



ABN 12 614 756 642

**ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

CORPORATE DIRECTORY

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

De.mem Limited
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31 December 2017

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CEO's letter

Dear Shareholders,

On behalf of the board I am delighted to present to you the Annual Report for the ended 31 December 2017.

As you are aware, De.mem targets the de-centralized segment of the water treatment market – offering in particular containerized, packaged or modular systems and solutions for potable water treatment, sewage treatment, industrial waste water as well as process water / recycling applications. The Board of Directors as well as the management team and employees are excited about the Company's growth in the past year and see De.mem well positioned to execute on its ultimate vision; to become the market leader in the de-centralized segment, a fragmented space with many smaller players competing.

During 2017, De.mem made strong progress in all areas important to the company – technical, commercial and corporate/financial.

Using part of the proceeds from the IPO on the ASX which took place on 7 April 2017, De.mem started its own membrane manufacturing facility in Singapore in June 2017. At this facility, De.mem is now able to manufacture different types of hollow fiber membranes. The Company's flagship technology, its proprietary low pressure hollow fiber nanofiltration membrane developed at and exclusively licensed from Nanyang Technological University, Singapore, has been produced at this facility since then. The first industrial sized 4-inch wide membrane-module was completed in July 2017. During the latter part of the year, the De.mem nanofiltration membrane had been deployed in a number of industrial-scale pilot projects. As the Company reported after year end, the results of these tests were positive and confirmed good performance and rejection of contaminants and ultimately, the readiness of the technology for commercial deployment.

With respect to De.mem's projects business, the sale of water and waste water treatment systems using membrane modules as their key filter component to municipal and industrial end customers, the Company was able to execute key milestones by expansion into new geographies and by signing on new customers. De.mem entered the lucrative Australian market through acquisition of Akwa-Worx Pty Ltd and Akwa Facility Maintenance Pty Ltd, Caboolture, Queensland ("Akwa-Worx"), in September 2017. Akwa-Worx is an established system integration business with a strong focus on Queensland, and brings long-term customer relationships with leading mining companies, municipal organizations and corporates to the group. One of the key ideas behind the transaction was to rapidly create a large platform for the planned roll-out of the De.mem membrane products into the Australian market. De.mem paid a total of \$ 1.96 million in cash and shares, plus three additional tranches of \$ 250,000 each in cash and shares if certain revenue based milestones are reached, Present value of the contingent consideration as at 31 December 2017 is \$0.4 million.

Since the acquisition on 18 September 2017, De.mem / Akwa-Worx received project awards valued at approx. \$2.1 million in total revenues. Customers included, amongst others, Bechtel, Ausco Modular and St. Hilliers. In existing markets, De.mem was able to sign a \$500,000 contract for the sale of a water treatment plant in Vietnam to a local Vietnamese customer in August 2017.

The Akwa-Worx acquisition also adds a substantial recurring revenue stream to the group, through Akwa-Worx' long-term operations & maintenance business.

On the finance side, De.mem completed its IPO on 7 April 2017, raising \$4.5 million to fund its ongoing expansion. The Company raised an additional \$2.5 million in November 2017 through a share placement.

De.mem ends the year with a cash balance of approx. \$3.3 million as of 31 December 2017 and sees itself well funded to execute on its current growth plans.

I am looking forward to the following 2018 financial year and am confident that De.mem will be able to 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 2017.

Directors

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

Cosimo Trimigliozi
Andreas Kroell
Bernd Dautel
Stuart Carmichael
Michael Edwards

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). The Company has been listed on the Australian Stock Exchange since April 2017.

De.mem operates in the industrial segment providing systems and solutions in particular to customers from mining, electronics, chemicals, oil & gas and food & 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 results of De.mem Limited's subsidiaries Akwa-Worx Pty Ltd and Akwa Facility Maintenance Pty Ltd are included in the revenues and expenses from the closing date of the acquisition of the two entities on 18 September 2017.

Taking the acquisition of Akwa-Worx into account, plus the organic growth of the Company, revenues increased to \$2.9 million in 2017, from \$0.3 million in the previous year.

Gross profit, defined as revenues less cost of sales, amounted to \$0.5 million during the year or 19% of revenues (\$-0.1 million in 2016).

Expenses amounted to a total of \$6.9 million in 2017 (2016: \$1.8 million). In the current year this amount includes restructuring and listing expenses related to the Company's IPO on the ASX of \$0.8 million and impairment of goodwill from acquisition of Akwa-Works business of \$3.0 million.

The net loss for the Consolidated entity amounted to \$(-6.3) million (2016: net loss of \$(-1.8) million). As outlined above, adjusted for depreciation and amortization expenses, the EBITDA in 2017 was \$(-6.2) million (2016:\$(-1.6) million).

The decrease in EBITDA mainly reflects the increase in admin, general and selling expenses as well as an increase in staff expenses in view of the expansion of business, operations and team.

The Company confirms that, in the period from admission to the official list of the ASX on 7 April 2017 to the end of the financial year on 31 December 2017, it used its cash and assets in a form readily convertible to cash, in a manner consistent with its business objectives.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the entity with the exception of the matters disclosed in the Review of operations and financial position.

Dividends paid or recommended

No dividends were paid during the year ended 31 December 2017.

Subsequent events

Subsequent to the end of the financial year ended 31 December 2017, the following events have occurred:

On 20 February 2018, De.mem announced the successful completion of industrial-scale pilot trials using its proprietary nanofiltration membrane in projects in both Singapore and Vietnam. The trials confirm good performance and rejection of the membrane and its readiness for deployment in commercial projects.

On 8 March 2018, the Company reported the in-licensing of a new hollow fiber Forward Osmosis (FO) technology from NTU for applications in industrial waste water treatment, in particular: the de-watering of reject generated by membrane-based water treatment plants. The new technology is highly complementary to De.mem's existing business, as it aims to reduce the cost incurred by clients for the disposal of waste which is resulting from the operations of membrane based water treatment plants. It concentrates and substantially reduces the volume of such waste making use of a process that uses osmotic pressure. The basic principle works without the requirement for the application of any mechanical pressure from outside, making it very energy efficient. The technology aims at an initial target market of an estimated A\$ 400 million per annum (source: ForwardOsmosisTech).

