

Appendix 4D

Half-Year ended 30 June 2019 - Additional Disclosures

1. Reporting periods

Half year ended (‘Current period’)	Half year ended (‘Previous corresponding period’)
30 June 2019	30 June 2018

2. Results for announcement to the market

Revenues from ordinary activities	Down	37%	to	\$3,740,630
Loss from ordinary activities after tax attributable to members	Up	114%	to	(\$1,865,249)
Loss for the period attributable to members	Up	114%	to	(\$1,865,249)

Brief explanation of above figures

During the half-year ended 30 June 2019, the Company had received major project awards, including:

- A contract worth \$780,000 for the operations & maintenance of the potable water and sewage treatment plants at the Amrun mine in Weipa, Queensland. The contract covers the 12 months of the Calendar Year (“CY”) 2019. Customer is Rio Tinto, one of the world’s largest mining companies.
- A \$2.8 million contract to De.mem Limited for the delivery of a desalination plant to a site in Queensland, Australia. The contract is expected to be completed by November 2019, which implies that respective revenues are to be recorded fully in the CY 2019.

On 31 July 2019, De.mem reported that it had achieved approx. \$9.0 million in secured revenues for CY 2019. This includes:

- Revenues already recorded during H1 CY 2019; plus
- Revenues yet to be recognized during H2 CY 2019 from contracted projects, in particular the desalination plant mentioned below; plus
- Revenues yet to be recognized during H2 CY 2019 from the recurring business lines of the company, ie. its service business (Build, Own, Operate & Operations & Maintenance contracts), and the expected sales of replacement components and consumables which are of stable and recurring nature.

In addition to this, the Company had achieved important milestones as follows:

- In February 2019, the Company reported the first commercial order for its domestic point-of-use water filter from a distribution partner in Singapore. The product is based on De.mem Limited’s Ultrafiltration membrane technology and can effectively reduce suspended solids, bacteria and viruses from a water stream. The product is available to consumers in Singapore since then.
- In June 2019, the Company announced the first revenues of approx. \$150,000 in total from its Forward Osmosis membrane technology. The technology was originally licensed by the Company in March 2018.

During the half-year ended 30 June 2019, De.mem Limited received customer payments of approx. \$5.1 million. The cash outflows from operations during the half-year period were -\$808,665.

Revenues amounted to approx. \$3.7 million during the half-year ended 30 June 2019. In accordance with applicable accounting standards, only approx. 25% of the total amount of \$2.8 million of the above-mentioned contract for the delivery of a desalination plant was recorded as revenues in the half-year period ended 30 June 2019. This accounts for a major part of the above difference between customer payments and revenues recorded during the period.

The above had a major impact on gross profit, operating loss and the loss after income tax expense during the period. The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$1,865,573. The loss also includes share-based payments of approx. \$231,000 plus cash payments of \$125,000 for a final milestone payment for the acquisition of De.mem-Akwa Pty Ltd (formerly: Akwa-Worx Pty Ltd), which was originally signed in September 2017.

Dividends

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

3. Net tangible asset backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	2.83 cents	2.3 cents

4. Controlled Entities

Parent entity	Country of Incorporation	Principal Activities	Ownership %
De.mem Ltd	Australia	Parent	
Name of Controlled Entity			
Akwa – Worx Pty Ltd	Australia	Water and waste water treatment	100%
Akwa Facility Maintenance Pty Ltd	Australia	Water and waste water treatment	100%
De.mem Pte Ltd	Singapore	Water and waste water treatment	100%
De.mem Vietnam Ltd	Vietnam	Technical Advisory services	100%
GD Wasser Pte Ltd	Singapore	Manufacturing and repair	100%
GD Wasser Long An Company Ltd*	Vietnam	Water and waste water treatment	90%*
GD Wasser Nghe An Company Ltd**	Vietnam	Water and waste water treatment	90%**

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

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

5. Details of associates

Name of associate	Percentage holding (current period)	Percentage holding (Previous corresponding period)
Aromatec Pte Ltd	32%	32%

6. Dividends or Distributions

No dividends or distributions are payable

7. Dividend or Distribution Reinvestment Plans

There is no dividend reinvestment program in operation for De.mem Limited.

