Babylon Pump & Power Limited

ACN 009 436 908

and its controlled entities

(formerly known as IM Medical Limited)

2018 Annual Report

Year ended 30 June 2018

Corporate Directory

Directors
Mr Michael Shelby
Executive Chairman

Mr Patrick Maingard
Executive Director

Mr Michael Kenyon
Non-Executive Director

Company Secretary
Mr Michael Kenyon

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Stock Exchange Listing
Australian Securities Exchange
ASX Code: BPP

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The directors present their report on the consolidated entity comprising Babylon Pump & Power Limited and its controlled entities ("Babylon" or "the Group") for the year ended 30 June 2018 and the auditor's report thereon.

1. Directors and Officers

The names and details of the Group's directors in office during the financial year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Mr Michael Shelby
Executive Chairman

Mr Shelby has over two decades of experience in oil & gas, mining and specialty rental markets spanning commercial, technical and project management roles. He obtained a Bachelor of Science in Chemical Engineering from Louisiana State University and began work for major oil service companies in his native United States.

In 2007 he moved his family to Perth where he has spent the last decade in various management positions at international oil service and specialty rental companies. Mr Shelby has an extensive network across Australian, Asian and Middle Eastern markets.

Whilst General Manager Oil & Gas at Resource Equipment Ltd (ASX:RQL) he had management responsibility for growing the oil & gas service business of RQL from inception until RQL was acquired by Pump Services, LLC by way of cash on market takeover offer completed in 2015, recruited key personnel and launched an overseas branch to complement Australian business activities. Mr Shelby has 10 years experience in Australia leading multifunction teams across mining and oil & gas during most recent market cycles.

Mr Shelby has completed the Senior Executive MBA program at Melbourne Business School, and the AICD Foundations of Directorship Course.

During the three years prior to the end of the year, Mr Shelby has not held any directorships in any other listed companies.

Mr Shelby was appointed Executive Chairman on 18 December 2017.

Mr Patrick Maingard
Executive Director

A graduate member of the Australian Institute of Company Directors (GAICD), Mr Maingard has 30 years of management experience with a strong SME background with Director and Managing Director portfolios.

Mr Maingard was a Director/co-owner of plastics manufacturing business Omni Manufacturing Pty Ltd, (acquired April 1999). Key milestones included increasing profitability via organic growth and acquisitions, overhaul of manufacturing plant and equipment, achieving ISO certification and Australian Standards accreditation and assisting in establishing and managing relationships with Bunnings, Reece Plumbing, Masters, Australian Defence Force, Constellation Wines, Matrix Asia Pacific and other clients. The business was sold to a European multinational, with Mr Maingard retained on contract as Managing Director until December 2015.

Patrick holds a MSc Management from Oxford University.

During the three years prior to the end of the year, Mr Maingard has not held any directorships in any other listed companies.

Mr Maingard was appointed Executive Director on 18 December 2017.

Mr Michael Kenyon
Non-Executive Director and Company Secretary

Mr Kenyon has extensive experience in senior finance executive roles in Australian listed companies, holding Chief Financial Officer and Company Secretarial roles in a number of private and public companies over the past 20 years.

Mr Kenyon holds a Bachelor of Business degree from the Edith Cowan University, is a Chartered Accountant, graduate member of the Australian Institute of Company Directors, and a certificated member of the Governance Institute.

He has had significant exposure to manufacturing, engineering and contracting sectors through roles in ASX listed corporations. Mr Kenyon was Chief Financial Officer & Company Secretary of Resource Equipment Ltd (ASX:RQL) for almost 2 years prior to its takeover.

During the three years prior to the end of the year, Mr Kenyon has not held any directorships in any other listed companies.

1. Directors and Officers (continued)

Mr Kenyon was appointed as a Director on 18 December 2017.

Mr Richard Wadley
Former Non-Executive Director & Company Secretary (resigned 18 December 2017)

Mr Wadley was appointed as a Director of the Group on 22 March 2011 in accordance with Article 13.4 of the constitution. Mr Wadley was also appointed as the Company Secretary of the Group.

Mr Wadley FCCA specialises in providing financial and company secretarial services to mainly earlier stage life science companies. He has had extensive experience in the areas of financial management, tax planning, investor relations, technology licencing and capital raisings. Over the last twenty years he has been the CFO and company secretary for a number of ASX listed companies. Mr Wadley has previously practiced as a Chartered Accountant.

Mr Wadley resigned on 18 December 2017

Mr Nigel Blaze
Former Chairman (resigned 18 December 2017)

Mr Blaze was appointed Director of the Group on 22 March 2011 in accordance with Article 13.4 of the constitution.

Mr Blaze is a Fellow of the Institute of Chartered Accountants and has practiced as a Chartered Accountant for approximately 25 years. Mr Blaze is currently the managing director of Blaze BMD Pty Ltd, Accountants and Business Advisors and has extensive commercial advisory experience including specialisation in the medical services sector, property sector, agribusiness sector and the retail and manufacturing sector.

Mr Blaze has acted as a Chairman of the Group since 22 March 2011. He resigned on 18 December 2017.

Mr Blaze holds a Bachelor of Business (Accounting) degree, a Diploma of Taxation Law from Monash University, and a Certified Financial Planning qualification.

Mr Paul Burton
Former Non-Executive Director (resigned 18 December 2017)

Mr Burton was appointed as a Director of the Group on 22 March 2011 in accordance with Article 13.4 of the constitution.

Mr Burton has extensive business experience, specialising in mergers, acquisitions as well as corporate strategy, advice and governance. He has held senior executive positions with NAB, MLC, Ipac as well as a self-employed consultant.

Mr Burton resigned on 18 December 2017.

Mr Burton holds a Master of Business Administration (MBA), Bachelor of Economics (Honours), Diploma of Financial Planning (DFP) and Certified Financial Planner.

2. Interests in shares and options of the Company and related bodies corporate

As at the date of this report, the direct and indirect interests of the directors and their related parties in the shares and options of Babylon Pump & Power Limited were:

Director	Performance Rights	Ordinary shares	Options over ordinary shares
Michael Shelby	20,000,000	2,500,000	1,250,000
Patrick Maingard	8,000,000	1,000,000	500,000
Michael Kenyon	-	1,000,000	500,000

3. Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Group during the financial year are:

	Board meetings		Audit Committee meetings	
Director	**Held**	**Attended**	**Held**	**Attended**
Michael Shelby	11	6	1	-
Patrick Maingard	11	6	1	-
Michael Kenyon	11	6	1	-
Richard Wadley	11	5	1	1
Nigel Blaze	11	5	1	1
Paul Burton	11	5	1	1

Due to the size and nature of the Group's Board, the Group's Board acts as the Audit Committee, with meetings held annually.

4. Principal activities

The Group is primarily focused on two areas, being rental of specialty diesel driven pumping and power generation equipment and rebuild and maintenance services for large diesel driven equipment similar to the Group's owned fleet.

The Group operates one rental and diesel maintenance business; Babylon Operations Pty Ltd, which includes the (i) heavy diesel maintenance, (ii) pumping and dewatering, and (iii) equipment rental and servicing located at a number of mine sites across WA.

5. Dividends

No dividends have been paid or declared by the Group since the end of the previous financial year. No dividend in respect to the current financial year.

6. Industry and Geographic Exposures

The Group is exposed to the Australian mining and oil and gas industries. On a geographic basis, the Group is predominantly exposed to Western Australia.

7. Significant changes in the state of affairs

In the opinion of the directors, other than as outlined in this report, there were no significant changes in the state of affairs of the Group that occurred during the financial year.