Environmental regulation

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

Information on directors

Name:	Mr Cosimo Trimigliozi
Title:	Non-Executive Chairman
Qualifications:	MBA equivalent, University of Basel, Switzerland
Experience and expertise:	Mr. Trimigliozi looks back at a successful, almost 30-year long career in the feed and food ingredients / flavors & 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. Trimigliozi 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. Trimigliozi 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:	384,615
Interests in options:	500,000
Contractual rights to shares:	None

De.mem Limited
Directors' report
31 December 2017

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

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.

Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 21,500
Interests in options: 500,000
Contractual rights to shares: None

De.mem Limited
Directors' report
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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.
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 secretary

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.

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 2017 (including resolutions via circulating resolution), 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 Trimiglozzi	13	13	2	2	2	2
Andreas Kroell	13	13	2	2	2	2
Bernd Dautel	12	13	2	2	2	2
Stuart Carmichael	13	13	2	2	2	2
Michael Edwards	13	13	1	2	2	2

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

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 its Regulations.

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 relating to key management personnel

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 Consolidated entity'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.

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.

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

*Appointed 18/09/2017

	Short-term benefits			Post-employment benefits	Share-based payments		Total
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Equity-settled shares \$	Equity-settled options \$	
2016							
<i>Non-Executive Directors:</i>							
Cosimo Trimigliozi	-	-	-	-	-	42,576	42,576
Bernd Dautel	-	-	-	-	-	42,576	42,576
Stuart Carmichael*	-	-	-	-	-	42,576	42,576
Michael Edwards	-	-	-	-	-	42,576	42,576
Brett Tucker **	-	-	-	-	-	-	-
<i>Executive Directors:</i>							
Andreas Kroell	-	-	-	-	-	42,576	42,576
	-	-	-	-	-	212,880	212,880

*Appointed 12/09/16

** Resigned 21/11/16

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2017	2016	2017	2016	2017	2016
<i>Non-Executive Directors:</i>						
Cosimo Trimigliozi	-	-	-	-	-	-
Bernd Dautel	-	-	-	-	-	-
Stuart Carmichael *	100%	-	-	-	-	-
Michael Edwards	100%	-	-	-	-	-
Brett Tucker **	-	-	-	-	-	-
<i>Executive Directors and management:</i>						
Andreas Kroell	86%	-	14%	-	-	-
Shane Ayre***	100%	-	-	-	-	-

* Appointed 12/09/16

**Resigned 21/11/16

***Appointed 18/09/17

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 SGD192,000 per annum plus a performance bonus, payable at the discretion of the Board.

Name: Shane Ayre
Title: Director of Akwa-Works Pty Ltd and Akwa Facility Maintenance Pty Ltd.
Agreement commenced: 18 September 2016
Term of agreement: Permanent
Details: Base salary of \$180,000 per annum plus superannuation.

Share-based compensation

Options

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:

Name	Number of options granted	Grant date	Vesting date and exercisable	Expiry date	Exercise price	Fair value per option at grant date
2016						
Andreas Kroell	500,000	21/11/2016	21/11/2016	22/11/2019	0.30	0.09
Cosimo Trimiglozzi	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
Brett Tucker**	-	-	-	-	-	-
* Appointed 12/09/16						
**Resigned 21/11/16						

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 during the year to 31 December 2017 are set out below:

De.mem Limited
Directors' report
31 December 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	-	-	-	-
Cosimo Trimigliozzi	-	-	-	-
Bernd Dautel	-	-	-	-
Stuart Carmichael	-	-	-	-
Mike Edwards	-	-	-	-
Shane Ayre*	-	-	-	-
*Appointed 18/09/2017				

De.mem Limited
Directors' report
31 December 2017

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the period 12 September 2016 to 31 December 2016 are set out below:

Name	Value of options granted 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
Brett Tucker **	-	-	-	-

*Appointed 12/09/16

** Resigned 21/11/16

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the entity held during the financial year ended 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:

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

*Appointed 18/09/2017

Option holding

The number of options over ordinary shares in the company held during the financial year ended 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:

	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
<u>Directors</u>					
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
<u>Key Management Personnel</u>					
Shane Ayre*	-	-	-	-	-
	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500,000</u>

*Appointed 18/09/2017

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the entity held during the period 12 September 2016 (date of incorporation) to 31 December 2016 by each director and other members of key management personnel of the entity, including their personally related parties, is set out below:

	Balance at the start of the period	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Cosimo Trimigliozi	-	-	384,615	-	384,615
Andreas Kroell	-	-	2,606,410	-	2,606,410
Bernd Dautel	-	-	-	-	-
Stuart Carmichael	-	-	-	-	-
Mike Edwards	-	-	-	-	-
Brett Tucker *	-	-	76,924	-	76,924
	-	-	3,067,949	-	3,067,949

*Resigned 21/11/16

Option holding

The number of options over ordinary shares in the company held during the period 12 September 2016 to 31 December 2016 by each director and other members of key management personnel of the entity, including their personally related parties, is set out below:

	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Cosimo Trimigliozi	-	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
Brett Tucker*	-	-	-	-	-
	-	2,500,000	-	-	2,500,000

*Resigned 21/11/16

This concludes the remuneration report, which has been audited.

Share options

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

Date of Expiry	Exercise Price	Number Under Option
21 November 2019	\$0.30	4,250,000
30 March 2010	\$0.30	3,800,000
15 May 2020	\$0.30	750,000
11 September 2020	\$0.30	1,250,000

Proceedings on 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.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 20 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 20 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Indemnity and insurance of officers

The Consolidated entity has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

Officers of the company who are former partners of RSM Australia Partners

There are no officers of the company who are former partners of RSM Australia Partners.

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 of De.mem Limited support and have substantially adhered to the best practice recommendations set by the ASX Corporate Governance Council. The Company's Corporate Governance Statement is contained on the Company's website at: <http://demembranes.com/wp-content/uploads/2017/12/Corporate-Governance-Statement.pdf>

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

De.mem Limited
Directors' report
31 December 2017

A handwritten signature in brown ink, appearing to read 'A. Kroell', is positioned above the printed name.