8. Independent Review Report

There are no audit disputes or qualifications to the review opinion within the attached Consolidated Interim Financial Report for the half-year ended 30 June 2019.

9. Compliance statement

This report should be read in conjunction with the attached Consolidated Interim Financial Report for the half-year ended 30 June 2019.

Sign here:



Date: **30 August 2019**

Print name:

Andreas Kroell
Director

For personal use only

For personal use only



DE.MEM LIMITED
ABN 12 614 756 642
CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2019

De.mem Limited
Contents
30 June 2019

Corporate directory	2
Directors' report	3
Auditor's independence declaration	6
Condensed Consolidated statement of profit or loss and other comprehensive income	7
Condensed Consolidated statement of financial position	8
Condensed Consolidated statement of changes in equity	9
Condensed Consolidated statement of cash flows	10
Notes to the condensed consolidated financial statements	11
Directors' declaration	17
Independent auditor's review report to the members of De.mem Limited	18

For personal use only

**De.mem Limited
Corporate directory
30 June 2019**

Directors	Cosimo Trimigliozzi Andreas Kroell Bernd Dautel Stuart Carmichael Michael Edwards
Company secretary	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 4, 152 St Georges Terrace Perth, WA, 6000 Australia
Solicitors	HopgoodGanim Lawyers Level 27, Allendale Square 77 St Georges Terrace Perth, WA, 6000 Australia
Bankers	Westpac Bank Perth
Stock exchange listing	De.mem Limited shares are listed on the Australian Securities Exchange (ASX code: DEM)
Website	www.demembranes.com

De.mem Limited
Directors' report
30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Group') consisting of De.mem Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2019.

Directors

The following persons were directors of De.mem Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Cosimo Trimigliozzi
Andreas Kroell
Bernd Dautel
Stuart Carmichael
Michael Edwards

Principal activities

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

Review of operations and financial position

Operations

De.mem Limited provides integrated, turn-key systems and solutions for de-centralised water treatment. It offers products for the potable water, sewage treatment and industrial waste water treatment segments. In Australia, De.mem Limited operates through the 100% owned De.mem-Akwa Pty Ltd subsidiary (formerly: Akwa-Worx Pty Ltd).

In Singapore, De.mem Limited operates through its 100% subsidiary De.mem Pte Ltd. The Company collaborates with Nanyang Technological University ("NTU") in technology research and product development. It has licensed a range of membrane-based technologies from NTU, which it manufactures in its Singapore factory and commercializes as a key component of its integrated water treatment systems.

De.mem Limited received major project awards during the period, including the following:

- A contract worth \$780,000 for the operations & maintenance of the potable water and sewage treatment plants at the Amrun mine in Weipa, Queensland. The contract covers the 12 months of the Calendar Year ("CY") 2019. Customer is Rio Tinto, one of the world's largest mining companies.
- A \$2.8 million contract to De.mem Limited for the delivery of a desalination plant to a site in Queensland, Australia. The contract is expected to be completed by November 2019, which implies that respective revenues are to be recorded fully in the CY 2019.

On 31 July 2019, De.mem reported that it had achieved approx. \$9.0 million in secured revenues for CY 2019. This includes:

- Revenues already recorded during H1 CY 2019; plus
- Revenues yet to be recognized during H2 CY 2019 from contracted projects, in particular the desalination plant mentioned below; plus
- Revenues yet to be recognized during H2 CY 2019 from the recurring business lines of the company, ie. its service business (Build, Own, Operate & Operations & Maintenance contracts), and the expected sales of replacement components and consumables which are of stable and recurring nature.

With respect to its proprietary technology portfolio and related product development initiatives, De.mem Limited achieved important milestones:

- In February 2019, the Company reported the first commercial order for its domestic point-of-use water filter from a distribution partner in Singapore. The product is based on De.mem Limited's Ultrafiltration membrane technology and can effectively reduce suspended solids, bacteria and viruses from a water stream. The product is available to consumers in Singapore since then.
- In June 2019, the Company announced the first revenues of approx. \$150,000 in total from its Forward Osmosis membrane technology. The technology was originally licensed by the Company in March 2018.

