Babylon Pump & Power Limited (BPP)

009 436 908

Appendix 4D – Half Year Report for six months ended 31 December 2018

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1. Details of reporting periods:

Current reporting period : Six (6) months to 31 December 2018

Previous corresponding period : Six (6) months to 31 December 2017

2. Results for announcement to the market:

	Six Months 31 December 2018 $	Six Months 31 December 2017 $	% Change
Revenues	5,008,458	Nil	N/A
Profit / (Loss)	(1,187,259)	(364,209)	(226%)
Profit after tax attributable to members.	(1,187,259)	(364,209)	(226%)

Refer to enclosed Financial Report for the half year ended 31 December 2018 for further commentary.

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

3. Statement of comprehensive income

Refer to enclosed Financial Report for the half year ended 31 December 2018.

4. Statement of financial position

Refer to enclosed Financial Report for the half year ended 31 December 2018.

This Appendix 4D Half Year Report is provided to the ASX under Listing Rule 4.3B and should be read in conjunction with the accompanying Interim Financial Report for the half year ended 31 December 2018.

5. Statement of cash flows
Refer to enclosed Financial Report for the half year ended 31 December 2018.

6. Dividend payments
Not applicable.

7. Dividend reinvestment plans
Not applicable.

8. Statement of changes in equity
Refer to enclosed Financial Report for the half year ended 31 December 2018.

9. Net tangible assets per security

	31 December 2018 (cents)	30 June 2018 (cents)
Net tangible assets per ordinary security	0.0062	0.0091

10. Gain or loss of control over entities
Refer to enclosed Financial Report for the half year ended 31 December 2018.

11. Associates and joint ventures
Not applicable.

12. Other significant information
Not applicable.

13. Foreign entities
Not applicable.

14. Status of audit
The Financial Report for the half year ended 31 December 2018 has been audit reviewed and is not subject to dispute or qualification.

This Appendix 4D Half Year Report is provided to the ASX under Listing Rule 4.3B and should be read in conjunction with the accompanying Interim Financial Report for the half year ended 31 December 2018.

Babylon Pump & Power Limited

ACN 009 436 908

and its controlled entities

FINANCIAL REPORT
FOR THE HALF YEAR ENDED

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

Bankers
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100 St Georges Terrace
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AUSTRALIA

Stock Exchange Listing
Australian Securities Exchange
ASX Code: BPP

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Directors' report

For the half year ended 31 December 2018

The directors present their report together with the consolidated financial report for the six months ended 31 December 2018 and the review report thereon.

Directors

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

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

Unless otherwise disclosed, all directors held their office from 1 July 2018 until the date of this report.

Review of Financial Operations

Consolidated entity (or Group) operational revenue for the six-month period ended 31 December 2018 was $5.01 million, compared with nil revenues as at during the previous six-month period to 31 December 2017. Noting the Company's infancy, the directors are pleased with the level of revenue growth and remain optimistic around the ongoing growth trajectory for the Company moving forward.

Consolidated entity (or Group) net loss after tax for the six-month period ended 31 December 2018 was $1.19 million, compared with a net loss after tax of $0.36 million during the previous six-month period to 31 December 2017.

The table below provides a comparison of the key results for the six-month period ended 31 December 2018 as reported, against the six-month period ended 31 December 2017.

Comprehensive Income Statement	% Change	6 month period to 31 December 2018 $	6 month period to 31 December 2017 $
Revenue from operations	N/A	5,008,458	Nil
Reported EBITDA	87%	(48,157)	(364,209)
Reported profit/(loss) after tax attributable to members	(226%)	(1,187,259)	(364,209)

Review of Operations

Babylon has grown rapidly since commencing operations in May 2017 and is now servicing major mining and oil & gas service companies as well as major miners and equipment providers.

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

Babylon is focused in two complementary areas being (i) maintenance and rebuild services for diesel driven equipment, and (ii) rental of specialty diesel driven pumping and power generation equipment.

Diesel Maintenance Activities

Heavy diesel maintenance workload continues to grow and deliver underlying revenue which is supporting continual workforce expansion to meet market demand.