8. Matters subsequent to the end of the financial year

As per the Group's recent ASX announcements, the Group:

- confirmed $4.5 million (exclusive of fees) has been issued in the form of convertible loans to support a growing order book and pipeline of new business;
- secured a new power generation contract to supply, install and maintain power generation equipment for BHP's Mining Area C (MAC) Surplus Water Pipeline Project in Western Australia; and
- secured an asset finance facility of circa $1.5 million with National Australia Bank Limited.

No other matters or circumstance have arisen since the end of the financial year that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future years.

9. Likely developments and expected results of operations

The Group will continue to pursue new contract opportunities both in Australia and internationally.

Information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

10. Environmental regulation

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

11. Executive Chairman's Report

This is the first annual report from Babylon Pump & Power Limited ("Babylon" or "the Group") since the Group was reinstated on the ASX on 10 January 2018 and commenced operations as a specialist resources services business. I am pleased to welcome both new shareholders and IM Medical shareholders as shareholders of Babylon.

Babylon, previously known as IM Medical Limited, recently acquired Babylon Operations Pty Ltd ("Babylon Operations") and has been renamed Babylon Pump & Power Limited. This initiative is part of a strategic entry into the growing resource services sector. Maintenance expenditure in Australia's resource industry is expected to grow from $6.6 billion in 2016 to $10 billion p.a. by 2021 driven by new assets and deferred maintenance following the mining investment boom.

Babylon Operations has grown rapidly since only commencing operational trading in May 2017 and is now servicing major mining and oil & gas service companies as well as major iron ore producers and equipment providers. Babylon Operations is focused on two areas being (i) rental of specialty diesel driven pumping and power generation equipment, and (ii) rebuild and maintenance services for large diesel driven equipment.

The acquisition of Babylon Operations will assist Babylon focus on the following core business revenue streams:

(i) Heavy Diesel

Since the acquisition, the Group has employed high quality employees who have many years of heavy diesel engine rebuild experience and who are proficient in repairs, field service work and diagnostics. This year the Group has continued to grow its client base, working for well known mining companies and contractors at Tier 1 to 3 Level.

(ii) Pumping and Dewatering Projects

The Group specialises in high-pressure pumping and filtration solutions and have decades of experience in supplying and maintaining equipment in remote and offshore locations. We look forward to securing further contract work for other mining service companies moving forward.

(iii) Equipment Rental and Servicing

The Group specialises in niche equipment rental and service maintenance in the mining and oil and gas industries. The Group has acquired a combination of generators, pumps, engines and compressors which have been configured internally to suit particular projects. The Group will look to heavily grow this side of the business in FY19, with the continuous acquisition of speciality rental assets.

I am pleased and excited to report Babylon is experiencing rapid growth servicing major mining and oil & gas service companies as well as major iron ore producers and equipment providers. The Board remains optimistic for the next 12 months noting (i) the ongoing maintenance requirements due to prior years deferred maintenance works, and (ii) improved outlook for Western Australia's mining sector.

Further, over the next 12 months, the Board will continue to work hard growing the business organically via:

- tapping into the engine rebuild market due to industry capacity constraints;
- expanding the Group's rental asset fleet;
- securing further long term project contracts;
- getting access to funds to support working capital requirements for ongoing diesel maintenance programs; and
- continuing to establish new client relationships.

The newly appointed directors of Babylon and senior staff bring together extensive experience in the resource services sector. We are excited by the opportunity to build a strong, profitable business servicing the specialised requirements of the resources sector. Babylon is now positioned for future growth and will be seeking to deliver on its growth strategy through ongoing investment in (i) the resources sector, and (ii) it's high quality people.

On behalf of the Board and shareholders of Babylon, I would like to thank management and staff for their hard work during the first six months post acquisition and the commitment they have to the Group's exciting future. We look forward to a long and prosperous association and delivering on our growth ambitions for Babylon.

11. Executive Chairman's Report (continued)

Lead Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 17 and forms part of the directors' report for the twelve months ended 30 June 2018.

Signed in accordance with a resolution of the directors.

Michael Shelby
Executive Chairman

Dated at Perth this 30th day of August 2018.

12. Remuneration report - audited

The information provided in this Remuneration Report has been audited as required by section 308(c) of the *Corporations Act 2001.*

This report outlines the remuneration arrangements in place for directors and other key management personnel of the Group. Remuneration is referred to as compensation throughout this report.

12.1 Key management personnel included in this report

Name of Key Management Personnel	Position held	Appointment / Resignation	Date
Michael Shelby	Executive Chairman	Appointment	18-Dec-17
Patrick Maingard	Executive Director	Appointment	18-Dec-17
Michael Kenyon	Non-Executive Director and Company Secretary	Appointment	18-Dec-17
Richard Wadley	Former Non-Executive Director and Company Secretary	Resignation	18-Dec-17
Nigel Blaze	Former Chairman	Resignation	18-Dec-17
Paul Burton	Former Non-Executive Director	Resignation	18-Dec-17

12.2 Principles of compensation

Non-Executive Director remuneration policy

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities, having regard to the level of fees paid to non-executive directors by other companies of similar size in the industry.

The aggregate amount payable to all non-executive directors must not exceed the maximum annual amount approved by the Group's shareholders.

Non-executive directors do not receive performance related compensation, however to create alignment with shareholders non-executive directors are encouraged to hold equity securities in the Group. Directors' fees cover all main Board activities.

For the year ended 30 June 2018, exclusive of superannuation guarantee, the annual cash remuneration for non-executives was $35,358. The total remuneration paid to the Group's non-executive directors during the year is set out in this report.

In addition to these fees, non-executive directors are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred attending meetings of the Board, committees or shareholders, or while engaged on the Group's business. Non-executive directors are not entitled to compensation or retirement benefits on termination of their directorships.

Executive remuneration policy

Compensation levels for executives of the Group are competitively set to attract and retain appropriately qualified and experienced executives. The compensation 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.

Board fees are not paid to either the Executive Chairman or the Executive Director, as the time spent on Board work and the responsibilities of Board membership are included when determining the remuneration package provided as part of their normal employment responsibilities.

The compensation structures take into account:

- The capability and experience of the executive;
- The executive's ability to control the relevant segment's performance; and
- The Group's performance including:
  - The Group's earnings; and
  - The growth in share price and delivering constant returns on shareholder wealth.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any Fringe Benefits Tax charges related to employee benefits) and employer contributions to superannuation funds. Compensation

12. Remuneration report – audited (continued)

levels are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Group.

Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash or shares that is paid upon the achievement of pre-determined key performance indicators set by the Board, while the long-term incentive (LTI) is provided as options over ordinary shares of the Group. The objective of this form of reward is to align the behaviour of executives to maximise shareholder value. Performance evaluations of senior executives have taken place during the reporting period in accordance with the process disclosed above.

Consolidated	2018 ($)	2017 ($)	2016 ($)	2015 ($)	2014 ($)
Revenue	1,628,357	-	24	18	49.00
Net Loss before tax	(1,122,333)	(298,267) -	381,135 -	523,762 -	404,293.00
Net loss after tax	(1,122,333)	(298,267) -	381,135 -	523,762 -	404,293
Share price at start of year	0.001	0.001	0.001	0.001	0.002
Share price at end of year	0.016	0.001	0.001	0.001	0.001
Interim and final dividend	-	-	-	-	-
Basic loss per share (cents)	(0.0013)	(0.0002)	(0.0003)	(0.0011)	(0.0009)

Employment contracts of key management personnel

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Group and other executives. A summary of the agreements are set out below:

M Shelby, *Executive Chairman*
(a) Term of agreement – commencing 18 December 2017 with indefinite duration;
(b) Base salary of $240,000 per annum exclusive of superannuation;
(c) Eligible for annual cash bonus payment upon the achievement of key performance criteria to be agreed with the Board;
(d) Is capable of termination by individual with three months notice;
(e) Is capable of termination by the Group with twelve months notice; and
(f) The agreement may be terminated for serious misconduct, in which case the Group is not required to pay any compensation.