**De.mem Limited
Directors' report
30 June 2019**

During the half-year ended 30 June 2019, De.mem Limited received customer payments of approx. \$5.1 million. The cash outflows from operations during the half-year period were \$808,665.

Revenues amounted to approx. \$3.7 million during the half-year ended 30 June 2019. In accordance with applicable accounting standards, only approx. 25% of the total amount of \$2.8 million of the above-mentioned contract for the delivery of a desalination plant was recorded as revenues in the half-year period ended 30 June 2019. This accounts for a major part of the above difference between customer payments and revenues recorded during the period.

The above had a major impact on gross profit, operating loss and the loss after income tax expense during the period. The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$1,865,573. The loss also includes share-based payments of approx. \$231,000 plus cash payments of \$125,000 for a final milestone payment for the acquisition of De.mem-Akwa Pty Ltd (formerly: Akwa-Worx Pty Ltd), which was originally signed in September 2017.

Corporate

On 27 June 2019, the Company announced a \$1.9 million share placement with leading institutional investors led by Perennial Value Management. The shares were issued on 1 July 2019.

On 28 May 2019, De.mem Limited held its third Annual General Meeting in Perth, Western Australia, with all resolutions being passed.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

Subsequent to 30 June 2019, the following matters have been reported by De.mem Ltd:

- On 27 June 2019, the Company announced a \$1.9 million share placement with leading institutional investors led by Perennial Value Management. The shares were issued on 1 July 2019.
- On 29 July 2019, De.mem reported that it signed a binding share purchase agreement to acquire 100% of the share capital in Pumptech Tasmania Pty Ltd, a leading supplier of water and waste water treatment systems in Tasmania. The rationale for the acquisition is based on geographic expansion, further penetration of key customer verticals, product portfolio expansion, cross-selling opportunities, economies of scale, cost synergies and earnings accretion. Consideration is a total of \$1.05 million, thereof \$900,000 in cash with \$450,000 immediately payable followed by three deferred cash payments over 36 months plus \$150,000 in shares. Pumptech Tasmania Pty Ltd recorded unaudited revenues of approx. \$2.5 million during the 12 months ended 30 June 2019, and unaudited profits before taxes of approx. \$200,000.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Environmental regulation

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

De.mem Limited
Directors' report
30 June 2019

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001. The directors have the power to amend and reissue the financial statements.

On behalf of the directors



Mr Andreas Kroell
Director and Chief Executive Officer

30 August 2019
Perth

For personal use

Grant Thornton Audit Pty Ltd

Level 43
152-158 St Georges Terrace
Perth WA 6000

Correspondence to:
PO Box 7757
Cloisters Square
Perth WA 6850

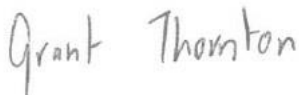
T +61 8 9480 200
E info.wa@au.gt.com
W www.grantthornton.com.au

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 review of De.Mem Limited for the year ended 30 June 2019, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD

Chartered Accountants



L A Stella

Partner – Audit & Assurance

Perth, 30 August 2019

For personal use only

De.mem Limited
Condensed Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2019

