Babylon Pump & Power Limited (BPP)

009 436 908

Appendix 4D – Half Year Report for six months ended 31 December 2019

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1. Details of reporting periods:

Current reporting period : Six (6) months to 31 December 2019

Previous corresponding period : Six (6) months to 31 December 2018

2. Results for announcement to the market:

	Six Months 31 December 2019 $	Six Months 31 December 2018 $	% Change
Revenues	7,845,719	5,008,458	57%
Profit / (Loss)	(333,269)	(1,187,259)	72%
Profit/ (Loss) after tax attributable to members.	(333,269)	(1,187,259)	72%

Refer to enclosed Financial Report for the half year ended 31 December 2019 for further commentary.

Dividends / distributions	Amount per security (cents)	Franked amount per security (cents)	Amount $'000	Amount per security of foreign sourced dividends (cents)	Record date	Date paid / payable
Interim dividend – current period	Nil	Nil	Nil	Nil	N/A	N/A
Interim dividend – previous period	Nil	Nil	Nil	Nil	N/A	N/A

3. Statement of comprehensive income

Refer to enclosed Financial Report for the half year ended 31 December 2019.

4. Statement of financial position

Refer to enclosed Financial Report for the half year ended 31 December 2019.

This Appendix 4D Half Year Report is provided to the ASX under Listing Rule 4.3B and should be read in conjunction with the accompanying Interim Financial Report for the half year ended 31 December 2019.

5. Statement of cash flows

Refer to enclosed Financial Report for the half year ended 31 December 2019.

6. Dividend payments

Not applicable.

7. Dividend reinvestment plans

Not applicable.

8. Statement of changes in equity

Refer to enclosed Financial Report for the half year ended 31 December 2019.

9. Net tangible assets per security

	31 December 2019 (cents)	30 June 2019 (cents)
Net tangible assets per ordinary security	0.0085	0.0038

10. Gain or loss of control over entities

Refer to enclosed Financial Report for the half year ended 31 December 2019.

11. Associates and joint ventures

Not applicable.

12. Other significant information

Not applicable.

13. Foreign entities

Not applicable.

14. Status of audit

The Financial Report for the half year ended 31 December 2019 has been audit reviewed and is not subject to dispute or qualification.

This Appendix 4D Half Year Report is provided to the ASX under Listing Rule 4.3B and should be read in conjunction with the accompanying Interim Financial Report for the half year ended 31 December 2019.

Babylon Pump & Power Limited

ACN 009 436 908

and its controlled entities

FINANCIAL REPORT
FOR THE HALF YEAR ENDED

31 DECEMBER 2019

Corporate Directory

Directors
Mr Michael Shelby
Executive Chairman

Mr Patrick Maingard
Executive Director

Mr Michael Kenyon
Non-Executive Director

Company Secretary
Mr Michael Kenyon

Registered & Principal Office
74 Harrison Road
FORRESTFIELD WA 6309
AUSTRALIA

Telephone: +61 8 9454 6309
Email: admin@babylonpumpandpower.com
Website: www.babylonpumpandpower.com

Postal Address
PO Box 31
COMO WA 6952
AUSTRALIA

Share Registry
Automic Registry Services
Level 3, 50 Holt Street
SURRY HILLS NSW 2010
AUSTRALIA

Telephone: 1300 288 664
Fax: (02) 8583 3040

Auditor
BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008
AUSTRALIA

Bankers
National Australia Bank Limited
100 St Georges Terrace
PERTH WA 6000
AUSTRALIA

Stock Exchange Listing
Australian Securities Exchange
ASX Code: BPP

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Directors' report

For the half year ended 31 December 2019

The directors present their report together with the consolidated financial report for the six months ended 31 December 2019 and the review report thereon.

Directors

The directors of Babylon Pump & Power Limited ("Babylon" or "the Company") at any time during or since the end of the interim period are:

Mr Michael Shelby	Executive Chairman
Mr Patrick Maingard	Executive Director
Mr Michael Kenyon	Non-Executive Director and Company Secretary

Unless otherwise disclosed, all directors held their office from 1 July 2019 until the date of this report.