P Maingard, *Executive Director*
(a) Term of agreement – commencing 18 December 2017 with indefinite duration;
(b) Base salary of $150,000 per annum exclusive of superannuation;
(c) Eligible for annual cash bonus payment upon the achievement of key performance criteria to be agreed with the Board;
(d) Is capable of termination by both parties on four weeks notice; and
(e) The agreement may be terminated for serious misconduct, in which case the Group is not required to pay any compensation.

M Kenyon, *Non-Executive Director & Company Secretary*
(a) Term of agreement – commencing 18 December 2017 with an initial term of three years, subject to re-election provisions contained within the Group's constitution;
(b) Board fees are $43,800 per annum inclusive of superannuation;
(c) Is capable of termination by both parties on four weeks notice; and
(d) The agreement may be terminated for serious misconduct, in which case the Group is not required to pay any compensation.

R Wadley, *Former Non-Executive Director & Company Secretary*
(a) Appointed 22 March 2011;
(b) Term of agreement – engaged on fee for service basis;
(c) Engagement fees are $160 per hour plus GST, plus full reimbursement for all out of pocket expenses and legal expenses incurred whilst conducting the Group's business; and
(d) Resigned 18 December 2017.

12. Remuneration report – audited (continued)

N Blaze, *Former Chairman*
(a) Appointed 22 March 2011;
(b) Term of agreement – engaged on fee for service basis;
(c) Engagement fees of $400 per hour plus GST, plus full reimbursement for all out of pocket expenses and legal expenses incurred whilst conducting the Group's business; and
(d) Resigned 18 December 2017.

P Burton, *Former Non-Executive Director*
(a) Appointed 22 March 2011;
(b) Term of agreement – engaged on fee for service basis;
(c) Engagement fees of $250 per hour plus GST, plus full reimbursement for all out of pocket expenses and legal expenses incurred whilst conducting the Group's business; and
(d) Resigned 18 December 2017.

12. Remuneration report – audited (continued)

12.3 Directors' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Group and key management personnel for the year ended 30 June 2018 are as follows:

In AUD	Year	Salary & fees ($)	Post-employment super-annuation ($)	Share-based payments Shares & Options ($)	*Notes*	Total ($)	Long term incentive % of remuneration
Directors							
Michael Shelby	2018	129,231	12,277	49,879	*1*	191,387	26%
	2017	-	-	-		-	-
Patrick Maingard	2018	75,231	6,577	19,952	*1*	101,759	20%
	2017	-		-		-	-
Michael Kenyon	2018	21,900	-	-		21,900	-
	2017	-	-	-		-	-
Former							
Richard Wadley	2018	55,394	-	-		55,394	-
	2017	44,840	-	-		44,840	-
Nigel Blaze	2018	16,042	-	-		16,042	-
	2017	25,000	-	-		25,000	-
Paul Burton	2018	13,458	-	-		13,458	-
	2017	37,600	-	-		37,600	-
Total	**2018**	**311,255**	**18,854**	**69,831**		**399,940**	**-**
Total	**2017**	**107,440**	**-**	**-**		**107,440**	**-**

Note 1: Expense relates to performance rights issued on 18 December 2017. Refer to Notes 12.4(c) and 14 in the Remuneration Report.

12. Remuneration report – audited (continued)

12.3 Directors' and executive officers' remuneration (continued)

Notes in relation to the table of directors' remuneration

(a) Mr Shelby was appointed on 18 December 2017;

(b) Mr Maingard was appointed on 18 December 2017;

(c) Mr Kenyon was appointed on 18 December 2017;

(d) Mr Wadley resigned on 18 December 2017;

(e) Mr Blaze resigned on 18 December 2017; and

(f) Mr Burton resigned on 18 December 2017.

12.4 Equity instruments

During the reporting period no options over ordinary shares have been granted to key management personnel as remuneration.

Further, during the reporting period, there were no shares issued on the exercise of options previously granted as compensation.

Since the end of the financial year no options over ordinary shares have been granted to key management personnel.

(a) Options over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Babylon Pump & Power Limited held, directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

Key Management Personnel	Opening balance	Granted as compen-sation	Received on purchase of shares	Exercis-ed	Cancell-ed	Closing balance	Vested during the year	Vested and exercise-able at the end of the year
Michael Shelby	-	-	1,250,000	-	-	1,250,000	-	-
Patrick Maingard	-	-	500,000	-	-	500,000	-	-
Michael Kenyon	-	-	500,000	-	-	500,000	-	-

For further details on the valuation of options, refer to Note 14 to the financial statements.

(b) Movements in shares

The movement during the reporting period in the number of ordinary shares in Babylon Pump & Power Limited held, directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

Key Management Personnel	Opening balance	Purchases	Received on exercise of options	Sales	Closing balance
Michael Shelby	-	2,500,000	-	-	2,500,000
Patrick Maingard	-	1,000,000	-	-	1,000,000
Michael Kenyon	-	1,000,000	-	-	1,000,000

No shares were issued to key management personnel during the year ended 30 June 2018.

(c) Movements in performance rights

The movement during the reporting period in the number of performance rights in Babylon Pump & Power Limited held, directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

12.4 Equity instruments (continued)

Key Management Personnel	Opening balance	Granted as compensation	Exercised	Cancelled	Closing balance	Vested during the year	Vested and exercise-able at the end of the year
Michael Shelby	-	20,000,000	-	-	20,000,000	-	-
Patrick Maingard	-	8,000,000	-	-	8,000,000	-	-
Michael Kenyon	-	-	-	-	-	-	-

For further details on the performance rights outstanding and vesting conditions, refer to Note 14 to the financial statements.

13. Share options

At 30 June 2018, the unissued ordinary shares of the Group under option are as follows:

Expiry Date	Exercise Price	Number of options
31-Mar-19	$0.04	27,875,000
31-Mar-19	$0.04	100,000,000
31-Mar-19	$0.04	112,437,502
31-Mar-19	$0.04	49,665,165
		289,977,667

For further details on the options outstanding, refer to Note 14 to the financial statements.

Shares issued on exercise of options

During and since the end of the financial year, the Group did not issue ordinary shares as a result of the exercise of options (there are no amounts unpaid on the shares issued).

14. Performance Rights

At 30 June 2018, the unissued ordinary shares of the Group under performance rights are as follows:

Class	Grant Date	Vesting Period	Value at Grant Date ($)	Date of Vesting	Percentage Vested (%)	Number Under Performance Rights
A	18-Dec-17	30-Sep-19	70,000	30-Sep-19	-	7,000,000
B	18-Dec-17	30-Sep-20	70,000	30-Sep-20	-	7,000,000
C	18-Dec-17	30-Sep-19	70,000	30-Sep-19	-	7,000,000
D	18-Dec-17	30-Sep-20	70,000	30-Sep-20	-	7,000,000
E	18-Dec-17	31-Dec-19	120,000	31-Dec-19	-	12,000,000
			400,000			**40,000,000**

The performance rights were fair valued at $800,000 based on a share price of $0.02. Management have applied a probability of 50% of the performance conditions being met, resulting in $400,000 being recognised at 30 June 2018.