	Note	Consolidated 6 months to 30 June 2019 \$	6 months to 30 June 2018 \$
Revenue		3,740,630	5,959,762
Cost of sales		<u>(3,044,618)</u>	<u>(4,498,769)</u>
Gross profit		<u>696,012</u>	<u>1,460,993</u>
Other income		(4,234)	20,219
Administrative expenses		(2,298,457)	(2,221,797)
Share based payments		<u>(231,075)</u>	<u>(28,093)</u>
Operating loss		(1,837,754)	(768,678)
Finance income		7,765	3,035
Finance costs		(19,765)	(4,429)
Share of loss on investment in associate		<u>(15,495)</u>	<u>-</u>
Loss before income tax expense		(1,865,249)	(770,072)
Income tax expense		<u>-</u>	<u>(102,736)</u>
Loss after income tax expense for the half-year		(1,865,249)	(872,808)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(44,495)</u>	<u>(36,579)</u>
Other comprehensive loss for the half-year, net of tax		<u>(44,495)</u>	<u>(36,579)</u>
Total comprehensive loss for the half-year		<u>(1,909,744)</u>	<u>(909,387)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		324	(4,100)
Owners of De.mem Limited		<u>(1,865,573)</u>	<u>(868,708)</u>
		<u>(1,865,249)</u>	<u>(872,808)</u>
		Cents	Cents
Basic earnings per share		(1.55)	(0.81)
Diluted earnings per share		(1.55)	(0.81)

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

De.mem Limited
Condensed Consolidated statement of financial position
As at 30 June 2019

	Note	30 June 2019 \$	Consolidated 31 December 2018 \$
Assets			
Current assets			
Cash and cash equivalents		3,189,365	1,679,939
Trade and other receivables		1,907,289	1,866,614
Inventories		290,315	263,039
Other current assets - term deposits		330,000	-
Other assets		125,059	133,862
Contract and other assets		176,027	293,891
Total current assets		<u>6,018,055</u>	<u>4,237,345</u>
Non-current assets			
Investment in associate		73,719	87,977
Property, plant and equipment		786,082	926,172
Right-of-use assets	4	574,648	-
Total non-current assets		<u>1,434,449</u>	<u>1,014,149</u>
Total assets		<u>7,452,504</u>	<u>5,251,494</u>
Liabilities			
Current liabilities			
Trade and other payables		1,807,440	2,432,036
Contract liabilities	5	692,794	63,670
Borrowings		338,334	331,032
Lease liabilities		210,431	-
Employee benefits		279,800	359,141
Total current liabilities		<u>3,328,799</u>	<u>3,185,879</u>
Non-current liabilities			
Borrowings		170,677	173,275
Lease liabilities		356,455	-
Employee benefits		26,285	26,285
Provisions		14,623	-
Total non-current liabilities		<u>568,040</u>	<u>199,560</u>
Total liabilities		<u>3,896,839</u>	<u>3,385,439</u>
Net assets		<u>3,555,665</u>	<u>1,866,055</u>
Equity			
Issued capital	6	14,538,028	12,867,799
Other contributed equity	7	1,901,225	-
Reserves	8	589,277	554,434
Accumulated losses		(13,434,154)	(11,568,581)
Equity attributable to the owners of De.mem Limited		3,594,376	1,853,652
Non-controlling interest		(38,711)	12,403
Total equity		<u>3,555,665</u>	<u>1,866,055</u>

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

De.mem Limited
Condensed Consolidated statement of changes in equity
For the half-year ended 30 June 2019

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 January 2018	12,123,451	654,544	(9,521,786)	(30,081)	3,226,128
Loss after income tax expense for the half-year	-	-	(868,708)	(4,100)	(872,808)
Other comprehensive loss for the half-year, net of tax	-	(35,467)	-	(1,112)	(36,579)
Total comprehensive loss for the half-year	-	(35,467)	(868,708)	(5,212)	(909,387)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	28,093	-	-	28,093
Share issue for contingent consideration for acquisition of a subsidiary	125,000	-	-	-	125,000
Balance at 30 June 2018	12,248,451	647,170	(10,390,494)	(35,293)	2,469,834

Consolidated	Issued capital \$	Reserves \$	Other contributed equity \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 January 2019	12,867,799	554,434	-	(11,568,581)	12,403	1,866,055
Profit/(loss) after income tax expense for the half-year	-	-	-	(1,865,573)	324	(1,865,249)
Other comprehensive loss for the half-year, net of tax	-	6,943	-	-	(51,438)	(44,495)
Total comprehensive loss for the half-year	-	6,943	-	(1,865,573)	(51,114)	(1,909,744)
Capital raising	1,558,740	-	-	-	-	1,558,740
Share issue for contingent consideration for acquisition of a subsidiary	203,174	-	-	-	-	203,174
Capital raising cost	(91,685)	-	-	-	-	(91,685)
Share-based payments	-	27,900	-	-	-	27,900
Share application money received	-	-	1,901,225	-	-	1,901,225
Balance at 30 June 2019	14,538,028	589,277	1,901,225	(13,434,154)	(38,711)	3,555,665

