Emefcy Group Limited (ASX : EMC) ASX Appendix 4D Half Year Report and Interim Financial Statements for the six months ended 30 June 2016

Melbourne, Australia and Caesarea, Israel, 26 August 2016

The Company's ASX Appendix 4D Half Year Report and Interim Financial Statements for the six months ended 30 June 2016 are attached.

Key achievements since 1 January 2016 included:

A Commercialising MABR based technology

- First revenues received from commercial sales to customers.
- Early sales and establishment of reference sites for the Company's innovative wastewater treatment solutions using MABR based technology in:
    - Israel;
    - US Virgin Islands
    - Ethiopia
    - China
- Outperforming published goals for 2016
- Upgrading the Caesarea production facilities in Israel to enable second generation MABR and SUBRE modules to be manufactured

B Developing and executing a strategy to enter the China market – following the Chinese Government's Five Year Plan to increase the number of rural communities with wastewater treatment from 10% to 70%

- Establishing goals for establishing operations and sales distribution infrastructure in China
- Appointing strategic China advisors
- Establishing a regional distribution agreement for Jiangsu Province
- Procuring a site for manufacturing Emefcy MABR based modules in China
- Engaging a leading precision equipment manufacturer to design and build the main high volume, production line for Emefcy's China production plant.

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C Building capability

- Successfully completing a A$31.6M private placement to principally global investment funds
- Development of a detailed "Water as a Service" business model and significant progress towards its implementation
- The appointment of Robert Wale to the Board plus several key senior management appointments

Financial Statements

The accounts attached are in USD and conform to IFRS accounting standards.

With the Company now earning revenues, the following key accounting policies have been implemented:

1 Revenue recognition

In accordance with AASB 111, revenues are recognised on a percentage of cost completion basis.

2 Amortisation of Research and Development costs

In accordance with AASB 138, research and development costs are amortised over a fifteen year period.

The revenue from ordinary activities for the six months ended 30 June 2016 was US$ 426,247 and the loss from ordinary activities after tax was US$ 2,654,160. The loss included non-cash items amounting to US$ 714,214.

The results are consistent with, and slightly better than, internal expectations for the six month period.

Following the successful private placement, which recently took place and the payment of the US$1M redeemable note, as at 15 August 2016, the Company had in excess of US$ 26,507,482 in cash reserves to implement growth strategies; particularly in China.

About Emefcy Group Limited

Emefcy develops, manufactures and markets new, energy-efficient MABR based wastewater treatment solutions, aiming to change the economics of various markets and addressing the growing global demand for clean water in municipal and industrial plants.

Emefcy's advanced manufacturing facility in Israel is equipped with state of the art production machinery, enabling the company to control the quality and meet the quantity requirements of its markets outside of China.

With several global innovation awards and a strong scientific background, Emefcy is at the forefront of the next generation of MABR based wastewater treatment. Customer contracts have already been signed in Israel, US Virgin Islands, Ethiopia, and now China. Additional MABR-based wastewater solutions from Emefcy's extensive R&D operations are scheduled to be announced in the coming year.

Emefcy Group Limited (ASX: EMC) is a public company traded on the Australian Stock Exchange.

Visit our website: www.emefcy.com

Any forward-looking statements in this announcement are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management.

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APPENDIX 4D

For the Half Year Ended
30 June 2016

Results for Announcement to the Market

Current Reporting Period - Half year ended 30 June 2016
Previous – Half year ended 30 June 2015

		USD
Revenue from ordinary activities	Up	$426,247
Loss from ordinary activities after tax attributable to members	Up	(2,654,160)
Net loss for the period attributable to members	Up	(2,654,160)

Dividends (distribution)	**Amount per Security**	**Franked Amount per Security**
Final dividend	n/a	n/a
Previous corresponding period	n/a	n/a

Net Tangible Asset per Security

As at 30 June 2016	0.02
As at 31 December 2015	0.03
Record date for determining entitlements to dividend :	N/A

Explanation of the above information:

Refer to the Directors' Report - Review of Operations.