Andreas Kroell
Director

28 March 2018

RSM Australia Partners

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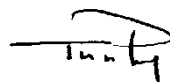
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of De.mem Limited for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 28 March 2018

De.mem Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

		Consolidated	
	Note	31-Dec 2017 \$	31-Dec 2016 \$
Revenue	2	2,930,423	273,301
Cost of sales		<u>(2,394,538)</u>	<u>(352,266)</u>
Gross profit		<u>535,885</u>	<u>(78,965)</u>
Other Income			
Interest income		23,066	105
Other income		<u>6,977</u>	<u>-</u>
Total Income		<u>565,928</u>	<u>(78,860)</u>
Interest expense		(4,920)	-
Administration, general & selling expenses	3	(3,007,484)	(1,301,329)
Depreciation expense		(131,049)	(147,064)
Restructuring and listing expenses	17	(788,342)	-
Impairment of goodwill	18	<u>(3,007,100)</u>	<u>(258,841)</u>
Loss before income tax		<u>(6,372,967)</u>	<u>(1,786,094)</u>
Income tax benefit	4	<u>35,715</u>	<u>-</u>
Loss after income tax		<u>(6,337,252)</u>	<u>(1,786,094)</u>
Other comprehensive income			
Exchange differences on translating foreign operations, net of tax		(22,956)	59,552
Total comprehensive loss or the year		<u>(6,360,208)</u>	<u>(1,726,542)</u>
Loss attributable to owners of the parent, net of tax		(6,302,303)	(1,771,074)
Loss attributable to non-controlling interests, net of tax		(34,949)	(15,020)
Loss net of tax		<u>(6,337,252)</u>	<u>(1,786,094)</u>
Basic and Diluted Loss per share – cents per share	5	<u>8.02</u>	<u>-</u>

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

De.mem Limited
Statement of financial position
As at 31 December 2017

		Consolidated	
	Note	31-Dec 2017 \$	31-Dec 2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	3,270,633	191,053
Trade and other receivables	7	1,793,737	306,466
Inventories	8	236,039	79,046
Other assets	9	357,763	292,814
Total Current Assets		5,658,172	869,379
Non-Current Assets			
Property, plant and equipment	10	639,776	672,309
Other assets	9	4,095	4,583
Total Non-Current Assets		643,871	676,892
TOTAL ASSETS		6,302,043	1,546,271
LIABILITIES			
Current Liabilities			
Trade and other payables	11	2,278,591	476,598
Borrowings	12	376,314	-
Employee benefits	14	271,779	-
Income tax payable		26,517	-
Total Current Liabilities		2,953,201	476,598
Non-Current Liabilities			
Employee benefits	14	45,375	-
Borrowings	12	77,339	-
Total Non-Current Liabilities		122,714	-
TOTAL LIABILITIES		3,075,915	476,598
NET ASSETS		3,226,128	1,069,673
EQUITY			
Issued capital	15	12,123,451	4,213,493
Share based payment reserve	16	606,705	-
Foreign currency translation reserve		47,839	70,299
Accumulated losses		(9,521,786)	(3,219,483)
Equity, attributable to owners of the parent		3,256,209	1,064,309
Non-controlling interests		(30,081)	5,364
TOTAL EQUITY		3,226,128	1,069,673

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

De.mem Limited
Statement of changes in equity
For the financial year ended 31 December 2017

	Share Capital	Other Reserve (Foreign exchange difference)	Share Based Payment	Non- Controlling	Accumulated Losses	Total Equity
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 January 2016	2,250,831	10,652	-	-	(1,448,409)	813,074
Loss after income tax	-	-	-	(15,020)	(1,771,074)	(1,786,094)
Other comprehensive income	-	59,647	-	(95)	-	59,552
Total comprehensive loss for the period	-	59,647	-	(15,115)	(1,771,074)	(1,726,542)
Transactions with equity holders						
Issue of share capital	1,962,662	-	-	-	-	1,962,662
Acquisition of subsidiary – non-controlling interest	-	-	-	20,479	-	20,479
Balance at 31 December 2016	4,213,493	70,299	-	5,364	(3,219,483)	1,069,673
Balance at 1 January 2017	4,213,493	70,299	-	5,364	(3,219,483)	1,069,673
Loss after income tax	-	-	-	(34,949)	(6,302,303)	(6,337,252)
Other comprehensive loss	-	(22,460)	-	(496)	-	(22,956)
Total comprehensive loss for the period	-	(22,460)	-	(35,445)	(6,302,303)	(6,360,208)
Transactions with equity holders						
Share issue for acquisition of subsidiary	1,921,538	-	-	-	-	1,921,538
Capital raising	7,000,000	-	-	-	-	7,000,000
Capital raising cost	(1,011, 580)	-	-	-	-	(1,011, 580)
Share based payment	-	-	606,705	-	-	606,705
Balance at 31 December 2017	12,123,451	47,839	606,705	(30,081)	(9,521,786)	3,226,128

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

De.mem Limited
Statement of cash flows
For the financial year ended 31 December 2017

		Consolidated	
	Note	31-Dec 2017 \$	31-Dec 2016 \$
Cash flows from operating activities			
Receipts from customer		2,616,007	767,498
Interest received		18,146	105
Payments to suppliers and employees		(5,028,864)	(1,958,921)
Net cash used in operating activities	21	(2,394,711)	(1,191,318)
Cash flows from investing activities			
Payments for property, plant & equipment		(257,763)	(146,184)
Proceeds from sale of property, plant & equipment		361,090	-
Acquisition of subsidiaries		(752,753)	(207,550)
Net cash used in investing activities		(649,426)	(353,734)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		6,312,935	1,244,831
Repayment of borrowings		(175,084)	-
Net cash provided by financing activities		6,137,851	1,244,831
Net increase/(decrease) in cash and cash equivalents		3,093,714	(300,221)
Effects of exchange rates changes		(14,134)	1,248
Cash and cash equivalents at the beginning of the financial year		191,053	490,026
Cash and cash equivalents at the end of the financial year	6	3,270,633	191,053

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

Note 1. Significant accounting policies

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 23. The company was admitted to the official list of the ASX on 7 April 2017.