Growth in Babylon's work in progress, order book and pipeline is being driven by multiple factors:

- Deferred maintenance by clients, driving a need for more comprehensive engine and component rebuild programs;
- Increasing demand for diesel service field maintenance as Babylon's reputation grows;
- Field service activities are leading to increased workshop throughput as opportunities are encountered on site; and
- Clients have limited availability of internal skilled resources to support ongoing diesel maintenance and continue to look for alternatives to OEMs.

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

Directors' Report (continued)

Power Generation and Dewatering Activities

Babylon is pleased to have secured dewatering and power generation rental project work direct with a tier one major iron ore miner.

Current rental projects cover multiple industries including power generation to iron ore, renewable energy backup and pumping to oil & gas, mining, infrastructure, minerals drilling.

Current power generation projects include:

- 5MW portable diesel power generation for major iron ore miner; and
- Multiple applications of smaller synchronized portable diesel power generation installations for resources.

Current dewatering and pumping projects include dewatering and water management for nickel and gold miners as well as water management for smaller service providers including oil and gas service companies. Custom systems are built by combining dewatering tools for best fit for site:

- Traditional diesel driven pumps;
- Electric submersible pumps; and
- Bore pump systems.

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

Lead Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 3 and forms part of the directors' report for the six months ended 31 December 2018.

Signed in accordance with a resolution of the directors.

Michael Shelby
Executive Chairman

Dated at Perth this 18th day of February 2019.

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

As lead auditor for the review of Babylon Pump and Power Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 18 February 2019

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2018

Profit or Loss and Other Comprehensive Income	*Notes*	31 December 2018 *($)*	31 December 2017 *($)*
Sales		5,008,458	-
Cost of Sales		(3,274,113)	-
Gross Profit		**1,734,345**	**-**
Other Income		(2,901)	868
Employee Benefits Expense	**9**	(1,450,254)	(6,685)
Admininstration and Corporate Expense	**10**	(329,347)	(358,393)
Loss before interest, tax, depreciation and amortisation		**(48,157)**	**(364,209)**
Depreciation and Amortisation		(538,463)	-
Results from operating activities		**(586,620)**	**(364,209)**
Finance Income		5,951	-
Finance Expense		(606,590)	-
Net financing expense		**(600,639)**	**-**
Loss before tax		**(1,187,259)**	**(364,209)**
Income tax benefit / (expense)		-	-
Loss after income tax for the period		**(1,187,259)**	**(364,209)**
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to the members of Babylon Pump & Power Limited		**(1,187,259)**	**(364,209)**
Loss attributable to:			
Equity holders of the company		(1,187,259)	(364,209)
Loss for the period		**(1,187,259)**	**(364,209)**
Loss per share for loss attributable to the members of Babylon Pump & Power Limited:			
Basic loss per share (cents)		(0.0032)	(0.001)

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

Consolidated statement of financial position

As at 31 December 2018

Statement of Financial Position	*Notes*	31 December 2018 *($)*	30 June 2018 *($)*
Current Assets			
Cash and cash equivalents		1,908,370	506,118
Trade receivables	**11**	1,471,978	467,783
Inventories	**12**	478,312	335,250
Other Receivables		87,428	24,920
Total Current Assets		**3,946,088**	**1,334,071**
Non-Current Assets			
Property, plant and equipment	**13**	7,536,108	3,167,867
Deposits		22,500	57,500
Goodwill		817,885	817,885
Total Non-Current assets		**8,376,493**	**4,043,252**
Total Assets		**12,322,581**	**5,377,323**
Current Liabilities			
Borrowings	**16**	2,036,161	78,311
Trade payables	**14**	1,879,650	870,224
Employee liabilities		161,082	95,758
Accurals and other payables	**15**	141,454	59,080
Total Current Liabilities		**4,218,347**	**1,103,374**
Non-Current Liabilities			
Borrowings	**16**	4,980,358	88,949
Employee liabilities		1,390	386
Total Non-Current Liabilities		**4,981,748**	89,335
Total Liabilities		**9,200,095**	**1,192,708**
Net Assets / (Deficiency)		**3,122,486**	**4,184,615**
Equity			
Share capital	**17**	27,970,324	27,970,324
Reserves	**18**	640,326	507,404
Retained losses		(25,488,164)	(24,293,113)
Total Equity / (Deficiency in Equity)		**3,122,486**	**4,184,615**

