Babylon Pump & Power Limited (BPP)

47 009 436 908

Appendix 4E – Results for the year ended 30 June 2019

1. Details of reporting periods:

Current reporting period	**:** 12 months ended 30 June 2019
Previous corresponding period	**:** 12 months ended 30 June 2018

2. Results for announcement to the market

	12 Months ended 30 June 2019 $	12 Months ended 30 June 2018 $	% Change
Revenues	11,509,158	1,628,357	607%
Loss	(2,209,222)	(1,122,333)	(97%)
Loss attributable to members	(0.0059)	(0.0013)	(357%)

Refer to enclosed financial report for the year ended 30 June 2019 for further commentary.

Dividend / distributions	Amount per security (cents)	Franked amount per security (cents)	Amount $'000	Amount per security of foreign sourced dividend (cents)	Record date	Date paid / payable
Final dividend – current year	Nil	Nil	Nil	Nil	Nil	Nil
Final dividend – previous year	Nil	Nil	Nil	Nil	Nil	Nil

3. Statement of comprehensive income
Refer to enclosed financial report for the year ended 30 June 2019.

4. Statement of financial position
Refer to enclosed financial report for the year ended 30 June 2019.

5. Statement of cash flows
Refer to enclosed financial report for the year ended 30 June 2019.

6. Dividend reinvestment plans
Not applicable.

This Appendix 4E Preliminary Final Report is provided to the ASX under Listing Rule 4.3B and should be read in conjunction with the accompanying financial report for the year ended 30 June 2019.

7. Statement of changes in equity
Refer to enclosed financial report for the year ended 30 June 2019.

8. Net tangible assets per security

	30 June 2019 (cents)	30 June 2018 (cents)
Net tangible assets per ordinary security	0.0038	0.0091

9. Gain or loss of control over entities
Refer to enclosed financial report for the year ended 30 June 2019.

10. Associates and joint ventures
Not applicable.

11. Other significant information
Not applicable.

12. Foreign entities
Not applicable.

13. Commentary on results for the period
Refer to enclosed financial report for the year ended 30 June 2019 for further commentary.

14. Status of audit
The financial report for the year ended 30 June 2019 has been audited and is not subject to dispute or qualification. Refer to the Independent Audit Report of the enclosed financial report.

Signed: Michael Shelby
Executive Chairman

Date: 30 August 2019

Babylon Pump & Power Limited

ACN 009 436 908

and its controlled entities

2019 Financial Report

Year ended 30 June 2019

Corporate Directory

Directors
Mr Michael Shelby
Executive Chairman

Mr Patrick Maingard
Executive Director

Mr Michael Kenyon
Non-Executive Director

Company Secretary
Mr Michael Kenyon

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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" or "The Company") for the year ended 30 June 2019 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 Company Directors 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.

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	3,796,827	-
Patrick Maingard	8,000,000	2,089,446	-
Michael Kenyon	-	1,329,816	-
	28,000,000	**7,216,089**	**-**

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	
Director	Held	Attended
Michael Shelby	12	12
Patrick Maingard	12	12
Michael Kenyon	12	12

Given the size of the Board and The Company, the Directors also fulfilled the roles required in the Audit Committee

3. 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 ("Babylon Operations"), 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.

4. 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.

5. 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.

6. 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.

7. Matters subsequent to the end of the financial year

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

- secured an increase in its (i) invoice finance facility by $1M to $1.5M (previously $0.5M), and (ii) asset finance facility by $0.2M to $0.5M (previously $0.3M);
- entered into an agreement to acquire Primepower Queensland Pty Ltd ("PrimePower"); and
- raised $1.5M via an underwritten share purchase plan to assist with funding the acquisition of PrimePower.

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.

8. 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.

9. Environmental regulation

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

10. Operating and financial review

Review of financial results

EBITDA for the year ended 30 June 2019 was $0.11 million (2018: ($0.92 million)). The strong growth was generated primarily from diesel maintenance rebuild programs and obtaining new power generation contracts, as well as a lean corporate overhead and operational savings and efficiencies.