Review of Financial Operations

The consolidated entity's (or Group) operational revenue for the six-month period ended 31 December 2019 was $7.85 million, compared with $5.01 million for the six-month period ended 31 December 2018. Noting the Company's infancy, the directors are pleased with the level of revenue growth and remain optimistic around the ongoing growth trajectory for the Company moving forward.

The consolidated entity's (or Group) net loss after tax for the six-month period ended 31 December 2019 was $0.33 million, compared with a net loss after tax of $1.19 million for the previous six-month period to 31 December 2018.

The table below provides a comparison of the key results for the six-month period ended 31 December 2019 as reported, against the six-month period ended 31 December 2018.

Comprehensive Income Statement	% Change	6 month period to 31 December 2019 $	6 month period to 31 December 2018 $
Revenue from operations	57%	7,845,719	5,008,458
Reported EBITDA	n/a	1,317,196	(48,157)
Reported profit/(loss) after tax attributable to members	72%	(333,269)	(1,187,259)

Review of Operations

Babylon has grown rapidly since commencing operations in May 2017. Babylon has quickly gained momentum securing contracts to work direct for major miners as well as large oil & gas and mining service companies. In September 2019, Babylon completed the acquisition of Primepower Queensland expanding capabilities, capacity, customer base and geographical coverage.

The Group is continuing to see strength in underlying industry fundamentals which is being reflected in the level of client engagement and growth in Babylon's opportunity pipeline.

Babylon is focused in two complementary areas being:

(i) maintenance and rebuild services for diesel driven equipment, and

(ii) rental of specialty diesel driven pumping and power generation equipment.

Directors' Report (continued)

Diesel Maintenance Activities

Heavy diesel maintenance workload continues to grow and deliver underlying revenue which is supporting continual workforce expansion to meet market demand. Growth in Babylon's work in progress, order book and pipeline is being driven by multiple factors:

Deferred maintenance by clients, driving a need for more comprehensive engine and component rebuild programs;
Clients have limited availability of internal skilled resources to support ongoing diesel maintenance and continue to look for alternatives to OEMs; and
Babylon leveraging reputation and capabilities as a result of Primepower acquisition

Larger engine maintenance opportunities are currently under development with multiple clients.

Power Generation and Dewatering Activities

Babylon is pleased to have recently announced a 3-year dewatering services contract with BHP Nickle West. Other current rental projects cover multiple industries including power generation to iron ore, renewable energy backup and pumping to oil & gas, mining, infrastructure, minerals drilling.
Current power generation projects include:

5MW portable diesel power generation for BHP Area C; and
Multiple applications of smaller synchronized portable diesel power generation installations for resources.
Dewatering and pumping projects include dewatering and water management for nickel, gold and iron ore miners as well as pressure pumping projects for oil and gas service companies.

Further, Babylon has multiple material rental proposals outstanding for long term power generation and specialty oil and gas pumping with top tier clients.

Michael Shelby
Executive Chairman

26th of February 2020

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF BABYLON PUMP AND POWER LIMITED

As lead auditor for the review of Babylon Pump and Power Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Babylon Pump and Power Limited and the entities it controlled during the period.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 26 February 2020

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2019

Profit or Loss and Other Comprehensive Income	*Notes*	31 December 2019 *($)*	31 December 2018 *($)*
Revenue from contracts with customers		7,845,719	5,008,458
Cost of Sales		(5,472,992)	(3,274,113)
Gross Profit		**2,372,727**	**1,734,345**
Other Income		30,951	(2,901)
Employee Benefits Expense	7	(586,368)	(1,450,254)
Admininstration and Corporate Expense		(500,114)	(329,347)
Earnings / (loss) before interest, tax, depreciation and amortisation		**1,317,196**	**(48,157)**
Depreciation and Amortisation		(790,650)	(538,463)
Results from operating activities		**526,546**	**(586,620)**
Finance Income		104	5,951
Finance Expense		(859,919)	(606,590)
Net financing expense		**(859,815)**	**(600,639)**
Loss before tax		**(333,269)**	**(1,187,259)**
Income tax benefit / (expense)		-	-
Loss after income tax for the period		**(333,269)**	**(1,187,259)**
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to the members of Babylon Pump & Power Limited		**(333,269)**	**(1,187,259)**
Loss attributable to:			
Equity holders of the company		(333,269)	(1,187,259)
Loss for the period		**(333,269)**	**(1,187,259)**
Loss per share for loss attributable to the members of Babylon Pump & Power Limited:			
Basic loss per share (cents)		(0.06)	(0.32)