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

Consolidated statement of changes in equity

For the six months ended 31 December 2018

Attributable to equity holders of the Group

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

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

Consolidated statement of cash flows

For the six months ended 31 December 2018

Statement of Cash Flows	*Notes*	*31 December 2018 ($)*	*31 December 2017 ($)*
Cash flows from operating activities			
Receipts from customers		4,872,025	28,376
Payments to suppliers and employees		(5,788,520)	(468,695)
Interest received		5,951	-
Interest paid		(180,476)	-
Other		(21,607)	15,111
Net cash used in operating activities		**(1,112,627)**	**(425,208)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,966,771)	(2,705)
Purchase of other assets and investments		(48,788)	-
Cash acqiured through acquisition		-	48,849
Net cash used in investing activities		**(4,015,559)**	**46,144**
Cash flows from financing activities			
Proceeds from borrowings		3,534,718	4,539,279
Repayment of borrowings		(1,235,892)	-
Proceeds from issue of convertible notes		4,500,000	-
Payment of transaction costs		(300,000)	(48,830)
Other		31,612	13,610
Net cash provided by financing activities		**6,530,438**	**4,504,059**
Net increase in cash and cash equivalents		1,402,252	4,124,995
Cash and cash equivalents at the beginning of the period		506,118	91,460
Cash and cash equivalents at the end of the period		**1,908,370**	**4,216,455**

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

Notes to the consolidated financial statements

1. Reporting entity

Babylon Pump & Power Limited ("the Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2018 comprises the Company and its subsidiary (together referred to as the "Group").

2. Statement of Compliance

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

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

3. Significant Accounting Policies

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

a) Basis of Preparation

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

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

b) Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's financial report for the year ended 30 June 2018, except for the adoption of the new standards as set out below.

The adoption of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) has no material impact on the accounts reported in the current and prior periods.

i) Convertible Loans

Convertible loans were issued by the Group during the period, which include embedded derivatives (option to convert the security to variable number of shares in the Group). The convertible loans were initially recognised as financial liabilities at fair value. On initial recognition, the fair value of the convertible loans equates to the proceeds received and subsequently, the convertible loans are measured at fair value. The movements are recognised on the statement of profit or loss as finance costs except to the extent the movement is attributable to changes in the Group's own credit status, in which case the movement is recognised in other comprehensive income.

4. Significant Accounting Judgements

Expected credit losses of financial asset at amortised cost

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management have estimated the expected credit loss is immaterial for trade receivables held at 31 December 2018.

Convertible loans carried at fair value

On initial recognition, the value of the convertible loans was calculated based on the proceeds received. At the reporting date the fair value of the conversion option within the convertible loan has been assessed to be nil and credit risk has not changed from inception of the loan.

Notes to the consolidated financial statements

5. Adoption of new and revised accounting standards

A number of new or amended standards became applicable for the current reporting period resulting in the adoption of the following standards:

- AASB 15 Revenue from Contracts with Customers; and
- AASB 9 Financial Instruments.

a) AASB 15 Revenue from Contracts with Customers- Impact of Adoption

Group revenues consists mainly of revenues from rentals, engine rebuilds and maintenance services and sales of spare parts.

AASB 15 does not apply to lease contracts within the scope of AASB 117 Leases and consequently does not apply to rental revenue.

The Group has applied AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements at the reporting date and on transition to the standard.

Revenue accounting policies:

- *Rental revenue*

Rental income arising from operating leases of equipment is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

- *Engine rebuilds and maintenance services*

Revenue is recognised as the services are rendered because the asset is controlled by the customer. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be based on the actual labour hours spent relative to the total expected labour hours. Estimates of extent of progress toward completion are revised if circumstances change and revenue is only recognised to the extent that it is not highly probable it will not reverse.