Performance Rights	2018 No.	*2018 $*	2017 No.	*2017 $*
At the beginning of the reporting period	-	-	-	-
Issue of performance rights upon acquisition	40,000,000	400,000	-	-
Total	**40,000,000**	**400,000**	**-**	**-**

14. Performance Rights (continued)

Number	Class	Performance Condition	Vesting Period
7,000,000	Class A	The Group achieving operating revenue of at least $4.6 million in the first full financial year following issue.	3 months from the end of the first full financial year following issue.
7,000,000	Class B	The Group achieving operating revenue of at least $9.2 million in the second full financial year following issue.	3 months from the end of the second full financial year following issue.
7,000,000	Class C	The Group achieving earnings before interest, tax, depreciation and amortization of at least $0 (i.e. breakeven) in the first full financial year following issue.	3 months from the end of the first full financial year following issue.
7,000,000	Class D	The Group achieving earnings before interest, tax, depreciation and amortization of at least $2.6 million in the second full financial year following issue.	3 months from the end of the second full financial year following issue.
12,000,000	Class E	The exercise of 80% of BPPOA Options on issue immediately following completion of the Acquisition (delivering circa $8.5m of new capital).	24 months from issue.

15. Indemnification and insurance of directors, officers and auditors

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

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executive officers of the Group against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor. During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

16. Other transactions with key management personnel

There were no other transactions with key management personnel during the period with the Group.

17. Voting of shareholders at last year's annual general meeting

Babylon Pump & Power Limited (formerly IM Medical Limited) received more than 99% of "yes" votes on its remuneration report for the 2017 financial year. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

18. Non-audit services

During the financial year BDO Audit (WA) Pty Ltd, the Group's auditor, were engaged to produce an independent expert report for the Group.

Non-Audit Services	2018 ($)	2017 ($)
Investigating Accountants Report - Independent audit report prior to acquisition	16,287	-
Tax advice - Tax deferral eligibilty	1,000	-
	17,287	**-**

19. 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 Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001.*

20. Lead auditor's independence declaration

The lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after the director's report and forms part of the Directors' report for the financial year ended 30 June 2018.

This is the end of the audited remuneration report.

This report is made with a resolution of the directors:

Michael Shelby
Executive Chairman

Dated this 30th day of August 2018

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Australia

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

As lead auditor of Babylon Pump & Power Limited for the year ended 30 June 2018, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

JPrue

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 30 August 2018

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

Profit or Loss and Other Comprehensive Income	*Notes*	**30 June 2018 *($)***	**30 June 2017 *($)***
Sales revenue		1,628,357	-
Cost of Sales		(1,196,440)	-
Gross Profit		**431,917**	**-**
Other Income		961	220,000
Employee Benefits Expense	**6**	(389,339)	(75,000)
Admininstration and Corporate Expense	**5**	(965,720)	(394,985)
Impairment		868	-
Depreciation and Amortisation	**8**	(204,072)	-
Finance Income		4,871	**-**
Finance Expense		(1,819)	(25,586)
Loss before tax		**(1,122,333)**	**(275,571)**
Income tax benefit / (expense)	**7**	-	-
Loss after income tax for the year		**(1,122,333)**	**(275,571)**
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to the members of Babylon Pump & Power Limited		**(1,122,333)**	**(275,571)**
Loss attributable to:			
Equity holders of the company		(1,122,333)	(275,571)
Loss for the year		**(1,122,333)**	**(275,571)**
Loss per share for loss attributable to the members of Babylon Pump & Power Limited:			
Basic loss per share (cents)	**16**	(0.0013)	(0.0002)

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 30 June 2018

Statement of Financial Position	*Notes*	30 June 2018 *($)*	30 June 2017 *($)*
Current Assets			
Cash and cash equivalents	**12a**	506,118	126,822
Trade receivables	**11**	467,783	-
Inventories	**10**	335,250	-
Other Receivables		24,920	-
Total Current Assets		**1,334,071**	**126,822**
Non-Current Assets			
Property, plant and equipment	**8**	3,167,867	-
Deposits		57,500	-
Goodwill	**9**	817,885	-
Total Non-Current assets		**4,043,252**	**-**
Total Assets		**5,377,323**	**126,822**
Current Liabilities			
Borrowings	**17**	78,311	
Trade payables	**19**	870,224	255,678
Employee liabilities	**18**	95,758	-
Other payables	**20**	59,080	-
Total Current Liabilities		**1,103,374**	**255,678**
Non-Current Liabilities			
Borrowings	**17**	88,949	-
Employee liabilities	**18**	386	-
Total Non-Current Liabilities		**89,335**	-
Total Liabilities		**1,192,708**	**255,678**
Net Assets / (Deficiency)		**4,184,615**	**(128,856)**
Equity			
Share capital	**13**	27,970,324	23,041,122
Reserves	**14**	507,404	-
Retained losses		(24,293,113)	(23,169,978)
Total Equity / (Deficiency in Equity)		**4,184,615**	**(128,856)**

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

Consolidated statement of changes in equity

BABYLON

For the year ended 30 June 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 2016	**22,608,124**	**-**	**-**	**(22,898,099)**	**(289,975)**
Total comprehensive loss for the period	**-**	**-**	**-**	**(272,681)**	**(272,681)**
Non-renounceable rights Issue	**498,237**	**-**	**-**	**-**	**498,237**
Capital raising costs	**(65,239)**	**-**	**-**	**-**	**(65,239)**
Balance at 30 June 2017	**23,041,122**	**-**	**-**	**(23,170,780)**	**(129,658)**
Balance at 1 July 2017	**23,041,122**	**-**	**-**	**(23,170,780)**	**(129,658)**
Total comprehensive income for the period					
Loss for the period	-	-	-	(1,122,333)	(1,122,333)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**-**	**(1,122,333)**	**(1,122,333)**
Transactions with owners, in their capacity as owners:					
Issue of ordinary shares	5,612,500	-	-	-	5,612,500
Costs of share issue	(721,428)	-	-	-	(721,428)
Issue of share options	-	-	407,645		407,645
In-specie distribution	38,129	-	-	-	38,129
Share based payments	-	99,759	-	-	99,759
Total transactions with owners	**4,929,201**	**99,759**	**407,645**	**-**	**5,436,606**
Balance at 30 June 2018	**27,970,323**	**99,759**	**407,645**	**(24,293,113)**	**4,184,615**

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

Consolidated statement of cash flows

For the year ended 30 June 2018

Statement of Cash Flows	*Notes*	*30 June 2018 ($)*	*30 June 2017 ($)*
Cash flows from operating activities			
Receipts from customers		1,492,188	-
Payments to suppliers and employees		(2,290,872)	(293,187)
Interest received		4,870	-
Interest paid		(1,451)	(12,115)
Other		100,961	-
Net cash used in operating activities	**12b**	**(694,304)**	**(305,302)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,095,128)	-
Purchase of other assets and investments		-	-
Proceeds from the sale of other assets and investments		(28,558)	-
Cash acqiured through acquisition		48,849	-
Net cash used in investing activities		**(3,074,836)**	**-**
Cash flows from financing activities			
Proceeds from borrowings		207,712	330,000
Repayment of borrowings		(40,452)	(330,000)
Proceeds from issue of shares		4,539,279	498,237
Dividends paid		-	-
Payment of transaction costs		(663,671)	(65,239)
Other		105,569	-
Net cash provided by financing activities		**4,148,436**	**432,998**
Net increase in cash and cash equivalents		379,296	127,696
Cash and cash equivalents at the beginning of the year		126,822	(874)
Cash and cash equivalents at the end of the year	**12a**	**506,118**	**126,822**

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

1. Reporting entity

Babylon Pump & Power Limited ("the Company") is a company domiciled in Australia. The Company is a for-profit entity and the address of the Company's registered office is 74 Harrison Road, Forrestfield, WA 6058. The consolidated financial statements of the Company as at and for the twelve months ended 30 June 2018 comprise the Company and its subsidiary (together referred to as the "Group"). The Group is primarily focused on two areas being rental of specialty diesel driven pumping and power generation equipment and rebuild and maintenance services for large diesel driven equipment.