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.

The financial report was authorised for issue by the Board on 28 March 2018.

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 preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this Note.

The significant policies, which have been adopted in the preparation of this financial report, are:

Functional and Presentation Currency

The preliminary financial statements have been presented in Australian dollars (AUD), which is the Group's functional and presentation currency. During the year the Group changed its functional and presentation currency from Singapore dollars (SGD) to AUD. This reflects the change in the Consolidated entity's revenue mix.

Acquisition accounting – De.mem Pte Ltd

On 14 March 2017, De.mem Limited, the legal parent and legal acquirer, completed the acquisition of De.mem Pte Ltd (company incorporated in Singapore) and its controlled subsidiaries. The acquisition did not meet the definition of a business combination in accordance with AASB 3 Business Combinations, with De.mem Pte Ltd deemed to be the accounting acquirer. The acquisition has been treated using the principles of reverse acquisition accounting. Effectively De.mem Pte Ltd has acquired the net assets and listing status of De.mem Limited.

Accordingly, the consolidated financial statements of the De.mem Limited have been prepared as a continuation of the business and operations of De.mem Pte Ltd and the transaction measured at the fair value of the equity instruments that would have been given by the controlled entity, De.mem Pte Ltd, to have exactly the same percentage holding in the new structure at the date of acquisition.

The implications of the acquisition on the financial statements are as follows;

Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows.

- The 31 December 2017 statements comprise 12 months of De.mem Pte Ltd and its subsidiaries, 9 months and 17 days of De.mem Limited and 3 months 13 days of Akwa-Worx Pty Ltd and Akwa Facility Maintenance Pty Ltd.
- The 31 December 2016 comparative statements comprise 12 months of De.mem Pte Ltd and its subsidiaries.

Statement of Financial Position

- The statement of financial position as at 31 December 2017 comprises De.mem Pte Ltd and its subsidiaries, De.mem Limited and its controlled entities, Akwa-Worx Pty Ltd and Akwa Facility Maintenance Pty Ltd.
- The comparative statement of financial position at 31 December 2016 comprises De.mem Pte Ltd and its subsidiaries.

Note 1. Significant accounting policies (continued)

Statement of compliance

The financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

New and Revised Accounting Standards and Interpretations

The Consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated entity.

The Consolidated entity's assessment of the new and amended pronouncements that are relevant to the Consolidated entity but applicable in future reporting periods is set out below:

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces 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 solely principal and interest. All other financial instrument assets are to be 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) in other comprehensive income ('OCI'). For financial liabilities, 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 will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under 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. The standard introduces additional new disclosures. The Consolidated entity has made an assessment and determined that this standard will have little to no impact on the entity as it does not have any financial instruments.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be 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. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Consolidated entity is progressing with the assessment to determine the impact of this standard on the financial performance and position of the Consolidated entity.

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,

Note 1. Significant accounting policies (continued)

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. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Consolidated entity is progressing with the assessment to determine the impact of this standard on the financial performance and position of the Consolidated entity. The operating leases will be capitalised and corresponding lease liabilities and right to use assets will be recorded on the statement of financial position.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of De.mem Limited as at 31 December 2017 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.

Where the Consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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.

Stage of completion is measured 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.

Note 1. Significant accounting policies (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.

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.

Note 1. Significant accounting policies (continued)

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.

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 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

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Controlled Entities

Investments in controlled entities are recognised at cost less provision for impairment.

Impairment

At each reporting date, the directors assess whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit or loss.

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 includes 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 receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Consumables and supplies are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

Note 1. Significant accounting policies (continued)

Provisions

Provisions are recognised when the entity has a present (legal or constructive) obligation as a result of a past event, it is probable the entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

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.

The cost of equity-settled transactions are recognised 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 portion 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.

Note 1. Significant accounting policies (continued)

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.

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.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 1. Significant accounting policies (continued)

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

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)

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.

Loss per share

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.

Issued Capital

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.

Dividends

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

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 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 comprehensive income.

Controlled Entities

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.

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated entity for the annual reporting period ended 31 December 2017.

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. Revenue

	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
Rendering of services	1,063,392	112,467
Sale of goods	1,202,804	160,834
Contracting revenue	664,227	-
Total	2,930,423	273,301

Note 3. Administration, general & selling expenses

	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
Traveling expenses	221,108	48,726
Motor vehicle expenses	129,843	64,415
Salaries and wages	1,438,859	644,634
Corporate advisory services	260,838	286,626
Share based payments	282,190	-
Rental expenses	140,069	63,977
Other administration expenses	534,577	192,951
Total	3,007,484	1,301,329

De.mem Limited
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Note 4. Income tax

	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
The prima facie tax on loss before income tax is reconciled to the income tax as follows:		
Loss before income tax	(6,372,967)	(1,786,094)
Income tax calculated at 27.5% (2016: 28.5%)	(1,752,566)	(509,037)
Non allowable expenditure	837,338	32,647
Deferred tax assets not recognised	734,564	270,989
Effect of different tax rates in different countries	197,003	205,401
Other	19,376	-
Income tax benefit	35,715	-

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 2017	31-Dec 2016
	\$	\$
<i>Tax loss carried forward</i>		
Australia	1,475,207	-
Singapore	711,030	461,726
Vietnam	1,040,037	962,478
Total	3,226,274	1,424,204

	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
<i>Unrecognised deferred tax asset</i>		
Australia	405,682	-
Singapore	120,875	78,493
Vietnam	208,007	192,496
Total	734,564	270,989

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.