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

De.mem Limited
Condensed Consolidated statement of cash flows
For the half-year ended 30 June 2019

	Consolidated	Consolidated
	6 months to	6 months to
	30 June 2019	30 June 2018
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	5,080,689	4,649,916
Payments to suppliers and employees (inclusive of GST)	<u>(5,886,255)</u>	<u>(5,245,644)</u>
	(805,566)	(595,728)
Interest received	7,765	-
Interest and other finance costs paid	<u>(10,864)</u>	<u>(1,394)</u>
Net cash used in operating activities	<u>(808,665)</u>	<u>(597,122)</u>
Cash flows from investing activities		
Payments for Research & development investments	(102,937)	-
Payments for property, plant and equipment	-	(409,613)
Investment in other current assets - term deposits	(330,000)	-
Payment for contingent consideration for acquisition of a subsidiary	(125,000)	(125,000)
Investment in associate	<u>(41,722)</u>	<u>(29,756)</u>
Net cash used in investing activities	<u>(599,659)</u>	<u>(564,369)</u>
Cash flows from financing activities		
Proceeds from issue of shares	3,053,456	-
Share issue transaction costs	(140,410)	-
Net cash flows from borrowings	<u>4,704</u>	<u>60,118</u>
Net cash from financing activities	<u>2,917,750</u>	<u>60,118</u>
Net increase/(decrease) in cash and cash equivalents	1,509,426	(1,101,373)
Cash and cash equivalents at the beginning of the financial half-year	1,679,939	3,270,633
Effects of exchange rate changes on cash and cash equivalents	-	(36,579)
Cash and cash equivalents at the end of the financial half-year	<u><u>3,189,365</u></u>	<u><u>2,132,681</u></u>

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

Note 1. Significant accounting policies

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding half-year reporting period, except for the policies stated below.

General

These consolidated interim financial statements are general purpose financial statements prepared in accordance with requirements of Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This consolidated interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this report be read in conjunction with the consolidated annual report for the year ended 31 December 2018 and any public announcements made by De.mem Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. De.mem designs, builds, owns and operates modern water treatment systems for clients from the industrial, municipal and residential sectors.

This consolidated interim financial report was authorised for issue on 30 August 2019.

Basis of Preparation

The consolidated interim financial statements have been presented in Australian dollars (AUD), which is the Group's functional and presentation currency. Accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. AASB 16 Leases became mandatorily effective for periods beginning on or after 1 January 2019. Accordingly, this standard applies for the first time to this set of consolidated interim financial report. The nature and effect of changes arising from this standard is summarized below.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity.

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact on application

The consolidated entity has adopted AASB 16 using the modified retrospective approach whereby the consolidated entity has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of equity as at 1 January 2019. Accordingly, the consolidated entity has not restated comparative balances in this set of financial statements as retrospective application was immaterial on implementation which resulted in no adjustment to opening balances in equity.

On adoption of AASB 16, the consolidated entity recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The associated right-of-use assets for these leases were measured on a retrospective basis as if AASB 16 had always been applied, with the incremental borrowing rate applied as at each lease's commencement date and the assets depreciated on a straight-line basis over the term of the lease.

Note 1. Significant accounting policies (continued)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Critical accounting judgements, estimates and assumptions

The preparation of the consolidated interim 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 applied in the consolidated interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last consolidated annual report for the year ended 31 December 2018.