In the case of fixed price contracts, if the services rendered exceed the payments received to date, a contract asset is recognised. If payments exceed the services rendered a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised at the amount to which Babylon is has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

- *Spare part sales*

Revenue is recognised when control of the product has transferred to the customer, being when products are delivered. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the product in accordance with the sales contract.

Disaggregation of revenue note

Revenue from external customers: timing of revenue recognition:

- At a point in time: $4,576,737
- Overtime: Nil
- Rental revenue: $431,721

Notes to the consolidated financial statements

5. Adoption of new and revised accounting standards (continued)

b) AASB 9 Financial Instruments- Impact of Adoption

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 from 1 July 2018 did not give rise to any material transitional adjustments, but has changed the Group's accounting policies in relation to the adoption of AASB 9's new expected credit loss model and accounting for the convertible loans issued by the Company.

Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and failure to make contractual payments for a period greater than 120 days past due.

Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At half year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

I*mpairment*

From 1 July 2018, the Group assesses expected credit losses associated on a forward-looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

6. Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2018 except those disclosed in Note 4.

7. Going Concern

For the half year ended 31 December 2018 the entity recorded a loss of $1.19 million and had net cash outflows from operating activities of $1.11 million.

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

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

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

7. Going Concern (continued)

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

- The Company continues to exceed revenue growth targets and management expects to significantly exceed FY19 revenue budgets with a strong growth trajectory;
- Continual growth in underlying business due to high levels of client satisfaction;
- Strong pipeline of proposals submitted and further opportunities expected to materialise based on ongoing client communication and requests for tender proposals;
- The Company has access to further finance facilities which remain undrawn; and
- The Company has ongoing support from (i) top shareholders, and (ii) institutional investors throughout the business' current growth stage.

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

8. Operating Segments

Babylon has one reportable segment, Babylon Operations Pty Ltd, which 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. This is the Group's sole strategic business unit, and the Group's Executive Chairman reviews internal management reports for the strategic business unit on at least a monthly basis.

9. Employee Benefits Expense

Employee Benefits Expense	31 Dec 18 ($)	31 Dec 17 ($)
Wages and salaries	1,243,766	-
Employment related taxes	55,616	-
Share-based payment expense	132,922	6,685
Other employment related expenses	17,950	-
	1,450,254	**6,685**

10. Administration and Corporate Expense

Administration and Corporate Expense	31 Dec 18 ($)	31 Dec 17 ($)
Office expenses	50,692	7,911
Corporate governance	137,894	313,810
Other expenses	42,453	36,672
Consumables and operational costs	98,308	-
	329,347	**358,393**

11. Trade Receivables

Trade Receivables	31 Dec 18 ($)	30 June 18 ($)
Trade Debtors	1,471,978	467,783
	1,471,978	**467,783**

12. Inventories

Inventories	31 Dec 18 ($)	30 June 18 ($)
Consumables and spare parts	275,750	264,250
Work in progress	202,562	71,000
	478,312	**335,250**

Notes to the consolidated financial statements

13. Property, Plant and Equipment

Property, Plant and Equipment	Engines ($)	Plant & Equipment ($)	Office Equipment ($)	IT Equipment ($)	Motor Vehicles ($)	Capital Work in Progress ($)	Total ($)
Carrying amount at 30 June 2018	**1,305,940**	**1,640,232**	**1,370**	**28,053**	**109,273**	**83,000**	**3,167,867**
Additions	664,952	4,710,184	-	4,366	94,274	-	5,473,776
Disposals	(484,072)	-	-	-	-	(83,000)	(567,072)
Depreciation expense	(45,800)	(466,196)	(447)	(10,193)	(15,828)	-	(538,463)
Balance at 31 December 2018	**1,441,020**	**5,884,220**	**923**	**22,226**	**187,719**	**-**	**7,536,108**