De.mem Limited
Notes to the financial statements
For the financial year ended 31 December 2017

Note 5. Loss per share

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

	Consolidated 31-Dec 2017 \$
Loss after tax for the year	(6,337,252)
Loss after tax used in calculating basic and diluted loss per share	(6,337,252)
Weighted average number of ordinary shares used in calculating basic loss per share:	79,037,404
Weighted average number of ordinary shares used in calculating diluted loss per share:	79,037,404
Basic loss per share (cents)	8.02
Diluted loss per share (cents)	<u>8.02</u>

Note 6. Cash and cash equivalents

	Consolidated 31-Dec 2017 \$	31-Dec 2016 \$
Cash on hand	14,152	676
Cash at bank	2,956,481	190,377
Cash on deposit	300,000	-
Total	<u>3,270,633</u>	<u>191,053</u>

Note 7. Trade and other receivables

	Consolidated 31-Dec 2017 \$	31-Dec 2016 \$
Trade receivables	1,732,270	234,146
Other receivables	61,466	72,320
Total	<u>1,793,737</u>	<u>306,466</u>

Past due but not impaired

Customers with balances past due but without provision for impairment:

	Consolidated 31-Dec 2017 \$	31-Dec 2016 \$
0 to 2 months overdue	359,962	94,376
3 to 4 months overdue	18,300	-
Over 4 months	588,729	139,770
	<u>966,991</u>	<u>234,146</u>

De.mem Limited
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For the financial year ended 31 December 2017

Note 8. Inventories

	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
Consumables and supplies	236,039	79,046
Total	236,039	79,046

Note 9. Other assets

	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
<i>Current</i>		
Prepayments	357,763	292,814
	357,763	292,814
<i>Non-current</i>		
Other	4,905	4,583
Total	362,668	297,397

De.mem Limited
Notes to the financial statements
For the financial year ended 31 December 2017

Note 10. Property, plant and equipment

	Consolidated	
	31-Dec	31-Dec
	2017	2016
	\$	\$
Leasehold improvements - at cost	61,971	31,328
Less: Accumulated depreciation	<u>(45,463)</u>	<u>(9,137)</u>
	<u>16,508</u>	<u>22,191</u>
Plant and equipment - at cost	1,225,165	855,589
Less: Accumulated depreciation	<u>(644,407)</u>	<u>(205,471)</u>
	<u>580,758</u>	<u>650,118</u>
Construction in progress	42,510	-
Less: Accumulated depreciation	<u>-</u>	<u>-</u>
	<u>42,510</u>	<u>-</u>
	<u>639,776</u>	<u>672,309</u>

Reconciliations

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

Consolidated	Leasehold improvements \$	Plant and equipment \$	Construction In progress \$	Total \$
Balance at 1 January 2016	-	77,153	-	77,153
Additions	31,890	114,294	-	146,184
Additions through business combinations	-	683,984	-	683,984
Disposals	-	(93,570)	-	(93,570)
Foreign exchange adjustments	(398)	6,019	-	5,621
Depreciation expense	<u>(9,301)</u>	<u>(137,762)</u>	<u>-</u>	<u>(147,063)</u>
Balance at 31 December 2016	22,191	650,118	-	672,309
Additions	-	215,856	41,907	257,763
Additions through business combinations (Note 18)	10,448	200,217	-	210,665
Foreign exchange adjustments	(223)	(9,202)	603	(8,822)
Disposals	-	(361,090)	-	(361,090)
Depreciation expense	<u>(15,908)</u>	<u>(115,141)</u>	<u>-</u>	<u>(131,049)</u>
Balance at 31 December 2017	<u>16,508</u>	<u>580,758</u>	<u>42,510</u>	<u>639,776</u>

De.mem Limited
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Note 11. Trade and other payables

	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
Income in advance	451,382	-
Trade payables	1,327,316	137,179
Accruals	162,735	128,292
Other payables	337,158	211,127
Total	2,278,591	476,598

Note 12. Borrowings

	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
<i>Current</i>		
Credit card	358,516	-
Lease liabilities – secured	17,798	-
	<u>376,314</u>	<u>-</u>
<i>Non-current</i>		
Lease liabilities – secured	77,339	-
	<u>77,339</u>	<u>-</u>
Total	453,653	-

The lease liabilities are secured by a charge over the assets being leased.

Note 13. Capital and leasing commitments

	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
<i>Finance Leasing and Hire Purchase Commitments</i>		
Payable - minimum lease payments:		
not later than 12 months	21,257	-
between 12 months and 5 years	82,353	-
Minimum lease payments	<u>103,910</u>	<u>-</u>
Less future finance charges	<u>(8,773)</u>	<u>-</u>
Present value of minimum lease payments	95,137	-
Representing:		
Lease liability - current	17,798	-
Lease liability - non-current	<u>77,339</u>	<u>-</u>
	95,137	-
<i>Office rental commitments</i>		
Within 1 year	109,725	62,775
After 1 year but not more than 5 years	<u>25,017</u>	<u>11,583</u>
	134,742	74,358

De.mem Limited
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Note 14. Employee benefits

	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
<i>Current</i>		
Employee benefits	271,779	-
<i>Non-current</i>		
Employee benefits	45,375	-
Total	317,154	-

Note 15. Issued capital

	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
106,048,854 ordinary shares - fully paid (2016: 1,581,750)	12,123,451	4,213,493

Movements in ordinary share capital

Details	Date	Shares	Issue price \$	\$
Opening balance	01/01/2017	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	14/03/2017	-	-	4,213,493
Issue of shares to shareholders of De.mem Pte Ltd	14/03/2017	65,000,000	-	1,461,538
Issue of shares – initial public offering	14/03/2017	22,500,000	0.20	4,500,000
Issue of shares to shareholders of Akwa Worx Pty Ltd and Akwa Facility Maintenance Pty Ltd	14/09/2017	1,807,200	-	460,000
Share issue	14/11/2017	9,433,962	0.27	2,500,000
Cost of share issues		-	-	(1,011,580)
Closing balance	31/12/2017	106,048,854		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.

Note 15. Issued capital (continued)

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 2017 and no dividends are expected to be paid in 2018.

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 16. Share based payment reserve

	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
Options Reserve	606,705	-

Movements in reserve

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

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

De.mem Limited
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Note 16. Share based payment reserve (continued)

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.

On 30 March 2017, the entity issued 3,800,000 options 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.

On 12 May 2017, the entity issued 750,000 options vesting over multiple service periods to an employee of the Company.

On 11 September 2017, the entity issued 1,250,000 options to an advisor of the Company.