To be read in conjunction with the 31 December 2015 Annual Report

ABN 52 127 734 196

Appendix 4D
Interim Financial Report
For the half-year ended 30 June 2016

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Directors' Report

The Directors present their report, together with the financial statements for the half year ended 30 June 2016, on the consolidated entity consisting of Emefcy Group Limited and Emefcy Limited, a wholly owned Israel based subsidiary (referred to hereafter as the 'consolidated entity').

Directors

The following persons were Directors of Emefcy Group Limited during the reporting period and up to the date of this report, unless otherwise stated:

Richard Irving	Executive Chairman
Eytan Levy	Managing Director & Chief Executive Officer
Ross Haghighat	Non-Executive Director
Peter Marks	Non-Executive Director
Robert Wale	Non-Executive Director (Appointed 5th April 2016)

Review of Operations

Significant developments since 1 January 2016 included:

A) Commercialising MABR based technology

- First revenues received from commercial sales to customers.
- Early sales and establishment of reference sites for the Company's innovative wastewater treatment solutions using MABR based technology in:
  - Israel;
  - US Virgin Islands;
  - Ethiopia;
  - China.
- Outperforming published goals for 2016
- Upgrading the Caesarea production facilities in Israel to enable second generation MABR and SUBRE modules to be manufactured

B) Developing and executing a strategy to enter the China market – following the Chinese Government's Five Year Plan to increase the number of rural communities with wastewater treatment from 10% to 70%.

- Establishing goals for operations and sales distribution infrastructure in China
- Appointing strategic China advisors
- Establishing a regional distribution agreement for Jiangsu Province
- Procuring a site for manufacturing Emefcy MABR based modules in China
- Engaging a leading precision equipment manufacturer to design and build the main high volume, production line for Emefcy's China production plant.

C) Building capability

- Successfully completing a A$31.6M private placement principally to global investment funds
- Development of a detailed "Water as a Service" business model and significant progress towards its implementation
- The appointment of Robert Wale to the Board plus several key senior management appointments

Review of Financial results

The company has used USD, as its presentation currency in the attached financial report, which conform to IFRS accounting standards.

With the Company now earning revenues, the following key accounting policies have been implemented:

A) Revenue recognition
In accordance with *AASB 111 Construction Contracts*, revenues are recognised on a percentage of cost completion basis.

b) Amortisation of Research and Development costs
In accordance with *AASB 138 Intangible Assets*, research and development costs are amortised over a fifteen year period.

The revenue from ordinary activities for the six months ended 30 June 2016 was US$ 426,247 and the loss from ordinary activities after tax was US$ 2,654,160. The loss included non-cash items amounting to US$ 714,214.

The results are consistent with, and slightly better than, internal expectations for the six month period.

Following the successful private placement which recently took place and the repayment of a US$1M redeemable note, as at 15 August 2016, the Company had in excess of US$ 26,507,482 in cash reserves to implement growth strategies; particularly in China.

Significant Events after Balance Date

On the 25th July 2016 the company announced that it had signed advisory agreements with several key China based advisors where the sole compensation is 150,000 fully paid ordinary shares and 1,700,000 options issued, exercisable at A$0.64 per option, expiring on 31 July 2018.

Also on the 25th July 2016 the company announced that it had raised A$31.6 million by way of the placement of 49,400,000 new ordinary shares at a price of $0.64 cents per share to a network of institutional and sophisticated investors from the US, China, Hong Kong, Singapore and Australia.

On the 15th August 2016 the company announced that it had secured a China regional partnership contract with Wuxi Municipal Design Institute.

No other matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the company, the result of those operations or the state of affairs of the company in subsequent financial years.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.

Eytan Levy
Managing Director and CEO
Israel

Dated: This the 26 day of August 2016

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DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF EMEFCY GROUP LIMITED

As lead auditor for the review of Emefcy Group Limited for the half-year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Emefcy Group Limited and the entities it controlled during the period.