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 December 2019

Statement of Financial Position	Notes	31 December 2019 ($)	30 June 2019 ($)
Current Assets			
Cash and cash equivalents		250,944	504,490
Trade receivables	8	3,389,732	2,741,763
Inventories	9	5,363,491	814,886
Prepayments and other assets		264,468	20,926
Total Current Assets		**9,268,635**	**4,082,065**
Non-Current Assets			
Property, plant and equipment		6,763,594	6,486,832
Deposits		47,392	17,500
Goodwill	10	1,766,513	817,885
Right of Use Asset	12	892,319	-
Total Non-Current assets		**9,469,818**	**7,322,217**
Total Assets		**18,738,453**	**11,404,283**
Current Liabilities			
Loans and borrowings-current	14	1,890,211	2,143,033
Deferred consideration - shares	21	600,000	-
Deferred consideration - cash	21	950,000	-
Trade payables	11	2,852,029	1,360,264
Employee liabilities		331,496	247,957
Accruals and other payables		348,734	470,227
Total Current Liabilities		**6,972,470**	**4,221,480**
Non-Current Liabilities			
Loans and borrowings-non current	14	1,659,119	4,926,404
Contingent consideration	21	500,000	-
Employee liabilities		88,540	4,906
Lease Liability	13	856,393	-
Total Non-Current Liabilities		**3,104,052**	**4,931,310**
Total Liabilities		**10,076,522**	**9,152,790**
Net Assets		**8,661,931**	**2,251,493**
Equity			
Share capital	15	34,982,110	27,983,251
Reserves	16	522,798	777,950
Retained losses		(26,842,977)	(26,509,708)
Total Equity		**8,661,931**	**2,251,493**

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the six months ended 31 December 2019

Attributable to equity holders of the Group

Consolidated Statement of Changes in Equity	Share Capital ($)	Share based Payment Reserve ($)	Options Reserve ($)	Accumulated Losses ($)	Total Equity ($)
Balance at 1 July 2019	**27,983,251**	**370,305**	**407,645**	**(26,509,708)**	**2,251,493**
Adjustments				-	-
Total comprehensive loss for the period					
Profit for the period	-	-	-	(333,269)	(333,269)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	**(333,269)**	**(333,269)**
Transactions with owners, in their capacity as owners:					
Issue of ordinary shares	2,969,645	-	-	-	2,969,645
Costs of share issue	-	-	-	-	-
Issue of convertible loan to converting investors	4,022,575	-	-	-	4,022,575
Transaction costs	(273,361)	-	-	-	(273,361)
Vesting Performance Rights	280,000	(280,000)	-	-	-
Share based payments	-	24,848	-	-	24,848
Total transactions with owners	**6,998,859**	**(255,152)**	-	-	**6,743,707**
Balance at 31 December 2019	**34,982,110**	**115,153**	**407,645**	**(26,842,977)**	**8,661,931**

The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the six months ended 31 December 2018