Set out below are summaries of options granted under the plan:

Options	Grant date	Exercise Price \$	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
2016							
Directors	21/11/2016	0.30	2,500,000	-	-	-	2,500,000
Management	21/11/2016	0.30	1,750,000	-	-	-	1,750,000
2017							
Lead Manager	30/03/2017	0.30	-	3,800,000	-	-	3,800,000
Employee	12/05/2017	0.30	-	750,000	-	-	750,000
Lead Manager	11/09/2017	0.30	-	1,250,000	-	-	1,250,000
			4,250,000	5,800,000	-	-	10,050,000

	Lead Manager Options	Employee Options	Lead Manager Options
Assumptions			
Stock price	\$0.20	\$0.375	\$0.315
Exercise price	\$0.30	\$0.30	\$0.30
Expiry period	3 years	3 years	3 years
Expected future volatility	80%	50%	100%
Risk free rate	1.99%	1.78%	1.97%
Dividend yield	0%	0%	0%
Amount of options	3,800,000	750,000	1,250,000
Fair value of options	324,515	32,405	249,785

De.mem Limited
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Note 17. 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	<u><u>1,461,538</u></u>

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	<u><u>9,314,083</u></u>

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	<u><u>1,128,914</u></u>
Trade and other payables	455,718
Total Liabilities	<u><u>455,718</u></u>
Net Assets	<u><u>673,196</u></u>

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	<u><u>788,342</u></u>

De.mem Limited
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Note 18. Acquisition accounting Akwa-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	<u>(628,737)</u>
Net liabilities acquired	(640,850)
Impairment of goodwill	<u>3,007,100</u>
Acquisition-date fair value of the total consideration	<u>2,366,250</u>
<i>Representing:</i>	
Cash paid	1,500,000
Shares issue	460,000
Contingent consideration payable	<u>406,250</u>
Acquisition-date fair value of the total consideration	<u>2,366,250</u>
Acquisition costs expensed to profit or loss	<u>85,453</u>
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	<u>(34,046)</u>
Net cash used	<u>1,465,954</u>

Note 19. Segment reporting

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

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies. The following tables are an analysis of the Group's revenue and results by reportable segment provided to the Directors for the year ended 31 December 2017 and 31 December 2016

2017	Singapore – De.mem Pte Ltd	Akwa Group Pty Ltd	Australia – De.mem Limited	Consolidated
Revenue from external customers	797,328	2,665,539	-	3,462,867
Intersegment revenue	-	(532,444)	-	(532,444)
Segment revenue	797,328	2,133,095	-	2,930,423
Segment result (loss before tax)	(1,876,223)	(173,495)	(4,323,249)	(6,372,967)
Segment assets	1,295,953	2,086,247	2,919,843	6,302,043
Segment liabilities	265,977	2,363,181	446,757	3,075,915
2016				
Revenue from external customers	273,301	-	-	273,301
Intersegment revenue	-	-	-	-
Segment revenue	273,301	-	-	273,301
Segment result	(1,786,094)	-	-	(1,786,094)
Segment assets	1,546,271	-	-	1,546,271
Segment liabilities	476,598	-	-	476,598

Note 20. Auditors Remuneration

	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
<u>Audit of the financial statements - RSM Australia Partners</u>		
Audit and review of financial reports	51,000	-
	51,000	-
<u>Other services - RSM Australia Pty Ltd</u>		
Independent expert reports	2,000	-
	2,000	-
<u>Audit services - Network firms</u>		
Audit or review of the financial statements – RSM Chio Lim LLP	27,820	34,870
	27,820	34,870
Total	80,820	34,870

De.mem Limited
Notes to the financial statements
For the financial year ended 31 December 2017

Note 21: Cash flow information

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

	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
Loss for the year	(6,372,967)	(1,786,094)
Depreciation	131,049	147,064
Loss on disposal of plant and equipment	-	93,570
Share based payments	282,190	-
Restructuring and listing expenses	788,342	-
Loss from acquisition of a business	3,007,100	258,841
Movements in assets and liabilities:		
Trade and other receivables	154,401	494,197
Inventory	64,658	(60,447)
Other assets	(49,581)	(111,252)
Trade and other payables	(399,903)	(227,197)
Employee benefits		
Net cash used in operating activities	(2,394,711)	(1,191,318)
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 22. Key management personnel disclosures

The totals of remuneration paid to key management personnel during the year are as follows:

	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
Short term employee benefits	293,697	133,717
Post-employment benefits	9,052	-
Total	302,749	133,717

De.mem Limited
Notes to the financial statements
For the financial year ended 31 December 2017

Note 23. Parent entity disclosures

(a) Financial Position

	31-Dec 2017 \$	31-Dec 2016 \$
Total current assets	<u>2,919,843</u>	<u>1,064,595</u>
Total non-current assets	<u>753,043</u>	<u>-</u>
Total assets	<u>3,672,886</u>	<u>1,064,595</u>
Total current liabilities	<u>446,758</u>	<u>120,538</u>
Total liabilities	<u>446,758</u>	<u>120,538</u>
Net assets	<u>3,226,128</u>	<u>944,057</u>
Issued capital	7,909,958	949,975
Option reserves	606,705	361,250
Accumulated losses	<u>(5,290,535)</u>	<u>(367,168)</u>
Total equity	<u><u>3,226,128</u></u>	<u><u>944,057</u></u>

(b) Financial Performance

	31-Dec 2017 \$	31-Dec 2016 \$
Loss for the year	(4,923,367)	(367,168)
Other comprehensive income	<u>-</u>	<u>-</u>
Total Comprehensive Loss	<u><u>(4,923,367)</u></u>	<u><u>(367,168)</u></u>

(c) Guarantees

De.mem Limited has not entered into any guarantees in relation to the debts of its subsidiaries.

(d) Other Commitments and Contingencies

De.mem Limited had no commitments or contingent liabilities as at 31 December 2017 and 31 December 2016.

(e) Plant and Equipment Commitments

De.mem Limited has no commitments to acquire property, plant and equipment.

(f) Significant Accounting Policies

De.mem Limited accounting policies do not differ from those of the Consolidated entity disclosed in Note 1.

