNOR CAPITAL PTY LTD	-	1,900,000

REQUIREMENT LISTING RULE 4.10.19

In accordance with the listing rule 4.10.19 the Company confirms that it has used cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its stated business objectives.