The separate financial statements of the parent entity, Babylon Pump & Power Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001.*

The financial statements were authorised for issue on 23 August 2018 Directors of the Group.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The Group is a for-profit entity for financial reporting purposes under AASB. The consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

(b) New standards and interpretations for current year

The Group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

(c) Basis of measurement

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

(d) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

(e) Going concern

This report is prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group incurred a net loss of $881,585 during the year ended 30 June 2018 and as of that date, the Group had net assets of $4,184,615 (2017:($128,856)) including cash and cash equivalents of $506,118 (2017: $126,822).

Subsequent to reporting date the Group has raised funds through the issue of convertible loans to the value of $4.5 million, and has received 100% of these funds as at the date of this report (exclusive of fees). The convertible loans require the approval of shareholders and the total value of the convertible loans issued will have to be repaid on 1 December 2018 if shareholder approval is not attained. Management expect it is highly likely shareholders will approve the issue of the convertible loans at the entity's annual general meeting given the majority of loan holders are shareholders or substantial shareholders of the Group.

(f) Use of critical accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

2. Basis of preparation (continued)

(i) Recoverability of intangibles

In accordance with AASB 136 Impairment of Assets, intangible assets with an indefinite useful life and goodwill are required to be tested for impairment annually. At year end, the carrying value of the assets in the Cash Generating Unit "CGU" is required to be compared to the recoverable amount to determine if an impairment is required. As the Group is not generating positive cash flows at present, fair value less costs to sell has been used to determine the recoverable amount. Given the Group has one CGU, the fair value for the Group has been determined using observable market prices, being the market capitalisation if the Group. This has been determined as the best indication of what the market participant would consider the value of the asset at balance date. No other specific intangibles were identified from the acquisition of Babylon Operations. Refer to Note 9.

(ii) Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the specific knowledge of the individual debtors' financial position.

(iii) Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or other events. The depreciation charge will increase where the useful lives are less than previously estimated, or technically obsolete or non-strategic assets have been abandoned or sold will be written off or written down. The useful life of the gas and diesel engines held by the Group during the year has been estimated at 20 years, noting the Group's (i) regular maintenance and minor / major overhaul works over time, and (ii) reduced utilisation rates. Refer to Note 3.

(iv) Recoverability of deferred tax assets

Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will comply with the relevant tax legislation and will generate sufficient taxable earnings in future periods in order to recognise and utilise those deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations.

(v) Share-based payment transactions

The Group measures the cost of equity-settled transactions 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 the 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. Refer to Note 14.

Noting the Group's ongoing client engagement and growing opportunity pipeline, management's estimated probability of achieving the performance rights issued during the period is 50%.

(vi) Accounting for the acquisition of Babylon Operations Pty Ltd

During the year, the Group (formerly IM Medical Limited) acquired Babylon Operations Pty Ltd ("Babylon Operations") and the transaction was accounted for as a business combination. Determining who the acquirer was in the business combination required significant judgement. Whilst the Directors of IM Medical would be the same as the Directors in Babylon Operations, reverse acquisition accounting fails as the owners of Babylon Operations did not have a majority shareholding in IM Medical post acquisition. Refer to Note 26.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies have been changed where necessary to align them with the policies adopted by the Group.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

3. Significant accounting policies (continued)

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

(b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and liability and settle the asset and liability simultaneously.

The Group has the following non-derivative financial assets: receivables and cash and cash equivalents.

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition receivables are measured at amortised cost using the effective interest method, less any impairment losses. Receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Restricted cash balances are reflected as non-current assets on the statement of financial position.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

3. Significant accounting policies (continued)

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income / (expense) in the statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Power generation assets

Power generation assets comprise the plant, equipment, fixtures and fittings. In the opinion of the directors, these assets comprise a separate class of assets.

The power generation assets have been componentised in the following categories and are being depreciated over their estimated useful lives as follows:

- Gas and diesel engines 20 years
- Other assets 5 to 10 years

Power generation assets of the Group require ongoing maintenance and minor / major overhaul works over time. This is managed as part of an ongoing major cyclical maintenance program. The cost of this maintenance is charged as an expense as incurred, except where the cost relates to the replacement of a component of an asset, in which case costs are capitalised and depreciated in accordance with the component classifications above. Other routine maintenance, repair costs and minor renewals are also charged as expenses as incurred.

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.

The estimated useful lives of other classes of assets for current and comparative periods are as follows:

- Office and equipment 2-5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. Significant accounting policies (continued)

(e) Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the income statement.

(f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(g) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchases inventory are determined after deducting rebates and discounts. 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.

(h) Impairment

(i) Financial assets including receivables

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset and can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such impairment exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit" ("CGU")). For the purposes of goodwill impairment testing, CGUs to which

3. Significant accounting policies (continued)

(ii) Non-financial assets (continued)

goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the acquisition synergies.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are those benefits expected to be settled within 12 months of the reporting date. They are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits are those not expected to be settled within 12 months of the reporting date and are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(k) Revenue Recognition

Income from the provision of goods and services is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the consolidated entity and it can be reliably measured.

(l) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability

3. Significant accounting policies (continued)

is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(m) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(n) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Tax consolidation

The Group and its wholly-owned Australian resident entity are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Babylon Pump & Power Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Group as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Group as an equity contribution or distribution.

The Group recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

3. Significant accounting policies (continued)

(o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to directors, employees and shareholders.

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

(r) 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 Group 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 Group's interest, in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group'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 or 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.

(s) New standards and interpretations not yet adopted

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application date or future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows

- *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

3. Significant accounting policies (continued)

standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 and make an assessment of the effect over the next 12-months.

- *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. Based on assessments undertaken to date, the Group has estimated that the transition to AASB 15 will not have a material impact to the financial statements of the Group.

- *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 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 will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. 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 Group will adopt this standard from 1 July 2019 and make an assessment of its effect during the next 12-months.

4. Administration and corporate

Babylon has one reportable segment, Babylon Operations Pty Ltd which is the Group's sole operational business unit.

5. Administration and Corporate Expense

Administration and Corporate Expense	2018 ($)	2017 ($)
Office expenses	103,138	-
Corporate governance	354,116	32,440
Other expenses	153,868	9,201
Consumables and operational costs	155,859	133,344
Business acquisition expense	198,738	220,000
	965,720	**394,985**

6. Employee benefits expense

Employee Benefits Expense	*Notes*	2018 ($)	2017 ($)
Wages and salaries		203,680	75,000
Employment related taxes		58,580	-
Share-based payment expense		99,759	-
Other employment related expenses		27,320	-
		389,339	**75,000**

7. Income tax expense

Income Tax Benefit	2018 ($)	2017 ($)
Reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(1,122,333)	(275,571)
Tax at the statutory rate of 27.5% (2016: 30%)	(308,642)	(82,671)
Tax effect amounts which are not deductible in calculating taxable income:		
Entertainment	104	-
Share based payments	27,434	-
Unused tax losses and temporary differences not recognised as deferred tax assets	281,104	-
Income tax benefit	**-**	**-**
Deferred tax assets not recognised attributable to		
Tax losses	1,924,130	1,399,772
Temporary differences	26,475	-
Total deferred tax assets not recognised	**1,950,605**	**1,399,772**

8. Property, plant and equipment

Property, Plant and Equipment Summary	2018 ($)	2017 ($)
Cost	3,371,939	-
Accumulated depreciation	(204,072)	-
	3,167,867	**-**

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

Property, Plant and Equipment	Engines ($)	Plant & Equipment ($)	Office Equipment ($)	IT Equipment ($)	Motor Vehicles ($)	Capital Work in Progress ($)	Total ($)
Consolidated Group	-	-	-	-	-	-	-
Carrying amount at 30 June 2017	-	-	-	-	-	-	-
Additions through business combination	415,801	155,854	1,714	475	-	-	573,845
Additions	931,086	1,626,927	644	35,705	120,733	83,000	2,798,094
Disposals	-	-	-	-	-	-	-
Depreciation expense	(40,948)	(142,550)	(988)	(8,127)	(11,460)	-	(204,072)
Balance at 30 June 2018	**1,305,940**	**1,640,232**	**1,370**	**28,053**	**109,273**	**83,000**	**3,167,867**

9. Goodwill

Intangible Assets	*Note*	2018 ($)	2017 ($)
Goodwill	3(e)	817,885	-
		817,885	**-**

Impairment of intangible assets is recognised in impairment expense on the statement of profit or loss. No impairment charges have been deemed necessary for the current period.