David Garvey
Partner

BDO East Coast Partnership

Melbourne, 26 August 2016

Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2016

Consolidated	Notes	30 June 2016 US$	30 June 2015 US$
Revenues			
Operating Revenue	4	422,580	-
Interest Revenue		3,667	24,485
Cost of sales		(698,329)	-
Expenses			
Administration expenses		(592,850)	(220,726)
Corporate consulting fees		(113,313)	-
Travel expense		(95,556)	-
Director expense		(129,277)	-
Share based payments	4	(563,203)	(2,108)
Finance costs		(6,695)	(44,982)
Legal expenses		(30,394)	-
Amortisation and depreciation		(151,011)	(11,927)
Research and development expenses		(857,242)	-
Sales and marketing expenses		(309,115)	(48,445)
Foreign exchange gain/(loss)		466,577	35,703
Loss before income tax expense		**(2,654,160)**	**(268,000)**
Income tax expense		-	-
Loss after income tax expense from continuing operations		(2,654,160)	(268,000)
Loss after income tax expense for the period attributable to the owners of Emefcy Group Limited		**(2,654,160)**	**(268,000)**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(207,433)	-
Other comprehensive income for the period, net of tax		**(207,433)**	-
Total comprehensive income for the period attributable to the owners of Emefcy Group Limited		**(2,861,593)**	**(268,000)**
Losses per share for loss attributable to the owners of Emefcy Group Limited			
Basic loss per share	7	(0.01)	(0.00)
Diluted loss per share	7	(0.01)	(0.00)

This statement should be read in conjunction with the notes to the financial statements

Statement of Financial Position

As at 30 June 2016

Consolidated	Notes	30 June 2016 US$	31 December 2015 US$
Current Assets			
Cash and cash equivalents		6,073,561	8,478,927
Restricted cash		22,805	32,127
Trade and other receivables		602,367	204,206
Inventories		250,821	194,969
Prepayments		53,947	68,137
Total current assets		7,003,501	8,978,366
Non-Current Assets			
Property, plant and equipment		851,925	823,720
Intangible assets	8	2,210,648	2,286,877
Other assets		41,267	2,357
Total non-current assets		3,103,840	3,112,954
TOTAL ASSETS		**10,107,341**	**12,091,320**
Current Liabilities			
Trade and other payables		914,791	617,519
Other financial liabilities	9	1,000,000	-
Total current liabilities		1,914,791	617,519
Non-Current Liabilities			
Trade and other payables		1,066,539	1,111,745
Other financial liabilities	9	-	1,000,000
Total non-current liabilities		1,066,539	2,111,745
TOTAL LIABILITIES		**2,981,330**	**2,729,264**
NET ASSETS		**7,126,011**	**9,362,056**
Equity			
Contributed equity	10	29,053,839	28,481,775
Reserve		18,740	226,173
Accumulated losses		(21,946,568)	(19,345,892)
TOTAL EQUITY		**7,126,011**	**9,362,056**

This statement should be read in conjunction with the notes to the financial statements

Statement of Changes in Equity

For the half-year ended 30 June 2016

Consolidated	Notes	Contributed Equity US$	Foreign Currency Reserves US$	Accumulated Losses US$	Total US$
Balance as at 1 January 2015		**12,660,392**	**-**	**(10,257,392)**	**2,403,000**
Loss for the period attributable to members of the parent entity		-	-	(268,000)	(268,000)
Other comprehensive income/(expense) for the period		-	-	-	-
Total comprehensive income for the period		**-**	**-**	**(268,000)**	**2,135,000**
Transactions with owners in their capacity as owners					
Issue of ordinary shares, net of transaction costs		-	-	-	-
Contribution of equity		2,000	-	-	2,000
Balance as at 30 June 2015		**12,662,392**	**-**	**(10,525,392)**	**2,137,000**
Loss for the period attributable to members of the parent entity		-	-	(8,820,500)	(8,820,500)
Other comprehensive income/(expense) for the period		-	226,173	-	226,173
Total comprehensive income for the period		**-**	**226,173**	**(8,820,500)**	**(8,594,327)**
Transactions with owners in their capacity as owners					
Issue of ordinary shares, net of transaction costs		15,725,586	-	-	15,725,586
Issue of options		93,797	-	-	93,797
Balance as at 31 December 2015		**28,481,775**	**226,173**	**(19,345,892)**	**9,362,056**
Loss for the period attributable to members of the parent entity		-	-	(2,654,160)	(2,654,160)
Other comprehensive expense for the period		-	(207,433)	-	(207,433)
Total comprehensive income for the period		**-**	**(207,433)**	**(2,654,160)**	**(2,861,593)**
Transactions with owners in their capacity as owners					
Issue of options		563,203	-	-	563,203
Exercise of options		62,345	-	-	62,345
Cancelled options		(53,484)	-	53,484	-
Balance as at 30 June 2016		**29,053,839**	**18,740**	**(21,946,568)**	**7,126,011**