The table below provides a comparison of the key results for the year ended 30 June 2019 to the preceding year ended 30 June 2018:

Statement of Profit or Loss	% Change	2019 ($)	2018 ($)
Revenue from operations	607%	11,509,158	1,628,357
EBITDA	112%	109,814	(921,312)
Reported profit/(loss) after tax attributable to members	(97%)	(2,209,222)	(1,122,332)

Review of operations

(i) Babylon Operations

Babylon's core activity comprises the operations of the Babylon Operations business. Babylon Operations has an in-demand, bespoke business model focusing on two complementary areas being (i) rental of specialty diesel driven pumping and power generation equipment, and (ii) maintenance and rebuild services for large diesel driven equipment. Babylon Operations continues to receive strong and growing demand from major mining and oil & gas service companies.

New and Ongoing Works

During the year, material project works for Babylon Operations included the following:

1. Caterpillar 3516 Rebuild Program for ActionBlast Pty Ltd;
2. Supply, install and maintain power generation equipment for BHP's Mining Area C surplus water pipeline project;
3. Supply and maintain power generation and dewatering equipment for use on a water bore drilling project in WA;
4. Supply and install power generation and pumping rental equipment for BHP at one of its key WA mining operations; and
5. Ongoing new engine and component rebuild works for multiple Caterpillar 789B mining trucks for various heavy diesel maintenance clients.

11. Executive Chairman's Report

This is the second 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. This is Babylon's first full-year of operations since that date and I am pleased to present our results and this annual report to you.

Babylon Operations continues to assist the Group focus on the following core business revenue streams:

- Heavy diesel maintenance;
- Sale of goods;
- Pumping and dewatering projects; and
- Equipment rental and servicing.

I am delighted to have overseen Babylon's rapid growth since commencing operations. Babylon is now servicing major mining and oil & gas service companies as well as major iron ore producers and equipment providers. It is a great achievement and a testament to the hard work of staff and management to report an annual revenue of $11.51 million for FY19.

I am pleased to report The Company's first positive earnings before interest, tax, depreciation and amortisation ("EBITDA") position since re-instatement on the ASX of $0.11 million.

Noting The Company commenced from a nil revenue base upon acquisition of Babylon Operations in only December 2017, this is further validation The Company is on a positive growth trajectory, supported by a strong and committed management and operations team.

As per The Company's business strategy, Babylon is currently in the growth phase of its business lifecycle where net losses are expected for the short to medium term as The Company continues to grow, invest in assets and build its revenue base. Accordingly, we are continuing to actively review potential acquisition and growth opportunities to justify our corporate entity overhead.

Notwithstanding this, The Company's sole trading entity Babylon Operations, continues to perform strongly as a subsidiary and reported an encouraging positive EBITDA of $0.75 million as outlined below (the Group: $0.11 million) and a small net loss of $0.8 million (the Group: ($2.21 million)).

Babylon Operations Pty Ltd - Trading Summary ***Profit or Loss for the year ended 30 June 2019***	**Amount ($)**
Sales	11,509,158
Cost of Sales	(8,645,452)
Gross Profit	**2,863,705**
Other Income	56,560
Employee Benefits Expense	(1,763,389)
Admin & Corporate Costs	(409,479)
Impairment	-
EBITDA	**747,397**

Opportunities for Growth by Acquisition

The nature of the industry provides an opportunity for Babylon to expand its geographic footprint and grow its business through the acquisition of specialised operators. Noting this and as part of The Company's growth strategy, the board and I have been evaluating a number of opportunities to expand the business domestically through acquisition.

As announced to the market on 26 July 2019, Babylon has entered into an agreement to acquire Primepower Queensland Pty Ltd ("PrimePower"). Operating since 2004 and based in MacKay, Queensland, PrimePower is highly respected throughout the diesel maintenance industry, specilising in Cummins engine repairs and rebuilds.

PrimePower is an attractive and strategic opportunity to expand into the Queensland market, increasing both the revenue base and scale of Babylon.

Further, PrimePower provides:

- An ideal entry point to establish Babylon on the east coast of Australia;
- A complementary businesses with no overlap;
- Immediate access to PrimePower's first class customer base of major resource companies operating in Queensland; and
- An opportunity to introduce Babylon's specialty rental business model to PrimePower's established customer base for rapid market penetration and revenue growth.

11. Executive Chairman's Report (continued)

I, along with The Company's board are excited and optimistic about the acquisition and further growth opportunities. PrimePower offers Babylon an outstanding opportunity to add business with solid fundamentals and strong growth prospects, which will drive combined annualised H2 FY20 revenues over $25M and ongoing profitability.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 16 and forms part of the directors' report for the twelve months ended 30 June 2019.