For the purposes of impairment testing, goodwill is not amortised.

10. Inventories

Inventories	2018 ($)	2017 ($)
Consumables and spare parts	264,250	-
Work in progress	71,000	-
	335,250	**-**

Inventory is stated at the lower of cost or net realisable value. These costs are capitalised and carried forward to finished goods and services and subsequently the cost of goods sold for FY18.

11. Trade and other receivables

Trade and Other Receivables	2018 ($)	2017 ($)
Trade debtors	467,783	-
	467,783	-

Current trade and other receivables are non-interest bearing and generally on 30-day terms.

Provision for impairment of receivables

Trade and other receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or other receivable is impaired.

There is no provision for impairment of trade and other receivables at the date of this report.

Credit risk

The Group's exposure to credit risk is influenced mainly by the individual credit characteristics of each customer. 100% of revenue is attributable to Australia.

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

			Past Due but Not Impaired		
Credit Risk	Gross amount ($)	Past Due and Impaired ($)	*<30*	31-60	Within Initial Trade Terms ($)
2018					
Trade and term receivables	467,783	-	232,150	235,633	467,783
Total	**467,783**	**-**	**232,150**	**235,633**	**467,783**
2017					
Trade and term receivables	-	-	-	-	-
Other receivables	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

12a. Cash and cash equivalents

Cash and Cash Equivalents	2018 ($)	2017 ($)
Current		
Bank balances	512,997	126,822
Commercial credit card facility	(6,879)	-
	506,118	**126,822**

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

12b. Cash and cash equivalents

Reconciliation of Cash Flows from Operations with Profit / (Loss) after Income Tax	2018 ($)	2017 ($)
Loss after income tax	(1,122,333)	(275,571)
Cash flows excluded from profit / (loss) from continuing activities attributable to operating activities		
Finance costs	1,819	-
Non-cash flows in result from continuing activities		
Share based payments (benefit) / expense	99,759	-
Depreciation and amortisation	204,072	-
Impairment of assets	(868)	-
		-
(Increase) / decrease in inventories	(385,880)	-
(Increase) / decrease in trade and other receivables	(467,783)	17,624
Increase / (decrease) in employee entitlements	96,144	-
Increase / (decrease) in trade and other payables	673,626	(47,355)
Increase / (decrease) in other assets and liabilities	207,140	-
Net cash used in operating activities	**(694,304)**	**(305,302)**

(i) Non-cash financing and investing activities

During the financial year ended 30 June 2018, the Group issued 55,750,000 ordinary shares and 27,875,000 options with a fair value of $1,203,861 as consideration for the acquisition of Babylon Operations Pty Ltd as per Note 26. The acquisition is not reflected in the statement of cashflows.

Acquisition	2018 ($)	2017 ($)
Fair value of considerations shares	1,115,000	-
Fair value of consideration options	88,861	-
	1,203,861	**-**

13. Share Capital

a) Ordinary shares

During the 12 month period ended 30 June 2018, the Group issued 280,625,000 Babylon shares. All shares issued during the period were in respect to the capital raising and as consideration for the acquisition to ordinary shareholders.

All issued Babylon shares are fully paid.

13. Share Capital (continued)

Ordinary Shares	2018 No.	*2018 $*	2017 No.	*2017 $*
At the beginning of the reporting period	1,826,870,453	23,041,122	1,163,633,057	22,608,124
Issue of shares per non-renouceable issue	-	-	498,237,396	498,237
Issue of shares to converting loan investors	-	-	165,000,000	13,471
Share consolidation	(1,735,525,821)	-	-	-
Issue of shares as part of purchase consideration	55,750,000	1,115,000	-	-
Issued of shares under prospectus	224,875,000	4,497,500	-	-
Transaction costs	-	(721,428)	-	(78,710)
In-specie distribution	-	38,129	-	-
Total	**371,969,632**	**27,970,323**	**1,826,870,453**	**23,041,122**

14. Reserves

a) Options

On 18 December 2017 the Group issued 127,875,000 Options exercisable at 4 cents on or before 31 March 2019 and have been valued using the Black Scholes option valuation model.

To date no Options have been exercised.

Options	2018 No.	*2018 $*	2017 No.	*2017 $*
At the beginning of the reporting period	993,302,151	-	853,921,259	-
Share consolidation	(943,636,986)	-	-	-
Options granted	-	-	498,237,396	-
Issue of free attaching options under capital raising	112,437,502	-	-	-
Consideration options issued upon acquisition	27,875,000	88,861	-	-
Sub-underwriter options issued	100,000,000	318,784	-	-
Options exercised	-	-	-	-
Options lapsed	-	-	(358,856,504)	-
Total	**289,977,667**	**407,645**	**993,302,151**	**-**

For the sub-underwriter options, the value of services received was unable to be measured reliably and therefore the value of services received was measured by reference to the fair value of options issued. Using the Black-Scholes option valuation methodology the fair value of the consideration and sub-underwriter options issued have been calculated. The following inputs were used:

Options Issued	(i) Consideration Options	*(ii) Sub-underwriter Options*
Underlying share price	$0.02	$0.02
Exercise Price	$0.04	$0.04
Expected volatility	80%	80%
Expiry date	31-Mar-19	31-Mar-19
Expected dividends	0%	0%
Risk free rate	1.78%	1.78%
Value per Option	$0.00	$0.00
Number of Options	27,875,000	100,000,000
Value per tranche	**$88,861**	**$318,784**

(i) A total of 27,875,000 Options were issued to the shareholders of Babylon Operations Pty Ltd at completion of the acquisition as consideration for the acquisition of their Babylon Operations Pty Ltd shares.

(ii) A total of 100,000,000 Options were issued to the Sub-underwriters of the capital raising.

Notes to the consolidated financial statements

For the year ended 30 June 2018

14. Reserves (continued)

b) Share Based Payment Reserve

On 18 December 2017 the Group issued 40,000,000 Performance Rights to senior management of the Group, including Directors Mr Michael Shelby (20,000,000) and Mr Patrick Maingard (8,000,000) and to senior manager Mr Mark Lagemann (12,000,000), 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.

The performance rights also have an implied service condition meaning the Directors must remain employed for the entire period. The vesting conditions and performance period of each class of performance rights are set out below.

Noting the Group's ongoing client engagement and growing opportunity pipeline, management's estimated probability of achieving the below performance conditions is 50%. This is reflected in the below share based payment expense of the performance rights as at 30 June 2018.

Share Basaed Payment Reserve	2018 No.	*2018 $*	2017 No.	*2017 $*
At the beginnning of the period	-	-	-	-
Share based payments	-	99,759	-	-
Total	**-**	**99,759**	**-**	**-**

The Group 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 grant date fair value of equity instruments granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the equity instrument. The amount recognised as an expense is adjusted to reflect the number of equity instruments for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of equity instruments that do not meet the related service and non-market performance conditions at the vesting date. For equity instruments with non-vesting conditions, the grant date fair value of the equity instruments is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

When the Group grants equity instruments to employees of subsidiaries, the fair value at grant date is recognised as a receivable from subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

15. Performance Rights

The performance rights were fair valued at $800,000 based on a share price of $0.02. Management have applied a probability of 50% of the performance conditions being met, resulting in $400,000 being recognised at 30 June 2018.