This statement should be read in conjunction with the notes to the financial statements

Statement of Cash Flows

For the half-year ended 30 June 2016

Consolidated	Notes	30 June 2016 US$	30 June 2015 US$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		24,420	-
Payments to suppliers		(2,474,754)	(91,487)
Interest received		3,667	24,485
Interest paid		(6,695)	(1,998)
Net cash flows used in operating activities		**(2,453,362)**	**(69,000)**
Cash flows related to investing activities			
Payment for purchases of plant and equipment		(102,987)	(2,000)
Payment for intangible assets		-	(957,000)
Receipt from restricted cash		9,322	11,000
Net cash flows used in by investing activities		**(93,665)**	**(948,000)**
Cash flows related to financing activities			
Proceeds from issues of ordinary shares		62,345	-
Grants from governmental institutions		41,590	18,000
Net cash flows provided by financing activities		**103,935**	**18,000**
Net decrease in cash and cash equivalents		(2,443,092)	(999,000)
Cash and cash equivalents at the beginning of the period		8,478,927	1,617,000
Effects of exchange rate changes on cash and cash equivalents		37,726	16,000
Cash and cash equivalents at the end of the period		**6,073,561**	**634,000**

This statement should be read in conjunction with the notes to the financial statements

Notes to the Financial Statements

1. General information and basis of preparation

These interim financial statements (the interim financial statements) of the Company are for the six months ended 30 June 2016 and are presented in US dollar ($), which is the presentation and functional currency of the Company. These general purpose interim financial statements have been prepared in accordance with the requirements of AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2015 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the board of directors on 25 August 2016.

2. Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the consolidated entity's last annual financial statements for the year ended 31 December 2015

The accounting policies have been applied consistently throughout the consolidated entity for the purposes of preparation of these interim financial statements. The principal accounting policies adopted are consistent with those of the previous accounting period and corresponding interim reporting period; unless stated otherwise.

During the half year ended 30 June 2016, the company has also applied the following accounting policies not detailed in the 31 December 2015 general purpose financial statement.

Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Contract Revenue

Contract revenue and expenses are recognised in accordance with the percentage of completion method. For fixed price contracts, the stage of completion is measured by reference to labour hours incurred to date as a percentage of estimated total labour hours for each contract.

Where it is probable that a loss will arise from the contract, the excess of total costs over revenue is recognised immediately as an expense.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

3. New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.
Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Other than the amended accounting standards listed above, all other accounting standards adopted by the Group are consistent with the most recent Annual Report for the year ended 31 December 2015.

4. Revenue and Expenses

	Consolidated 30 June 2016 US$	 30 June 2015 US$
Revenue		
Sales revenue	422,580	-
Interest received	3,667	24,485
	426,247	**24,485**
Expenses		
Share based payment expense		
- Consultant share based payments	234,038	-
- Director share based payments	194,448	-
- Employee share based payments	134,717	2,108
	563,203	**2,108**

5. Operating Segments

The Company recognises its operations in Israel as its reporting segment.

The Company has identified its operating segment based on the internal reports that are reviewed and used by the management team and Board of Directors (who are identified as the Chief Operating Decision Makers (CODM) in assessing performance and determining the allocation of resources).