Signed in accordance with a resolution of the directors.

Michael Shelby
Executive Chairman

Dated at Perth this 30th day of August 2019.

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

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.

Total compensation for all non-executive directors are set within the maximum aggregate amount approved by shareholders at the 2004 AGM, being $250,000 per annum. Currently 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 2019, exclusive of superannuation guarantee, the annual cash remuneration for non-executives was $40,000. The total remuneration paid to the Group's non-executive director 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 levels are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Group

12. Remuneration report – audited (continued)

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 a discretionary '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. No STI objectives were set or paid during the year-ended 30 June 2019. The long-term incentive (LTI) is provided as performance rights over ordinary shares of the Group as outlined below. 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.

Key performance indicators of the Group over the last 5 years

Consolidated	2019 ($)	2018 ($)	2017 ($)	2016 ($)	2015 ($)
Revenue	11,509,158	1,628,357	-	24	18
Net Loss before tax	(2,209,222)	(1,122,333)	(298,267) -	381,135 -	523,762
Net loss after tax	(2,209,222)	(1,122,333)	(298,267) -	381,135 -	523,762
Share price at start of year	0.016	0.001	0.001	0.001	0.001
Share price at end of year	0.017	0.016	0.001	0.001	0.001
Interim and final dividend	-	-	-	-	-
Basic loss per share (cents)	(0.0059)	(0.0013)	(0.0002)	(0.0003)	(0.0011)

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.
(g) Implied performance condition performance rights will be granted at discretion of the board upon termination.

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;
(e) The agreement may be terminated for serious misconduct, in which case the Group is not required to pay any compensation;
(f) Implied performance condition performance rights will be granted at discretion of the board upon termination.

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.

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 2019 are as follows:

In AUD	Year	Salary & fees ($)	Post-employment superannuation ($)	Share-based payments ($)	*Notes*	Total ($)	Long term incentive % of remuneration
Directors							
Michael Shelby	2019	240,440	22,842	135,273	*1*	398,554	34%
	2018	129,231	12,277	49,879	*1*	191,387	26%
Patrick Maingard	2019	150,275	14,276	54,109	*1*	218,660	25%
	2018	75,231	6,577	19,952	*1*	101,759	20%
Michael Kenyon	2019	43,800	-	-		43,800	0%
	2018	21,900	-	-		21,900	0%
	2019	**434,514**	**37,118**	**189,382**		**661,014**	**-**
	2018	**226,362**	**18,854**	**69,831**		**315,047**	**-**

Note 1: Expense relates to performance rights issued on 18 December 2017. Refer to notes 13.4(c) and 15 in the Remuneration Report.

12. Remuneration report – audited (continued)

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 held, directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

Key Management Personnel	Opening balance	Granted as compensation	Received on purchase of shares	Exercised	Expired	Closing balance	Vested during the year	Vested and exerciseable 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)	-	-	-
	2,250,000	**-**	**-**	**-**	**(2,250,000)**	**-**	**-**	**-**

(b) Movements in shares

The movement during the reporting period in the number of ordinary shares in Babylon 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	307,381	-	-	2,807,381
Patrick Maingard	1,000,000	100,000	-	-	1,100,000
Michael Kenyon	1,000,000	-	-	-	1,000,000
	4,500,000	**407,381**	**-**	**-**	**4,907,381**

No shares were issued to key management personnel during the year ended 30 June 2019.

(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:

Key Management Personnel	Opening balance	Granted as compen-sation	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	7,000,000	-
Patrick Maingard	8,000,000	-	-	-	8,000,000	2,800,000	-
Michael Kenyon	-	-	-	-	-	-	-
	28,000,000	**-**	**-**	**-**	**28,000,000**	**9,800,000**	**-**

For further details on the performance rights outstanding and vesting conditions, refer to note 17 to the financial statements.