De.mem Limited
Notes to the financial statements
For the financial year ended 31 December 2017

Note 24. 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	
Name of Controlled Entity			
Akwa – Worx Pty Ltd	Australia	Water and waste water treatment	100%
Akwa Facility Maintenance Pty Ltd	Australia	Water and waste water treatment	100%
De.mem Pte Ltd	Singapore	Water and waste water treatment	100%
De.mem Vietnam Ltd	Vietnam	Technical Advisory services	100%
GD Wasser Pte Ltd	Singapore	Manufacturing and repair	100%
GD Wasser Vietnam Ltd	Vietnam	Technical consulting Services	100%

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

	Country of Incorporation	Principal Activities	Parent Ownership %	Non- controlling interest %
GD Wasser Long An Company Ltd*	Vietnam	Water and waste water treatment	90%	10%
GD Wasser Nghe An Company Ltd**	Vietnam	Water and waste water treatment	90%	10%

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

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

Note 25: Risk management objectives and policies

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

The main purpose of these financial instruments is to finance the Consolidated entity's operations. The Consolidated entity 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 Consolidated entity's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Consolidated entity's financial instruments is cash flow interest rate risk. Other minor risks are either summarised below or disclosed at Note 15 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.

**Consolidated
2017**

	Non- Interest Bearing (\$)	Fixed Interest Rate Maturing 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	-
	<u>4,764,370</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,064,370</u>	
Financial liabilities:							
Trade and other payables	2,278,591	-	-	-	-	2,278,591	-
Borrowings	358,516	17,798	77,339	-	-	453,653	4.35%
	<u>2,637,107</u>	<u>17,798</u>	<u>77,339</u>	<u>-</u>	<u>-</u>	<u>2,732,244</u>	
Net financial instruments	<u>2,127,263</u>	<u>282,202</u>	<u>(77,339)</u>	<u>-</u>	<u>-</u>	<u>2,332,126</u>	

NOTE 25: Risk management objectives and policies (continued)

**Consolidated
2016**

	Non- Interest Bearing (\$)	Fixed Interest Rate Maturing 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	191,053	-	-	-	-	191,053	-
Trade and other receivables	306,466	-	-	-	-	306,466	-
	<u>497,519</u>	-	-	-	-	<u>497,519</u>	
Financial liabilities:							
Trade and other payables	476,598	-	-	-	-	476,598	-
	<u>476,598</u>	-	-	-	-	<u>476,598</u>	
Net financial instruments	<u>20,921</u>	-	-	-	-	<u>20,921</u>	

Interest Rate Sensitivity

At 31 December 2017, 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 maximum credit risk exposure for each class of financial assets is represented by the carrying amounts of the class of asset.

The Consolidated entity has no significant concentrations of credit risk with any single counterparty or group of counterparties.

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 2017	31-Dec 2016
	\$	\$
<i>Contracted maturities of liabilities at 31 December</i>		
Payables		
- less than 6 months	<u>2,278,591</u>	<u>476,598</u>

NOTE 25: Risk management objectives and policies (continued)

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 2017	31-Dec 2016	31-Dec 2017	31-Dec 2016
Consolidated	\$	\$	\$	\$
Singapore dollars (SGD)	570,825	497,519	265,977	476,598

The Consolidated entity had net assets denominated in foreign currencies of \$304,848 (2016: \$20,921). At 31 December 2017, 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.

Reconciliation of Net Financial Assets to Net Assets	Consolidated	
	31-Dec 2017	31-Dec 2016
	\$	\$
Net financial assets	2,704,971	392,781
Plant and equipment	639,776	672,309
Net assets	3,344,747	1,065,090

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. Contingent assets and liabilities

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

Note 27. Subsequent events

Subsequent to the end of the financial year ended 31 December 2017, the following events have occurred:

On 20 February 2018, De.mem Limited announced the successful completion of industrial-scale pilot trials using its proprietary nanofiltration membrane in projects in both Singapore and Vietnam. The trials confirm good performance and rejection of the membrane and its readiness for deployment in commercial projects.

On 8 March 2018, the Company reported about the in-licensing of a new hollow fiber Forward Osmosis (FO) technology from NTU for applications in industrial waste water treatment, in particular: the de-watering of reject generated by membrane-based water treatment plants. The new technology is highly complementary to De.mem's existing business, as it aims to reduce the cost incurred by clients for the disposal of waste which is resulting from the operations of membrane based water treatment plants. It concentrates and substantially reduces the volume of such waste making use of a process that uses osmotic pressure. The basic principle works without the requirement for the application of any mechanical pressure from outside, making it very energy efficient. The technology aims at an initial target market of an estimated A\$400 million per annum (source: ForwardOsmosisTech).

De.mem Limited
Notes to the financial statements
For the financial year ended 31 December 2017

Note 28. Related party transactions

Parent Entity

De.mem Limited is the Parent Entity.

Subsidiaries

Interests in subsidiaries are set out in Note 24.

Key management personnel

Disclosures relating to key management personnel are set out in Note 22 and the remuneration report included in the directors' report.

Transactions with related parties

Corporate advisory fees paid to Ventnor Capital Pty Ltd of \$163,295 during the financial year ended 31 December 2017. Stuart Carmichael (non-executive director) is a director and shareholder of Ventnor Capital Pty Ltd.

Purchases and sales by Akwa-Worx Pty Ltd (subsidiary) from ENF Group Pty Ltd amount of \$51,689 and A\$15,305 respectively. Shane Ayre (key management personnel of the Consolidated entity) is a director and shareholder of ENF Group Pty Ltd.

There were no transactions with related parties during the financial year ended 31 December 2016.

Receivable from and payable to related parties

Payables to Ventnor Capital Pty Ltd of A\$8,326 at the reporting date, (receivables – Nil).

Payables and receivables to/from ENF Group Pty Ltd amount of A\$38,203 and A\$7,917 respectively.

There were no receivable from and payable to from related parties at the previous reporting date.

Loans to/from related parties

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

De.mem Limited
Directors' declaration
For the financial year ended 31 December 2017

In the opinion of the directors:

- a) The financial statements, notes and additional disclosures included in the directors' report designated as audited, are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the Consolidated entity's financial position as at 31 December 2017 and of its performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b) the financial statements and notes, comply with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
- c) 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 has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 31 December 2017.