The operating segments are identified by the CODM based on the manner in which the expenses are incurred, and for the purpose of making decisions about resource allocation and performance assessment. Discrete financial information about the operating segment is reported by the executive management team to the board on a regular basis.

For the half year ended 30 June 2015, there is no segment information to be disclosed as the company operated as a single entity in Israel only with no corporate head office.

		Israel 30 June 2016 US$	Israel 30 June 2015 US$
Segment revenue			
Other Income		422,580	24,485
Unallocated revenue - corporate	***(a)***	3,667	-
		426,247	24,485
Segment Expenses			
Segment depreciation expenses		(151,011)	(11,927)
Segment expenses		(2,092,649)	(280,558)
Unallocated expenses - corporate	***(b)***	(836,747)	-
		(3,080,407)	**(292,485)**
Net Result		**(2,654,160)**	**(268,000)**

5. **Operating Segments** Continued

		Israel 30 June 2016 US$	Israel 30 June 2015 US$
Assets			
Segment assets		9,343,784	3,965,532
Unallocated assets - corporate	*(c)*	763,557	8,125,788
		10,107,341	**12,091,320**
Liabilities			
Segment liabilities		1,857,092	1,573,718
Unallocated liabilities - corporate	*(d)*	1,124,238	1,155,546
		2,981,330	**2,729,264**
Other information:			
Acquisitions of PPE		102,987	5,579
Acquisitions of intangible assets		-	1,652,427
Non current assets by Geographical Location - Israel		3,103,840	3,112,955

	Note	2016 US$	2015 US$
(a) Unallocated Revenue			
Unallocated revenue		3,667	-
		3,667	-
(b) Unallocated Expenses			
Unallocated corporate expenses		836,747	-
		836,747	-
(c) Unallocated Assets			
Cash and cash equivalents		616,840	8,011,400
Other receivables		92,770	61,477
Prepayments		53,947	52,911
		763,557	**8,125,788**
(d) Unallocated Liabilities			
Trade and other payables		124,238	155,546
Other liabilities		1,000,000	1,000,000
		1,124,238	**1,155,546**

Intersegment transactions

Intersegment transactions are made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur market interest are adjusted to fair value based on market interest rates.

Intersegment loans are eliminated on consolidation.

6. Dividends

No dividends were paid and no dividends are expected to be paid during the half year period ended in 30 June 2016 (2015: Nil).

7. Losses per share

	30 June 2016	30 June 2015
Basic loss per share		
Loss attributable to the ordinary equity holders of the Company	(0.01)	(0.00)
Diluted loss per share		
Loss attributable to the ordinary equity holders of the Company	(0.01)	(0.00)
Loss used in calculation of basic/diluted earnings/(loss) per share		
Loss	(2,654,160)	(268,000)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS[1]	185,696,395	65,000,000

[1] The weighted average shares as at 30 June 2015 has been revised and reflects the weighted average total actual shares of Emefcy Limited (Israel) in issue after the date of acquisition.

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of Emefcy as the numerator, i.e. no adjustments to profits were necessary during the six month period to 30 June 2016 and 30 June 2015.

8. Intangible assets

	Note	30 June 2016 US$	31 December 2015 US$
Capitalised Development Costs			
At cost		2,286,877	575,000
Additions		-	1,711,877
Amortisation	(i)	(76,229)	-
Closing cost		**2,210,648**	**2,286,877**

(i) Intangible Assets – Amortisation

Capitalised development expenditure is stated at cost less accumulated amortisation less any impairment losses are amortised over the period of expected future sales from the related projects which is estimated to be 15 years.