13. Share options

All unissued ordinary shares of the Group under option expired on 31 March 2019 as follows:

Expiration Date	Exercise Price	Number of Options	Balance
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	$0.02	49,665,165	-
		289,977,667	**-**

For further details on the options, refer to note 16 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 2019, the unissued ordinary shares of the Group under performance rights are as follows:

Class	Grant Date	Vesting Period	Number Under Performance Rights	Value at Grant Date ($)	Date of Vesting	Management Probability Assessment 30-Jun-18	Management Probability Assessment 30-Jun-19	Fair Value ($)
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%*	*100%*	140,000
C	18-Dec-17	30-Sep-19	7,000,000	140,000	30-Sep-19	*50%*	*100%*	140,000
D	18-Dec-17	30-Sep-20	7,000,000	140,000	30-Sep-20	*50%*	*0%*	-
E	18-Dec-17	31-Dec-19	12,000,000	240,000	31-Dec-19	*50%*	*0%*	-
			40,000,000	**800,000**				**420,000**

The performance rights were fair valued at $800,000 based on a share price of $0.02 at grant date. Management have applied varying probabilities of the performance conditions being met, resulting the fair value of the performance rights at 30 June 2019 to be $420,000. An expense of $270,546 has been recognised in line with the vesting periods per class.

Share Basaed Payment Expense	2019 ($)	2018 ($)
Share based payments	270,546	99,759
	270,546	**99,759**

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

The following director loans with key management personnel occurred during the period with the Group.

Director loans	Opening balance	Issued	Repaid	Closing balance
Michael Shelby	-	150,000	(150,000)	-
Patrick Maingard	-	200,000	(200,000)	-
	-	**350,000**	**(350,000)**	**-**

Terms of the director loans are outlined below:

- Security: unsecured;
- Term: 3 months; and
- Annual interest rate: 8%.

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

Babylon received more than 96% of "yes" votes on its remuneration report for the 2018 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, no non assurance services were engaged.

Non-Audit Services	2019 ($)	2018 ($)
Independent audit report prior to acquisition	-	16,287
Tax advice - Tax deferral eligibilty	-	1,000
	-	**17,287**

19. Use of remuneration consultants

The group did not engage any remuneration consultants during the year ended 30 June 2019.

20. 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.*

21. 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 2019.

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 2019

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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 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 30 August 2019

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

Profit or Loss and Other Comprehensive Income	*Notes*	30 June 2019 *($)*	30 June 2018 *($)*
Revenue from contracts with customers	*3*	11,509,158	1,628,357
Cost of sales		(8,645,454)	(1,196,440)
Gross Profit		**2,863,704**	**431,917**
Other income		56,560	961
Employee benefits expense	*6*	(2,109,715)	(389,339)
Admininstration and corporate expense	*5*	(700,734)	(965,720)
Impairment		-	868
Earnings before interest, tax, depreciation and amortisation		**109,814**	**(921,312)**
Depreciation and amortisation	*9*	(1,267,147)	(204,072)
Results from operating activities		**(1,157,333)**	**(1,125,384)**
Finance income		6,758	**4,871**
Finance expense	*8*	(1,058,648)	(1,819)
Net financing expense		**(1,051,889)**	**3,052**
Loss before tax		**(2,209,222)**	**(1,122,332)**
Income tax benefit / (expense)	*7*	-	-
Loss after income tax for the year		**(2,209,222)**	**(1,122,333)**
Other comprehensive Income		-	-
Total comprehensive loss for the year attributable to the members of Babylon Pump & Power Limited		**(2,209,222)**	**(1,122,333)**
Loss attributable to:			
Equity holders of the company		(2,209,222)	(1,122,333)
Loss for the year		**(2,209,222)**	**(1,122,333)**
Loss per share for loss attributable to the members of Babylon Pump & Power Limited:			
Basic loss per share (cents)	*18*	(0.0059)	(0.0013)

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 2019

Statement of Financial Position	*Notes*	30 June 2019 ($)	30 June 2018 ($)
Current Assets			
Cash and cash equivalents	***13***	504,490	506,118
Trade receivables	***12***	2,741,763	467,783
Inventories	***11***	814,886	335,250
Prepayments and other assets		20,926	24,920
Total Current Assets		**4,082,065**	**1,334,071**
Non-Current Assets			
Property, plant and equipment	***9***	6,486,832	3,167,867
Deposits		17,500	57,500
Goodwill	***10***	817,885	817,885
Total Non-Current assets		**7,322,217**	**4,043,252**
Total Assets		**11,404,283**	**5,377,323**
Current Liabilities			
Borrowings	***19***	2,143,033	78,311
Trade and other payables	***21***	1,360,264	870,224
Employee liabilities	***20***	247,957	95,758
Accurals	***22***	470,227	59,080
Total Current Liabilities		**4,221,480**	**1,103,374**
Non-Current Liabilities			
Borrowings	***19***	4,926,404	88,949
Employee liabilities	***20***	4,906	386
Total Non-Current Liabilities		**4,931,310**	89,335
Total Liabilities		**9,152,790**	**1,192,708**
Net Assets		**2,251,493**	**4,184,614**
Equity			
Share capital	***15***	27,983,251	27,970,323
Reserves	***16***	777,950	507,404
Accumulated losses		(26,509,708)	(24,293,113)
Total Equity		**2,251,493**	**4,184,614**