14. Trade Payables

Trade Payables	31 Dec 18 ($)	30 June 18 ($)
Trade payables	1,875,700	809,621
GST	4,094	1,913
Other payables	(144)	58,690
	1,879,650	**870,224**

15. Accruals and Other Payables

Accruals and Other Payables	31 Dec 18 ($)	30 June 18 ($)
Payroll Tax liability	12,984	55,000
Tax Services	6,732	-
Audit Services	-	4,080
Interest on Borrowings	121,738	-
	141,454	**59,080**

16. Borrowings

Borrowings	*Notes*	31 Dec 18 ($)	30 June 18 ($)
Current Liability			
Asset Finance Facilities		1,947,209	-
Insurance Premium Funding		88,952	78,311
Sub-total		2,036,161	78,311
Non-Current Liability			
Convertible Loans	***16a***	4,500,000	-
Asset Finance Facilities		480,358	88,949
Sub-total		4,980,358	88,949
Total		**7,016,519**	**167,260**

a) Convertible Loan

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

i) Terms

The key terms of the Convertible Loans are as follows:

(a) Face Value: Each Convertible Loan has a face value of $1.00 ("Face Value"). The total Face Value of all the Convertible Loans issued by the Company is $4.5 million.

16. Borrowings (continued)

(b) 12% per annum on the Face Value. Interest will be payable quarterly in arrears calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest will be payable on the Face Value from 17 August 2018.

(c) Unsecured: The Convertible Loans are unsecured.

(d) Effective Date: The Convertible Loans were entered into with each Holder on or about 17 August 2018 ("Effective Date").

(e) Maturity Date: Any outstanding Face Value and accrued interest in respect thereof will mature and become payable in full to the Holder on the date that is 2 years after the Effective Date ("Maturity Date").

(f) Conversion Period: The conversion period is the period commencing after the date that is 6 months from the Effective Date and ending on the Maturity Date ("Conversion Period").

(g) Conversion Price: The Convertible Loans may be converted into Shares ("Convertible Shares") at the lower of:

(i) $0.0225 per Share; and

(ii) the price of any equity capital raising by the Company that occurred in the 2-month period prior to the date the Company receives the Conversion Notice, subject to a minimum price of $0.01 per Share,

("Conversion Price").

(h) Conversion election: The Convertible Loans will be convertible at the election of the Holder or any subsequent Holder, in whole or in part (if in part, subject to a minimum Face Value of $50,000), at any time during the Conversion Period into Conversion Shares at the Conversion Price.

(i) Conversion Notice: A Holder or any subsequent Holder must make a conversion election by giving written notice to the Company specifying the Face Value amount of the Convertible Loans being converted.

(j) Shareholder Approval: Shareholder approval for the conversion of the Convertible Loans was obtained on 26 November 2018 at Babylon's annual general meeting.

(k) Early Redemption at the Option of the Company the Company may redeem all of the Convertible Loans at any time during the period commencing on the date that is 6 months from the date of issue of the Convertible Loans and ending on the Maturity Date by repaying the Face Value plus any accrued and unpaid interest in respect thereof plus the Early Redemption Premium following the Company giving the Holder 30 days' notice of such early redemption. The Holder will have the right to convert its Convertible Loans during this early redemption notice period.

(l) Early Redemption Premium an additional 10% of the Face Value of each Convertible Loan payable by the Company to the Holder in the event of early redemption.

ii) Measurement

The fair value of the Convertible Loans as at 31 December 2018 is $4,500,000.

As outlined below, the fair value of the Convertible Loans is recognised as a liability in the consolidated statement of financial position.

Notes to the consolidated financial statements

17. Share Capital

a) Ordinary shares

During the six-month period ended 31 December 2018, the Company did not issue any Babylon shares.

All issued Babylon shares are fully paid.