9. Other financial liabilities

	30 June 2016 US$	31 December 2015 US$
Current		
Acquisition milestone payable	1,000,000	-
	1,000,000	**-**
Non-Current		
Acquisition milestone payable	-	1,000,000
	-	**1,000,000**

9. Other financial liabilities Continued

As part of the acquisition of Emefcy Limited (Israel) a maximum liability of US$2 million is payable to a shareholder of Emefcy Limited (Israel) on completion of the acquisition in lieu of receiving shares in Emefcy Group Limited subsequent to the satisfaction of two commercial milestones (US$1 million per milestone). Details of the two commercial milestones are as follow:

***Milestone 1**- A module of the SABRE (Spiral Aerobic Biofilm Reactor) has been delivered to the first customer's site on, or before 18 June 2016. Having met the milestone, the Group has provided for the amount payable. The amount is not due until the earlier of 18 June 2018 or a subsequent capital raising being successfully completed.*

***Milestone 2**: the achievement of cumulative US$2 million in sales within 24 months of the Completion date of 18 December 2015.*

As at 30 June 2016, the Company had three contracts for sale (value circa US$756K) that had not been completed and there were no other confirmed sale contracts. The Company's sales and marketing resources were also incomplete. Accordingly, as at 30 June 2016, and because of the company being at the start of the commercialisation phase, the probability of the second milestone being met was low and consequently the fair value of the liability was nil. Any future adjustment to this liability will be recognised in the Profit or Loss.

10. Issued capital

		30 June 2016 US$	31 December 2015 US$
Ordinary shares	(a)	28,387,571	28,325,226
Options	(b)	666,268	156,549
		29,053,839	**28,481,775**

(a) Ordinary shares

	Half year to 30 June 2016		Full year to 31 December 2015	
(a) Ordinary Shares – Fully Paid	**No.**	**US$**	**No.**	**US$**
Balance at the beginning of the year	177,437,410	28,325,226	4,324,138	12,597,640
Elimination of issued capital in Emefcy Limited (Israel)	-	-	(4,324,138)	-
Capital raising - Emefcy Limited (Israel)	-	-	-	797,079
Savcor issued capital at pre-acquisition	-	-	42,671,357	-
Deemed fair value of consideration to Savcor shareholders on Reverse Acquisition	-	-	-	6,077,632
Shares issued to Emefcy Limited (Israel) vendors on Reverse Acquisition	-	-	65,000,000	-
Issue of shares AU$0.20 pursuant to the Prospectus	-	-	69,066,053	9,836,997
Shares issued to consultants during the year	-	-	700,000	99,700
Issue of deferred consideration shares	18,514,193	-	-	-
Exercise of options	1,977,759	88,298	-	-
Transaction costs relating to share issues	-	(25,953)	-	(1,083,822)
	197,929,362	**28,387,571**	**177,437,410**	**28,325,226**
Deferred Consideration Shares to be issued	3,985,807	-	22,500,000	-
	201,915,169	**28,387,571**	**199,937,410**	**28,325,226**

10. Issued capital Continued

(b) Options

(b) Options	Half year to 30 June 2016 No.	Half year to 30 June 2016 US$	Full year to 31 December 2015 No.	Full year to 31 December 2015 US$
Balance at the beginning of the year	15,856,590	156,549	89,900	62,752
Elimination of issued options in Emefcy Limited (Israel)	-	-	(89,900)	-
Reversal of unlisted options issued to employees as at 31 December 2015	(2,642,946)			
Unlisted Options issued in Emefcy	-	-	-	3,175
Unlisted Options issued in Savcor	(1,977,759)	-	8,213,644	-
Unlisted Options issued to Directors pursuant to the Prospectus	-	148,073	5,000,000	90,622
Unlisted Options issued to Directors	3,500,000	62,364	-	-
Unlisted Options issued to Consultants	4,000,000	234,038	-	-
Unlisted Options issued to Employees	3,337,946	118,728	2,642,946	-
Cancelled options	(1,500,000)	(53,484)	-	-
	20,573,831	**666,268**	**15,856,590**	**156,549**

11. Fair value Measurement

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed are categorised according to the fair value hierarchy as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Recognised fair value measurements
The following table sets out the group's liabilities that are measured and recognised at fair value in the financial statements.