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



Andreas Richard Kroell
Director

28 March 2018
Perth

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

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 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the 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:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and
- (ii) 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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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 this matter
Acquisition of De.mem Pte Ltd Refer to Notes 1 and 17 in the financial statements	
As disclosed in Notes 1 and 17 in the financial statements, during the year, De.mem Limited acquired 100% of the share capital of De.mem Pte Ltd for a consideration of 65 million ordinary shares. The audit of a reverse acquisition is a key audit matter due to the accounting complexity resulting from the accounting acquirer and legal acquirer being different. The reverse acquisition is accounted for as a result of De.mem Limited (the accounting parent) issuing a share-based payment in return for the net assets acquired in the company and a listing status. Furthermore, judgement is involved in the determination of the value of the purchase consideration settled by way of a share-based payment.	Our audit procedures included: • Holding discussions with management as to the background of the transaction, and reviewing the implementation agreement; • Obtaining an understanding of the transaction including an assessment of the accounting acquirer and whether the transaction constituted a business or an asset acquisition; • Evaluating management's determination that the acquisition did not meet the definition of a business within AASB 3 <i>Business Combinations</i>, and should therefore be treated using the principles of reverse acquisition accounting; • Evaluating the valuation of the shares issued as consideration for the acquisition; • Checking the calculation of the share-based payment, net assets acquired and resulting restructuring and listing expense; and • Assessing the appropriateness of disclosures included in the financial report.
Acquisition of Akwa-Worx Pty Ltd and Akwa Facility Maintenance Pty Ltd Refer to Note 18 in the financial statements	
On 18 September 2017, De.mem Limited acquired 100% of the ordinary shares of Akwa-Worx Pty Limited and Akwa Facility Maintenance Pty Ltd. The purchase consideration of \$2,366,250 was made partially by cash of \$1,500,000 and included the issue of 1,807,200 fully paid ordinary shares of the Company under a share sale agreement. Contingent consideration payable as at 31 December 2017 was \$203,125 by cash and \$203,125 by issue of fully paid ordinary shares of the Company. The accounting for this acquisition is considered to be a key audit matter because it involved the exercise of judgment in relation to: • Determining whether the transaction was a business combination or an asset acquisition, based on whether the definition of a business in AASB 3 <i>Business Combinations</i> was met; • Determining the fair value of the consideration paid through the issue of ordinary shares; • Determining the fair value of net assets acquired; and • Determining the acquisition date.	Our audit procedures included: • Reviewing the share sale agreement to understand the transaction and the related accounting considerations; • Assessing management's determination of the fair value of the consideration paid and assets acquired; • Evaluating management's determination that the acquisition met the definition of a business within AASB 3 <i>Business Combinations</i> and therefore was a business combination; and • Assessing the appropriateness of the disclosures in the financial report in respect of the acquisition.

Other Information

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 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 *Corporation 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.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 within the directors' report for the year ended 31 December 2017.

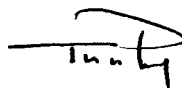
In our opinion, the Remuneration Report of De.mem Limited, for the year ended 31 December 2017, complies with section 300A of the Corporations Act 2001.

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.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 28 March 2018

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 at 5 March 2018 is 107,668,974 ordinary fully paid shares. All ordinary shares carry one vote per share.

TOP 20 SHAREHOLDERS AS AT 5 MARCH 2018

		No. of Shares Held	% Held
1	NA SINGAPORE EARLY-STAGE VENTURE FUND I PTE LTD	41,795,168	38.82
2	NEW ASIA INVESTMENTS PTE LTD	11,921,611	11.07
3	ANDREAS KROELL	2,606,409	2.42
4	NGUYEN THI NGOC ANH	2,356,931	2.19
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,053,204	1.91
6	KIAN LIP TEO	2,048,850	1.9
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,450,000	1.35
8	CITICORP NOMINEES PTY LIMITED	1,249,404	1.16
9	ALZIE PT LTD	1,227,619	1.14
10	LYNALIMACK PTY LTD	1,199,701	1.11
11	ALIUM CAPITAL MANAGEMENT PTY LTD	1,180,000	1.1
12	MRS LILY MAH	1,132,075	1.05
13	NICANOR TAN SUARIN	1,027,342	0.95
14	SINGAPORE EARLY-STAGE VENTURE FUND I PTE LTD	1,000,000	0.93
15	PROF ANTHONY GORDON FANE	991,221	0.92
16	ANDREAS HENDRIK DE WIT	961,538	0.89
17	ANDREAS HENDRIK DE WIT	943,396	0.88
17	JOHANNES ALBERT LAMPRECHT	943,396	0.88
18	HELMUT MENHART	850,000	0.79
19	NEO INTERNATIONAL INVESTMENTS LTD	835,969	0.78
20	GLENEAGLE ASSET MANAGEMENT LIMITED	807,692	0.75
	TOTAL	78,581,526	72.98

Shares Range

100,001 and Over
10,001 to 100,000
5,001 to 10,000
1,001 to 5,000
1 to 1,000

No. of Holders	No. of Shares
90	97,299,546
232	9,909,668
40	370,697
30	87,860
6	1,203
398	107,668,974

As at 5 March 2018, there were 19 shareholders, representing a total of 26,260 shares, holding less than a marketable parcel.

Shareholders by Location

Australian holders
Overseas holders

No. of Holders	No. of Shares
355	32,512,743
43	75,156,231
398	107,668,974

VOTING RIGHTS

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

SUBSTANTIAL SHAREHOLDERS AS AT 5 MARCH 2018

	No. of Shares Held	% Held
NA SINGAPORE EARLY-STAGE VENTURE FUND I PTE LTD	41,795,168	38.82
NEW ASIA INVESTMENTS PTE LTD	11,921,611	11.07

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
		<u>10,050,000</u>

Options Range

	Unlisted Options	
	No. of Holders	No. of Options
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	1	10,000
10,001 – 100,000	5	297,000
100,001 and over	21	9,743,000
	<u>27</u>	<u>10,050,000</u>

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.