Ordinary Shares	*31-Dec-18* No.	*31-Dec-18* $	*31-Dec-17* No.	*31-Dec-17* $
At the beginning of the reporting period	371,969,632	27,970,324	1,163,633,057	22,608,124
Issue of shares per non-renouceable issue	-	-	498,237,396	498,237
Issue of convertible loan to converting investors	-	-	165,000,000	13,471
Transaction costs	-	-	-	(78,710)
Total	**371,969,632**	**27,970,324**	**1,826,870,453**	**23,041,122**

18. Reserves

a) Options

During the six-month period ended 31 December 2018, the Company did not issue any Babylon options.

Options	*31-Dec-18* No.	*31-Dec-18* $	*31-Dec-17* No.	*31-Dec-17* $
At the beginning of the reporting period	289,977,667	407,645	993,302,151	-
Share consolidation	-	-	(943,637,043)	-
Options granted	-	-	-	-
Issue of free attaching options under capital raising	-	-	112,437,501	-
Consideration options issued upon acquisition	-	-	27,875,000	88,861
Sub-underwriter options issued	-	-	100,000,000	318,784
Options exercised	-	-	-	-
Options lapsed	-	-	-	-
Total	**289,977,667**	**407,645**	**289,977,609**	**407,645**

Share Based Payment Reserve

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

Noting the Company's ongoing client engagement, growing opportunity pipeline and upcoming expiration of a number of performance rights, management's estimated probability of achieving the below performance conditions are set out below. This is reflected in the share based payment expense of the performance rights as at 31 December 2018.

During the six-month period ended 31 December 2018, the Company did not issue any additional performance rights.

Share Basaed Payment Reserve	*31-Dec-18* No.	*31-Dec-18* $	*31-Dec-17* No.	*31-Dec-17* $
At the beginnning of the period	-	99,759	-	-
Share based payment expense	-	132,922	-	6,685
Total	**-**	**232,681**	**-**	**6,685**

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

18. Reserves (continued)

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.

19. Performance Rights

The performance rights were fair valued at $800,000 based on a share price of $0.02 at grant date. As outlined below, management have revised the probability assessment of the of the performance conditions being met, resulting in a fair value of $350,000 at 31 December 2018.

Class	Grant Date	Vesting Period	Number Under Performance Rights (No.)	Value at Grant Date ($)	Date of Vesting	Management Probability Assessment 30-Jun-18	Management Probability Assessment 31-Dec-18	Fair Value ($)
A	18-Dec-17	30-Sep-19	7,000,000	140,000	30-Sep-19	*50%*	*100%*	140,000
B	18-Dec-17	30-Sep-20	7,000,000	140,000	30-Sep-20	*50%*	*50%*	70,000
C	18-Dec-17	30-Sep-19	7,000,000	140,000	30-Sep-19	*50%*	*50%*	70,000
D	18-Dec-17	30-Sep-20	7,000,000	140,000	30-Sep-20	*50%*	*50%*	70,000
E	18-Dec-17	31-Dec-19	12,000,000	240,000	31-Dec-19	*50%*	*0%*	-
			40,000,000	**800,000**				**350,000**

i) Terms of Performance Rights

Number	Class	Performance Condition	Period
7,000,000	Class A	The Company 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 Company 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 Company 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 Company 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 IMIOA Options on issue immediately following completion of the Acquisition (delivering circa $8.5m of new capital).	24 months from issue.

20. Dividends

No amounts have been paid, declared or recommended by the Company by way of dividend since the commencement of the financial year to 31 December 2018.

21. Contingencies

There has been no change from that which was detailed in the financial report as at 30 June 2018 in relation to contingent assets and liabilities. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Notes to the consolidated financial statements

22. Subsequent Events

There has not arisen in the interval between the end of the interim financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

23. Related Party Transactions

During the half year ended 31 December 2018, no options and or shares were issued to the Directors.

Directors' Declaration

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

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

   (a) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the six-month period ended that date; and

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

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

Dated at Perth this 18th day of February 2019.

Signed in accordance with a resolution of the directors:

Michael Shelby
Executive Chairman

BDO

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Babylon Pump and Power Limited

Report on the Half-Year Financial Report

Conclusion

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

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

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

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 7 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

Independence

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

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 18 February 2019