30 June 2016	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Recurring fair value measurements				
Financial liabilities				
Government grant liability	-	-	1,265,020	1,265,020
	-	**-**	**1,265,020**	**1,265,020**

31 December 2015	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Recurring fair value measurements				
Financial liabilities				
Government grant liability	-	-	1,175,000	1,175,000
	-	**-**	**1,175,000**	**1,175,000**

11. Fair value Measurement Continued

Disclosed fair values
The group also has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes to the financial statements.

The fair value of the second commercial milestone is nil as the Directors deemed that it has not been met. Refer to Note 9 for further details.

Due to their short-term nature, the carrying amount of trade receivables and payables are assumed to approximate their fair values because the impact of discounting is not significant.

Valuation techniques and assumptions used to derive Level 3 fair values recognised in the financial statements
The fair value of the government grant liability is determined by the expected time period that the grant liability is to be repaid from the royalty stream from future revenue discounted over time at a rate of 16.4% (2015 14.9%)

Reconciliation of Level 3 fair value movements
The following table sets out the movements in Level 3 fair values for recurring measurements.

	Government Grant
Closing balance at 1 January 2016	**1,175,000**
Adjustment to fair value of liability	48,430
Government grant liability received	41,590
Closing balance at 30 June 2016	**1,265,020**

12. Commitments and contingencies

(i) The Company leases premises for the Period ended 30 June 2016. The aggregate minimum rental commitments under the non-cancellable rent agreements as at 30 June 2016 are $47,865. Total rent expenses for the period ended 30 June 2016 and year ended 31 December 2015 were $60,580 and $141,000, respectively.

(ii) The Company leases its motor vehicles under lease agreements. As at 30 June 2016, the minimum payment under these operating leases is $55,000.

(iii) As at 30 June 2016 and 31 December 2015, the Company provided a bank guarantee for the fulfilment of its lease commitments in the amount of approximately $22,805 and $32,000, respectively.

(iv) The company has a government grant liability of $1,265,020.

(v) The Company has an obligation to issue a further 3,985,807 shares to Emefcy vendors following the achievement of the first milestone and the issuance of 18,514,193 shares on 12 April 2016.

(vi) The Company also has an outstanding redeemable note with a face value of US$ 1 million to one Emefcy vendor and is redeemable subject to the satisfaction of the second commercial milestone.

Other than the changes already disclosed, the Company is not aware of any commitments and contingencies as at 30 June 2016.

13. Events after the reporting date

On the 25th July 2016 the company announced that it had signed advisory agreements with several key China based advisors where the sole compensation is 150,000 fully paid ordinary shares and 1,700,000 options issued, exercisable at A$0.64 per option, expiring on 31 July 2018.

Also on the 25th July 2016 the company announced that it had raised A$31.6 million by way of the placement of 49,400,000 new ordinary shares at a price of $0.64 cents per share to a network of institutional and sophisticated investors from the US, China, Hong Kong, Singapore and Australia.

On the 15th August 2016 the company announced that it had secured a China regional partnership contract with Wuxi Municipal Design Institute.

No other matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the company, the result of those operations or the state of affairs of the company in subsequent financial years.

Directors' Declaration

The Directors' of the Company declare that;

1. The financial statements and notes, as set out on pages 6 to 17, are in accordance with the *Corporations Act 2001* including:

    a. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;

    b. giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the half year ended on that date; and

2. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Signed in accordance with a resolution of the directors:

Eytan Levy
Managing Director and CEO
Israel

Israel Dated: This the 26 day of August 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Emefcy Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Emefcy Group Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Emefcy Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO East Coast Partnership

David Garvey
Partner

Melbourne, 26 August 2016

Corporate Directory

DIRECTORS

Mr Richard Irving	Executive Chairman
Mr Ross Haghighat	Non-Executive Director
Mr Peter Marks	Non-Executive Director
Mr Robert Wale	Non-Executive Director
Mr Eytan Levy	Managing Director and CEO

COMPANY SECRETARY
Mr Ross Kennedy

COMPANY
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ABN 52 127 734 196

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SECURITIES QUOTED
Australian Securities Exchange
- Ordinary Fully Paid Shares (Code: EMC)