Attributable to equity holders of the Group

Consolidated Statement of Changes in Equity	Share Capital ($)	Share based Payment Reserve ($)	Options Reserve ($)	Accumulated Losses ($)	Total Equity ($)
Balance at 1 July 2018	**27,970,324**	**99,759**	**407,645**	**(24,293,113)**	**4,184,615**
Adjustments				(7,792)	**(7,792)**
Total comprehensive income for the period					
Loss for the period	-	-	-	(1,187,259)	(1,187,259)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**-**	**(1,187,259)**	**(1,187,259)**
Transactions with owners, in their capacity as owners:					
Issue of ordinary shares	-	-	-	-	-
Costs of share issue	-	-	-	-	-
Issue of convertible loan to converting investors	-	-	-	-	-
Transaction costs	-	-	-	-	-
Issue of share options	-	-	-	-	-
In-specie distribution	-	-	-	-	-
Share based payments	-	132,922	-	-	132,922
Total transactions with owners	**-**	**132,922**	**-**	**-**	**132,922**
Balance at 31 December 2018	**27,970,324**	**232,681**	**407,645**	**(25,488,164)**	**3,122,486**
Balance at 1 July 2017	**23,024,664**	**-**	**-**	**(23,170,780)**	**(146,115)**
Total comprehensive loss for the period	**-**	**-**	**-**	**(591,698)**	**(591,698)**
Transactions with owners, recorded directly in equity	**5,005,659**	**6,685**	**407,645**	**-**	**5,419,989**
Balance at 31 December 2017	**28,030,324**	**6,685**	**407,645**	**(23,762,477)**	**4,682,176**

The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the six months ended 31 December 2019

Statement of Cash Flows	*Notes*	*31 December 2019 ($)*	*31 December 2018 ($)*
Cash flows from operating activities			
Receipts from customers		8,839,816	4,872,025
Payments to suppliers and employees		(8,147,418)	(5,788,520)
Interest received		104	5,951
Interest paid		(229,217)	(180,476)
Other		(422,249)	(21,607)
Net cash provided by/ (used in) operating activities		**41,036**	**(1,112,627)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(542,491)	(3,966,771)
Payment for acquisition of Primepower Queensland net of cash acquired		(1,742,683)	(48,788)
Net cash used in investing activities		**(2,285,174)**	**(4,015,559)**
Cash flows from financing activities			
Proceeds from borrowings		1,298,344	3,534,718
Repayment of borrowings		(2,004,035)	(1,235,892)
Proceeds from issue of convertible notes		-	4,500,000
Payment of transaction costs		(273,361)	(300,000)
Proceeds from issues of shares		2,969,644	31,612
Net cash provided by financing activities		**1,990,592**	**6,530,438**
Net increase/ (decrease) in cash and cash equivalents		(253,546)	1,402,252
Cash and cash equivalents at the beginning of the period		504,490	506,118
Cash and cash equivalents at the end of the period		**250,944**	**1,908,370**

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statement

1. Reporting entity

Babylon Pump & Power Limited ("the Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the "Group").

2. Statement of Compliance

The half-year financial report has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

3. Significant Accounting Policies

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realization of assets and then settlement of liabilities in the normal course of business.

a) Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

All amounts are presented in Australian dollars, unless otherwise noted.

b) Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's financial report for the year ended 30 June 2019, except for the adoption of AASB 16 'Leases from 1 July 2019.

AASB 16 Leases Impact of Adoption

This standard is applicable to annual reporting periods beginning on or after 1 July 2019. The standard replaced AASB 117 'Leases' and for lessees has eliminated the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset is capitalised in the statement of financial position, measured as 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 is recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition is 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 are improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The group adopted the new standard using the modified retrospective approach. The group hasn't restated comparative for the reporting period as permitted under the specific transitional provisions of the standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet as at 1 July 2019.

Notes to the consolidated financial statement

b) Accounting Policies (Continued)

AASB 16 Leases Impact of Adoption

The impact on the statement of financial position as at 1 July 2019 on the adoption of AASB 16 are noted below:

	($)
Right-of-use assets	974,387
Lease liabilities	974,387

4. Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2019 except those disclosed in Note 4.

5. Going Concern

For the half year ended 31 December 2019 the entity recorded a loss of $0.33 million and had net cash inflow from operating activities of $0.04 million.