Class	Grant Date	Vesting Period	Value at Grant Date ($)	Date of Vesting	Percentage Vested (%)	Number Under Performance Rights
A	18-Dec-17	30-Sep-19	70,000	30-Sep-19	-	7,000,000
B	18-Dec-17	30-Sep-20	70,000	30-Sep-20	-	7,000,000
C	18-Dec-17	30-Sep-19	70,000	30-Sep-19	-	7,000,000
D	18-Dec-17	30-Sep-20	70,000	30-Sep-20	-	7,000,000
E	18-Dec-17	31-Dec-19	120,000	31-Dec-19	-	12,000,000
			400,000			**40,000,000**

Performance Rights	2018 No.	*2018 $*	2017 No.	*2017 $*
At the beginning of the reporting period	-	-	-	-
Issue of performance rights upon acquisition	40,000,000	400,000	-	-
Total	**40,000,000**	**400,000**	**-**	**-**

15. Performance Rights (continued)

i) Terms of Performance Rights

Number	Class	Performance Condition	Vesting Period
7,000,000	Class A	The Group achieving operating revenue of at least $4.6 million in the first full financial year following issue.	3 months from the end of the first full financial year following issue.
7,000,000	Class B	The Group achieving operating revenue of at least $9.2 million in the second full financial year following issue.	3 months from the end of the second full financial year following issue.
7,000,000	Class C	The Group achieving earnings before interest, tax, depreciation and amortization of at least $0 (i.e. breakeven) in the first full financial year following issue.	3 months from the end of the first full financial year following issue.
7,000,000	Class D	The Group achieving earnings before interest, tax, depreciation and amortization of at least $2.6 million in the second full financial year following issue.	3 months from the end of the second full financial year following issue.
12,000,000	Class E	The exercise of 80% of BPPOA Options on issue immediately following completion of the Acquisition (delivering circa $8.5m of new capital).	24 months from issue.

16. Earnings per share

The following reflects the income used in the basic earnings per share computations:

Consolidated Group	2018 ($)	2017 ($)
Reconciliation of earnings to net loss	(1,122,333)	(275,571)
Net loss from continuing operations attributable to ordinary shareholders	**(1,122,333)**	**(275,571)**

Weighted average number of ordinary shares

Weighted average number of ordinary shares	2018 no.	2017 no.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	854,645,196	1,269,743,449

The Group had 289,977,667 options outstanding over ordinary shares and 40,000,000 performance rights that were issued this financial year, that could potentially dilute basic earnings per share in the future.

17. Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. Loans and borrowings relate to asset financing and insurance premium funding.

Loans and Borrowings	2018 ($)	2017 ($)
Current		
Finance facilities	78,311	-
Non-current		
Finance facilities	88,949	-
	167,260	**-**

The equipment finance facilities bears interest at prevailing market rates and are primarily repayable over 3 years. The equipment finance facilities as drawn have been used by Babylon to purchase new capital equipment.

18. Employee benefits

Employee Benefits	2018 ($)	2017 ($)
Current		
Liability for annual leave	87,238	-
Superannuation liability	8,520	-
Non-current		
Liability for long service leave	386	-
	96,144	**-**

19. Trade and other payables

Trade and other payables	2018 ($)	2017 ($)
Trade payables	809,621	82,767
GST liability	1,913	-
Director related accruals	-	172,911
Other Payables	58,690	-
	870,224	**255,678**

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 21.

20. Accruals

Trade and other payables	2018 ($)	2017 ($)
Trade payables	809,621	82,767
GST liability	1,913	-
Director related accruals	-	172,911
Other payables	58,690	-
	870,224	**255,678**

21. Financial instruments

Overview

The Group's activities expose it to a variety of financial risks: credit risk (including foreign currency risk and interest rate risk), liquidity risk, market risk and operational risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on financial performance of the Group.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Due to the size of the Group, and its low nature of risk with respect to financial risk management, the Board is of the opinion that there is no need to establish a Risk Management Committee for developing and monitoring risk management policies.

21. Financial instruments (continued)

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Management has established a credit policy under which each new customer and counterparties to transactions are analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes the use of external ratings, when available. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating.

The Group's exposure to credit risk is influenced mainly by the individual credit characteristics of each customer. 100% of revenue is attributable to Australian entities.

Details with respect to credit risk of trade and other receivables are provided in Note 11. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 11.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

Exposure to credit risk	Notes	2018 *($)*	2017 *($)*
Cash and cash equivalents	**12a**	506,118	126,822
Trade and other receivables	**11**	467,783	-
		973,901	**126,822**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses a forecast cash flow budget which assists it in monitoring cash flow requirements and optimising its cash return on investments and trading position. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on administration costs, purchases of spare parts and plant and equipment that are denominated in South African Rand (ZAR), US dollars (USD) and United Arab Emirates Dirham (AED). The Group does not use currency hedging for administration expenses as the receipts in ZAR, USD and AED are used to meet the liability obligations of the Group entities denominated in ZAR, USD and AED. The use of currency hedging for exposures relating to spare parts and plant and equipment purchases are assessed on a case by case basis.

During the financial year ended 30 June 2018, the Group did not enter into any forward foreign currency contracts.

21. Financial instruments (continued)

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The financial instruments which primarily expose the Group to interest rate risk are borrowings and cash and cash equivalents. The Group manages its exposure to changes in interest rates on borrowings by using a mix of fixed and floating rate debt. The Group is exposed to movements in market interest rates on short term deposits. The Directors monitor the Group's cash position relative to the expected cash requirements. Where appropriate, surplus funds are placed on deposit earning higher interest. The Group also has short or long term debt, and therefore the risk is minimal.

Profile

At the reporting date the interest rate profile of the Group's variable interest-bearing financial instruments was:

Variable rate instruments	*Carrying Amount* 2018 *($)*	2017 *($)*
Financial assets	506,118	126,822
Financial liabilities	-	-
	506,118	**126,822**

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisations of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the competency of personnel, adequacy of controls and risk management procedures to address the risks identified;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

Capital management

The Board's policy is to maintain adequate capital so as to maintain investor, creditor and market confidence and to sustain future development of the business.
The Group's debt and capital structure includes ordinary share capital and loans and borrowings. The Group is not subject to externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risk and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

21. Financial instruments (continued)

The Group's debt-to-adjusted capital ratio at the end of the reporting period was as follows:

Capital Management	2018 ($)	2017 ($)
Total liabilities	1,192,708	255,678
Less: cash and cash equivalents	(506,118)	(126,822)
Net debt	686,590	128,856
Total capital	4,184,615	(128,856)
Debt-to-capital ratio at the end of the period	**0.16**	**(1)**

Fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables and trade and other payables

Trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value.

(ii) Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes option valuation methodology. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Fair value hierarchy

Financial instruments carried at fair value are determined by valuation level, as determined in accordance with the relevant accounting standard. The different levels have been defined as:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between levels during the current or prior year.

All financial assets and liabilities carried at fair value have been deemed to be level 2 within the fair value hierarchy. With respect to specific financial assets and liabilities, the following valuation methods have been used:

Term receivables and fixed interest securities are determined by discounting the cash flows, as at the market interest rates of similar securities, to their present value.

Other loans and amounts due are determined by discounting the cash flows, at market rates of similar borrowings, to their present value.

Other assets and other liabilities approximate their carrying value. The carrying amount of all financial assets and financial liabilities approximate their fair value at reporting date.

22. Commitments

Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

Operating lease commitments	2018 ($)	2017 ($)
Less than one year	65,000	-
Between one and five years	-	-
Later than 5 years	-	-
	65,000	**-**

The Group leases its Forrestfield workshop premises under an operating lease. The leased premises currently have a term of a further 7 months with the option to renew for a further 24 months after that date.