Note 2. Significant events and transactions

Management believes that the Group is well positioned to cope with a downturn in the economy. Factors contributing to the Group's strong position are:

- Significant new orders received during the reporting period, including the \$2.8 million contract for the delivery of a desalination plant to Mulpha.
- In addition, the Group has several long-term service (Operations & Maintenance) contracts with a number of its existing customers. This includes the 780,000 contract with Rio Tinto for the Operations & Maintenance of the water and waste water treatment plants at Rio Tinto's Amrun mine in Weipa, Queensland, during the Calendar Year 2019.
- The Group does not expect to need any borrowing facilities in the next 12 months as a result of its contracted business, significant financial resources strong liquidity reserves.
- The Group's major customers have not experienced financial difficulties. Credit quality of trade receivables as at 30 June 2019 is considered to be good.

Overall, the Group is in a strong position and has sufficient capital and liquidity to service its operating activities and debt. The Group's objectives and policies for managing capital, credit risk and liquidity risk are described in its recent annual financial statements.

Note 3. 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 accounting policies of the reportable segments are the same as the Group's accounting policies. The following tables are an analysis of the Group's revenue and results by reportable segment provided to the Directors for the half year ended 30 June 2019 and 30 June 2018.

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.

Consolidated - 6 months to 30 June 2019	Singapore \$	Australia \$	Corporate \$	Total \$
Revenue				
Revenue from external customers	151,599	3,643,030	-	3,794,629
Intersegment revenue	(53,999)	-	-	(53,999)
Total revenue	<u>97,600</u>	<u>3,643,030</u>	<u>-</u>	<u>3,740,630</u>
Segment result	<u>(748,335)</u>	<u>(613,336)</u>	<u>(503,578)</u>	<u>(1,865,249)</u>
Assets				
Segment assets	1,477,859	3,504,495	8,209,771	13,192,125
Intersegment eliminations				(5,739,621)
Total assets				<u>7,452,504</u>
Liabilities				
Segment liabilities	5,318,497	4,346,206	108,827	9,773,530
Intersegment eliminations				(5,876,691)
Total liabilities				<u>3,896,839</u>
Consolidated - 6 months to 30 June 2018	Singapore \$	Australia \$	Corporate \$	Total \$
Revenue				
Revenue from external customers	244,269	6,609,249	-	6,853,518
Intersegment revenue	(72,088)	(821,668)	-	(893,756)
Total revenue	<u>172,181</u>	<u>5,787,581</u>	<u>-</u>	<u>5,959,762</u>
Segment result	<u>(818,568)</u>	<u>270,848</u>	<u>(325,088)</u>	<u>(872,808)</u>
Assets				
Segment assets	1,415,270	4,330,361	4,945,246	10,690,877
Intersegment eliminations				(4,077,228)
Total assets				<u>6,613,649</u>
Liabilities				
Segment liabilities	3,201,127	4,735,392	277,906	8,214,425
Intersegment eliminations				(4,070,610)
Total liabilities				<u>4,143,815</u>

De.mem Limited
Notes to the condensed consolidated financial statements
30 June 2019

Note 4. Non-current assets - right-of-use assets

	Consolidated	31 December
	30 June 2019	2018
	\$	\$
Land and buildings - right-of-use	625,012	-
Less: Accumulated depreciation	<u>(50,364)</u>	<u>-</u>
	<u><u>574,648</u></u>	<u><u>-</u></u>

Net additions to the right-of-use assets during the half-year were \$574,648. These were recognised on adoption of AASB 16 *Leases*. All leases were entered during the current financial period.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Land and buildings - right-of-use	Total
	\$	\$
Balance at 1 January 2019	-	-
Additions	625,012	625,012
Depreciation expense	<u>(50,364)</u>	<u>(50,364)</u>
Balance at 30 June 2019	<u><u>574,648</u></u>	<u><u>574,648</u></u>

Note 5. Current liabilities - Contract liabilities

	Consolidated	31 December
	30 June 2019	2018
	\$	\$
Income in advance	<u>692,794</u>	<u>63,670</u>

The increase in Income in advance results mainly from the \$2.8 million desalination plant contract awarded to De.mem by Mulpha.