The ability of the entity to continue as a going concern is dependent on securing additional project finance and continuing to achieve positive operating cash flows to fund its operational and capital expenditure activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management believe there are enough funds to meet the entity's working capital requirements and as at the date of this report.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Company continues to exceed revenue growth targets and management expect a strong growth trajectory;
- Continual growth in underlying business due to high levels of client satisfaction;
- Strong pipeline of proposals submitted and further opportunities expected to materialise based on ongoing client communication and requests for tender proposals;
- The Company has access to further finance facilities which remain undrawn. As disclosed in Note 19, subsequent to year end the Group secured an increase in its current invoice finance, asset finance and import trade facilities with NAB to a combined facility limit of $8.6 million; and
- The Company has ongoing support from (i) top shareholders, and (ii) institutional investors throughout the business' current growth stage.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

Notes to the consolidated financial statement

6. Operating Segments

Babylon has two reportable segments, being Babylon Operations Pty Ltd and Primepower Queensland Pty Ltd. The Group primarily focus on two areas being rental of specialty diesel driven pumping and power generation equipment and rebuild and maintenance services for large diesel driven equipment. These are the Group's strategic business units and the Group's Executive Chairman reviews internal management reports for the strategic business units on at least a monthly basis.

	31 Dec 19 ($)	31 Dec 18 ($)
(a) Segmented External Revenues		
BPP - Rental	1,779,248	822,665
BPP - Sale of Goods	344,154	294,884
BPP - Service and Repair	2,489,738	3,890,909
PPQ - Service Repair	3,232,579	-
Total	7,845,719	**5,008,458**
(b) Earnings / (loss) before interest, tax, depreciation and amortisation		
BPP	1,118,371	(48,157)
PPQ	198,826	-
Total	1,317,197	(48,157)
Depreciation and Amortisation	(790,650)	(538,463)
Finance Income	104	5,951
Finance Expense	(859,920)	(606,590)
Net Profit/(Loss)	(333,269)	(1,187,259)

	31 Dec 19 ($)	30 Jun 19 ($)
(C) Segment assets and liabilities		
Assets		
BPP	13,513,652	11,404,283
PPQ	5,722,811	-
Total	19,236,463	**11,404,283**
Liabilities		
BPP	5,396,146	9,152,790
PPQ	5,178,385	-
Total	10,574,532	**9,152,790**
Net Assets / (Deficiency)	8,661,931	**2,251,493**

Notes to the consolidated financial statement

7. Employee Benefits Expense

Employee Benefits Expense	31 Dec 19 ($)	31 Dec 18 ($)
Wages and salaries	472,058	1,243,766
Employment related taxes	75,112	55,616
Share-based payment expense	24,848	132,922
Other employment related expenses	14,350	17,950
	586,368	**1,450,254**

8. Trade Receivables

Trade Receivables	31 Dec 19 ($)	30 Jun 19 ($)
Trade Debtors	3,389,732	2,741,763
	3,389,732	**2,741,763**

9. Inventories

Inventories	31 Dec 19 ($)	30 Jun 19 ($)
Consumables and spare parts	2,129,498	
Support Bank	2,092,692	620,855
Work in progress	1,141,301	194,031
	5,363,491	**814,886**

10. Goodwill

Goodwill	31 Dec 19 ($)	30 Jun 19 ($)
BOP	817,885	817,885
PPQ	948,628	-
	1,766,513	**817,885**

Goodwill has arisen during the period in relation to the acquisition of Primepower Queensland Pty Ltd. Refer to note 21 for further details.

Significant judgement

Goodwill- impairment testing

Goodwill is tested for impairment annually. No impairment indicators were identified during the half-year period, therefore no impairment has been recognised in respect of goodwill as at 31 December 2019.

11. Trade and Other Payables

Trade and Other Payables	31 Dec 19 ($)	30 Jun 19 ($)
Trade payables	2,224,256	1,194,975
Other payables	627,773	165,289
	2,852,029	**1,360,264**

Notes to the consolidated financial statement

12. Right of Use Asset

Right of Use Asset	31 Dec 19 *($)*	30 Jun 19 *($)*
Harrison Road Lease - BOP	196,303	-
Walters Way Lease - BOP	160,200	-
Len Shield St Lease - PPQ	535,816	-
	892,319	-

13. Lease Liability

Lease Liability	31 Dec 19 *($)*	30 Jun 19 *($)*
Harrison Road Lease - BOP	191,242	-
Walters Way Lease - BOP	161,095	-
Len Shield St Lease - PPQ	504,056	
	856,393	-