The leased premises lease is a combined lease of land and buildings. Since the land title does not pass and the Group does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building are with the landlord. As such, the Group determined that the leases are operating leases.

23. Related parties

Individual directors and executives compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Other key management personnel and director transactions

There were no loans made to any key management personnel or their related parties.

Subsidiaries

All inter-Company loans and receivables are eliminated on consolidation and are interest free with no set repayment terms.

24. Group entities

Name of entity	Country of incorporation	Ownership Interests 2018	Ownership Interests 2017
Parent entity			
Babylon Pump & Power Limited	Australia		
Significant subsidiaries			
Babylon Operations Pty Ltd	Australia	100%	0%

25. Dividends

No amounts have been paid, declared or recommended by the Group by way of dividend since the commencement of the financial year to 30 June 2018.

26. Acquisition of Babylon Operations Pty Ltd

On 18 December 2017, Babylon Pump & Power Limited acquired 100% of the shares of Babylon Operations Pty Ltd. A summary of the acquisition details with respect to the acquisition of Babylon Operations as included in our report is set out below. The acquisition accounting has been determined under AASB 3: Business Combinations.

26. Acquisition of Babylon Operations Pty Ltd (continued)

The fair values of the assets and liabilities of Babylon Operations as at the date of acquisition are as follows:

Description	*Note*	Fair Value *($)*
Cash and cash equivalents		48,849
Trade and other debtors		185,914
Plant and equipment		573,845
Trade and other payables		(422,632)
Net identifiable assets acquired		**385,976**
Fair value of considerations shares [(1)]		1,115,000
Fair value of consideration options [(2)]		88,861
Less: Total of Babylon Operations net assets acquired		(385,976)
Amount recognised as goodwill upon acquisition	**9**	**817,885**

Notes:
1. 55,750,000 ordinary shares with fair value of $0.02 on 18 December 2017
2. 27,875,000 options measured at fair value. Refer to Note 14(a)

Acquisition related costs have been included as an expense in the statement of profit or loss.

If the acquisition had occurred on 1 July 2017, Babylon Operations would have contributed an estimated $0.97 million of revenue and a net loss of circa $0.48 million.

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets.

27. Subsequent events

As per the Group's recent ASX announcements, the Group:

- confirmed $4.5 million (exclusive of fees) has been issued in the form of convertible loans to support a growing order book and pipeline of new business;
- secured a new power generation contract to supply, install and maintain power generation equipment for BHP's Mining Area C (MAC) Surplus Water Pipeline Project in Western Australia; and
- secured an asset finance facility of circa $1.5 million with National Australia Bank Limited.

No other matters or circumstance have arisen since the end of the financial year that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future years.

28. Auditors' remuneration

Auditors' Remuneration	2018 *($)*	2017 *($)*
Audit services		
Audit and review of financial reports	19,380	26,727
Non-audit services - Investigating Accountants Report	16,287	-
Non-audit services - Tax advice	1,000	-
	36,667	**26,727**

Notes to the consolidated financial statements

For the year ended 30 June 2018

29. Parent entity disclosures

Financial Position	30 June 2018 *($)*	30 June 2017 *($)*
Assets		
Current assets	18,339	125,920
Non-current assets	4,282,885	100
Total Current Assets	**4,301,224**	**126,020**
Liabilities		
Current liabilities	14,465	255,678
Non-current liabilities	-	-
Total liabilities	**14,465**	**255,678**
Net Assets / (Deficiency)	**4,286,759**	**(129,658)**
Equity		
Share capital	26,855,324	23,041,122
Reserves	507,404	-
Retained losses	(23,075,969)	(23,170,780)
Total Equity / (Deficiency in Equity)	**4,286,759**	**(129,658)**

Financial Performance	30 June 2018 *($)*	30 June 2017 *($)*
Loss for the year	(634,213)	(272,681)
Other comprehensive income	-	-
Total comprehensive income	**(634,213)**	**(272,681)**

Guarantees provided in relation to subsidiaries

Babylon Pump & Power Limited provides a parent-Company guarantee in respect of a Hire Purchase facility established by Babylon (see Note 17).

30. Registered Office and Principal Place of Business

The registered office of the Company is:
74 Harrison Road, Forrestfield
Western Australia 6058

The principal place of business of the Company is:
74 Harrison Road, Forrestfield
Western Australia 6058

Directors' declaration
For the year ended 30 June 2018

1 In the opinion of the directors of Babylon Pump & Power Limited:

(a) the Group's financial statements and notes set out on pages 22 to 43 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance, for the financial period ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australia Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as set out in Note 2(a);

(c) the remuneration disclosures that are contained in the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the *Corporations Act 2001* and the Corporations Regulations 2001.

(d) there are reasonable grounds to believe that the Group will be able to pay its debts and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Board for the year ended 30 June 2018.

Signed in accordance with a resolution of the directors:

Michael Shelby
Executive Chairman

Dated at Perth this 30th day of August 2018.

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INDEPENDENT AUDITOR'S REPORT

To the members of Babylon Pump & Power Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Babylon Pump & Power Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 report, 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 30 June 2018 and of its financial performance for the year ended on that date; 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 *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.

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.

Accounting for the Acquisition of Babylon Operations Pty Ltd

Key audit matter	*How the matter was addressed in our audit*
On 18th December 2017 the Group acquired Babylon Operations Pty Ltd for consideration by way of Babylon Pump & Power Limited shares and options, resulting in goodwill after acquiring the net assets of the entity. The Group has accounted for the transaction as a business combination as disclosed in note 27 of the financial report. Accounting for this transaction is complex and requires management to exercise judgement to determine the appropriate accounting treatment. These judgements include whether the acquisition is accounted for as an asset or business acquisition, determining the accounting acquirer, estimating the fair value of net assets acquired and estimating the fair value of the purchase consideration. This has been identified as a key audit matter because this was a significant transaction during the period which involved judgement to be exercised by management. Refer to Note 27 for the detailed disclosures and to Note 2(f) which includes the significant judgements.	Our procedures included, but were not limited to: • Reviewing the sale and purchase agreement to understand the key terms and conditions; • Obtaining an understanding of the transaction, including an assessment of whether the transaction constituted an asset or business acquisition; • Evaluating management's determination of the accounting acquirer; • Assessing management's determination of the fair value of consideration paid and agreeing the consideration to supporting documentation; • Evaluating management's assessment of the fair value of net assets acquired; and • Assessing the adequacy of the related disclosures in Notes 2(f) and 27.

Carrying Value of Goodwill

Key audit matter	*How the matter was addressed in our audit*
The carrying value of goodwill as at 30 June 2018 is disclosed in Note 9. An annual impairment test for goodwill is required under Australian Accounting Standard (AASB) 136 *Impairment of Assets*. The assessment of the carrying value of goodwill is considered to be a key audit matter due to the significance of the asset to the Group's consolidated statement of financial position, and the assessment requires management to make significant judgements and estimates in determining the recoverable amount of goodwill.	Our procedures included, but were not limited to the following: • Evaluating management's impairment assessment of the goodwill by challenging the key estimates and assumptions used by management; • Challenging the appropriateness of the Capitalised Market Approach (fair value less cost of disposal) valuation method used to determine the fair value in accordance with AASB 13 *Fair Value Measurement*; • Assessing the carrying value of Babylon Pump & Power' Limited's net assets with regard to the Group's market capitalisation as at 30 June 2018; and

Refer to Note 9 and Note 2(f) for the detailed disclosures which includes the significant accounting estimates and judgements.	• Assessing the adequacy of the Group's disclosures and impairment assessment methodology as disclosed in Notes 9 and Note 2(f) to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, 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 we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the Financial Report

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

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 has 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 (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

BDO

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Babylon Pump & Power Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 30 August 2018