Note 6. Equity - issued capital

	Consolidated		31 December	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>125,468,323</u>	<u>112,256,736</u>	<u>14,538,028</u>	<u>12,867,799</u>

De.mem Limited
Notes to the condensed consolidated financial statements
30 June 2019

Note 6. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 January 2019	112,256,736		12,867,799
Issue of shares – entitlement issue	16 January 2019	4,453,702	\$0.14	601,250
Issue of shares – entitlement issue	5 March 2019	1,970,296	\$0.14	265,990
Issue of shares – entitlement issue	15 March 2019	2,900,000	\$0.14	391,500
Share Placement	4 April 2019	2,222,222	\$0.14	300,000
Share issue for contingent consideration for acquisition of a subsidiary	4 June 2019	1,665,367	\$0.12	203,174
Share issue costs		-		(91,685)
Balance	30 June 2019	<u>125,468,323</u>		<u>14,538,028</u>

Ordinary shares

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

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 7. Equity - Other contributed equity

	Consolidated	
	30 June 2019	31 December 2018
	\$	\$
Share application money received	<u>1,901,225</u>	<u>-</u>

Share application money received relates to funds received for ordinary shares which were issued on 1 July 2019.

Note 8. Equity - reserves

	Consolidated	
	30 June 2019	31 December 2018
	\$	\$
Foreign currency reserve	(105,903)	(112,846)
Share-based payments reserve	<u>695,180</u>	<u>667,280</u>
	<u>589,277</u>	<u>554,434</u>

A share option plan has been established by the entity, whereby the entity may grant options over ordinary shares in the company to certain key management personnel and consultants of the entity. The options are issued for nil consideration.

De.mem Limited
Notes to the condensed consolidated financial statements
30 June 2019

Note 8. Equity - reserves (continued)

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Foreign currency reserve \$	Share-based payments reserve \$	Total \$
Balance at 1 January 2019	(112,846)	667,280	554,434
Foreign currency translation	6,943	-	6,943
Unlisted options to a key employee vesting over multiple periods	-	27,900	27,900
Balance at 30 June 2019	<u>(105,903)</u>	<u>695,180</u>	<u>589,277</u>

Note 9. Contingent Assets and Liabilities

There are no contingent assets and or liabilities at the date of this report (2018: Nil).

Note 10. Events after the reporting period

Subsequent to 30 June 2019, the following matters have been reported by De.mem Ltd:

- On 27 June 2019, the Company announced a \$1.9 million share placement with leading institutional investors led by Perennial Value Management. The shares were issued on 1 July 2019.
- On 29 July 2019, De.mem reported that it signed a binding share purchase agreement to acquire 100% of the share capital in Pumptech Tasmania Pty Ltd, a leading supplier of water and waste water treatment systems in Tasmania. The rationale for the acquisition is based on geographic expansion, further penetration of key customer verticals, product portfolio expansion, cross-selling opportunities, economies of scale, cost synergies and earnings accretion. Consideration is a total of \$1.05 million, thereof \$900,000 in cash with \$450,000 immediately payable followed by three deferred cash payments over 36 months plus \$150,000 in shares. Pumptech Tasmania Pty Ltd recorded unaudited revenues of approx. \$2.5 million during the 12 months ended 30 June 2019, and unaudited profits before taxes of approx. \$200,000.


De.mem Limited
Directors' declaration
30 June 2019

In the directors' opinion:

- The consolidated interim financial statements and notes comply with the Corporations Act 2001, and Australian Accounting Standard AASB 134 'Interim Financial Reporting' and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Mr Andreas Kroell
Director and Chief Executive Officer

30 August 2019
Perth

Independent Auditor's Review Report

To the Members of De.Mem Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of De.Mem Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of De.Mem Limited does not give a true and fair view of the financial position of the Group as at 30 June 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the Corporations Act 2001, including complying with Accounting Standard AASB 134 Interim Financial Reporting.

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 gives a true and fair view and 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 Group's financial position as at 30 June 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of De.Mem Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



L A Stella
Partner – Audit & Assurance

Perth, 30 August 2019

For personal use only