14. Borrowings

Borrowings	*Notes*	31 Dec 19 *($)*	30 Jun 19 *($)*
Current Liability			
Invoice Finance Facility		987,738	496,329.00
Asset Finance Facilities		687,101	1,625,399
Insurance Premium Funding		215,372	21,305
Sub-total		1,890,211	2,143,033
Non-Current Liability			
Convertible Loans	*14a*	1,151,000	4,500,000
Asset Finance Facilities		508,119	426,404
Sub-total		1,659,119	4,926,404
Total		**3,549,330**	**7,069,437**

a) Convertible Loan

On 14 August 2018, the Company announced it had successfully raised $4.5 million via a placement of convertible loans to strategically support further growth (“Convertible Loans”).

The fair value of the Convertible Loans as at 31 December 2019 is $1,151,000. During the period, $3,349,000 in convertible loans was converted to shares at a value of $3,957,336, resulting in a finance cost of $608,334 being recognised on the statement of profit or loss and other comprehensive income.

Notes to the consolidated financial statement

15. Share Capital

a) Ordinary shares

During the six-month period ended 31 December 2019, the Company issued the following shares:

All issued Babylon shares are fully paid.

Ordinary Shares	31-Dec-19 No.	31-Dec-19 $	30-Jun-19 No.	30-Jun-19 $
At the beginning of the reporting period	372,719,632	27,983,250	371,969,632	27,970,324
Issue of shares	195,886,953	2,969,645	-	-
Vesting performance rights	14,000,000	280,000	-	-
Issue of convertible loan to converting investors	225,213,684	4,022,575	-	-
Transaction costs	-	(273,360)	-	-
Total	**807,820,269**	**34,982,110**	**371,969,632**	**27,970,324**

16. Reserves

a) Options

During the six-month period ended 31 December 2019, the Company did not issue any Babylon options.

Options	31-Dec-19 No.	31-Dec-19 $	30-Jun-19 No.	30-Jun-19 $
At the beginning of the reporting period	-	407,645	289,977,667	407,645.27
Share consolidation	-	-	-	-
Options granted	-	-	-	-
Issue of free attaching options under capital raising	-	-	-	-
Consideration options issued upon acquisition	-	-	-	-
Sub-underwriter options issued	-	-	-	-
Options exercised	-	-	-	-
Options lapsed	-	-	-	-
Total	**-**	**407,645**	**289,977,667**	**407,645**

Share Based Payment Reserve

On 18 December 2017 the Group issued 40,000,000 Performance Rights to senior management of the Group, exercisable to shares on a 1 for 1 basis on the satisfaction of certain performance conditions relating to the performance of the Group by specified periods.

Noting the Company's ongoing client engagement, growing opportunity pipeline and upcoming expiration of a number of performance rights, management's estimated probability of achieving the performance conditions are set out below. This is reflected in the share based payment expense of the performance rights as at 31 December 2019.

Class	Grant Date	Vesting Period	Number Under Performance Rights (No.)	Value at Grant Date ($)	Date of Vesting	Management Probability Assessment 30-Jun-19	Management Probability Assessment 31-Dec-19	Fair Value ($)
B	18-Dec-17	30-Sep-20	7,000,000	140,000	30-Sep-20	*100%*	*100%*	140,000
D	18-Dec-17	30-Sep-20	7,000,000	140,000	30-Sep-20	*0%*	*0%*	-
E	18-Dec-17	31-Dec-19	12,000,000	140,000	31-Dec-19	*0%*	*0%*	-
			26,000,000	**420,000**				**140,000**

Notes to the consolidated financial statement

a) Options (Continued)

Share Based Payment Reserve

During the six-month period ended 31 December 2019, the Company did not issue any additional performance rights.

Share Basaed Payment Reserve	*31-Dec-19* *$*	*30-Jun-19* *$*
At the beginnning of the period	370,305	99,759
Share based payment expense	24,848	270,546
Performance rights vested	(280,000)	-
Total	**115,153**	**370,305**

17. Dividends

No amounts have been paid, declared or recommended by the Company by way of dividend since the commencement of the financial period to 31 December 2019.

18. Contingencies

There has been no change from that which was detailed in the financial report as at 30 June 2019 in relation to contingent assets and liabilities. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

19. Subsequent Events

As per the Group's recent ASX announcements, the Group secured the following subsequent to period end:

- Increase in its invoice finance facility by $1.00 million to $4.10 million (previously $3.10 million);
- Increase to its asset finance facility by $2.00 million to $2.50 million (previously $0.50 million); and
- Increase to its import trade facility by $1.50 million to $2.00 million (previously $0.50 million).

No other matters or circumstances have arisen since the interval between the end of the interim financial period and the date of this report that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

20. Related Party Transactions

During the half year ended 31 December 2019, no options and or shares were issued to the Directors.
Transactions are consistent to 30 June 2019 year end.

21. Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquire, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest, in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination the excess is recognised immediately in the statement of profit and loss and comprehensive income. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Notes to the consolidated financial statement

Acquisition of Primepower Queensland Pty Ltd

On 11 September 2019, Babylon Pump & Power Limited acquired 100% of the share capital of Primepower Queensland Pty Ltd ("Primepower"). A summary of the acquisition details with respect to the acquisition of Primepower as included in our report is set out below. The acquisition accounting has been determined under AASB 3: Business Combinations. At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Primepower. The fair values of the assets and liabilities disclosed below have only been determined provisionally due to the timing of the acquisition.

Details of the purchase consideration and the provisionally determined fair value of the net assets acquired are as follows:

	Fair Value
Net identifiable assets acquired	2,851,372
Cash consideration	1,750,000
Deferred consideration- cash	950,000
Issue of shares	600,000
Contingent consideration- cash	500,000
Less: Total of Primepower net assets acquired	(2,851,372)
Amount recognised as goodwill upon acquisition	**948,628**

- Deferred consideration to be paid in cash is made up of 3 payments to the sum of $950,000 to October 2020;
- Shares in the Group to the value of $600,000 were required to be issued. As at 31 December 2019, the shares had not been issued therefore $600,000 has been recorded as current liability on the statement of financial position. Shares have been issued subsequent to period end.
- Contingent consideration of $500,000 made up of $250,000 to be paid in January 2021 and $250,000 to be paid in July 2021. This consideration is contingent on Primepower meeting a revenue performance target of $8.90 million in FY20. This has been determined as highly probable by management and has been recorded as a liability on the statement of financial position.

The assets and liabilities recognised as a result of the acquisition are as follows:

Description	Fair Value
Cash	7,308
Trade and other receivables	1,283,492
Inventories	3,244,294
Property, plant and equipment	147,779
Right of use assets	577,033
Trade and other payables	(1,361,331)
Borrowings	(498,009)
Lease liability	(549,194)
Net identifiable assets aquired	**2,851,372**

Acquisition related costs have been included as an expense in the statement of profit and loss. Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets at the time of acquisition. The fair value will be finalised within 12 months of the acquisition date in accordance with AASB3 Business combinations.

21. Business Combinations (Continued)

Acquisition of Primepower Queensland Pty Ltd

Primepower contributed revenue of $3.2 million and net profit of $0.26 million to the group for the period to 31 December 2019.

Significant Judgement

Identifying the acquirer in business combination

The company has determined that Babylon Pump and Power Limited was the acquirer.

Fair value of assets acquired and liabilities assumed in a business combination

Estimates and judgements were made in determining the fair value of assets acquired and liabilities assumed in a business combination. Assets and liabilities which which judgements were made in determining fair value were:

Assets: Inventories, Right-of-use assets and Property, Plant and Equipment.

Liabilities: Lease liabilities.

Directors' Declaration

In the opinion of the directors of Babylon Pump & Power Limited (the "Company"):

1. the financial statements and notes set out on pages 8 to 16, are in accordance with the *Corporations Act 2001*, including:

   (a) giving a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the six-month period ended that date; and

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

2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 26th day of February 2020.

Signed in accordance with a resolution of the directors:

Michael Shelby
Executive Chairman

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Babylon Pump and Power Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Babylon Pump and Power Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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 half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not 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 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 5 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit (WA) Pty Ltd

BDO

Jarrad Prue

Director

Perth, 26 February 2020