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

Consolidated statement of changes in equity

For the year ended 30 June 2019

Attributable to equity holders of the Group

Consolidated Statement of Changes in Equity	Share Capital ($)	Share based Payment Reserve ($)	Options Reserve ($)	Accumulated Losses ($)	Total Equity ($)
Balance at 1 July 2017	**23,041,122**	**-**	**-**	**(23,170,780)**	**(129,658)**
Transactions with owners, in their capacity as owners:					
Loss for the period	**-**	**-**	**-**	**(1,122,333)**	**(1,122,333)**
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**
Balance at 30 June 2018	**27,970,323**	**99,759**	**407,645**	**(24,293,113)**	**4,184,614**
Balance at 1 July 2018	**27,970,323**	**99,759**	**407,645**	**(24,293,113)**	**4,184,614**
Adjustments	-	-	-	(7,373)	**(7,373)**
Total comprehensive income for the period					
Loss for the period	-	-	-	(2,209,222)	(2,209,222)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**-**	**(2,216,595)**	**(2,216,595)**
Transactions with owners, in their capacity as owners:					
Issue of ordinary shares	15,000	-	-	-	15,000
Costs of share issue	(2,072)	-	-	-	(2,072)
In-specie distribution	-	-	-	-	-
Share based payments	-	270,546	-	-	270,546
Total transactions with owners	**12,928**	**270,546**	**-**	**-**	**283,474**
Balance at 30 June 2019	**27,983,251**	**370,305**	**407,645**	**(26,509,708)**	**2,251,493**

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 2019

Statement of Cash Flows	*Notes*	*30 June 2019 ($)*	*30 June 2018 ($)*
Cash flows from operating activities			
Receipts from customers		10,258,921	1,492,188
Payments to suppliers and employees		(10,904,185)	(2,290,872)
Interest received		6,757	4,870
Interest and other costs of finance paid		(460,281)	(1,451)
Income taxes paid		(274,422)	100,961
Net cash used in operating activities	**14**	**(1,373,210)**	**(694,304)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,227,354)	(3,095,128)
Prepayments and purchase of other assets		(50,791)	-
Proceeds from the sale of other assets and investments		-	(28,558)
Cash acqiured through acquisition		-	48,849
Net cash used in investing activities		**(5,278,145)**	**(3,074,836)**
Cash flows from financing activities			
Proceeds from borrowings		4,553,707	207,712
Repayment of borrowings		(2,122,565)	(40,452)
Proceeds from issue of shares		-	4,539,279
Proceeds from issue of convertible notes		4,500,000	-
Payment of transaction costs		(302,072)	(663,671)
Other financing		20,657	105,569
Net cash provided by financing activities		**6,649,727**	**4,148,436**
Net increase / (decrease) in cash and cash equivalents		(1,628)	379,296
Cash and cash equivalents at the beginning of the year		506,118	126,822
Cash and cash equivalents at the end of the year	**13**	**504,490**	**506,118**

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 2019 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 28 August 2019 by the 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. Refer to note 3(r).

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

For the year ended 30 June 2019 the entity recorded a loss of $2.21M, had a current liability position of $0.14M and had net cash outflows from operating activities of $1.37M. 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.

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:

- Capital raising cash inflows from the share purchase plan and top-up placement;
- The Company continues to exceed revenue growth targets and management expects to strong FY20 revenues and 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;
- Likelihood of the Convertible Loans converting in FY20;
- The Company has the ability to draw down on it's finance facilities; and
- The Company has ongoing support from (i) top shareholders, and (ii) institutional investors throughout the business' current growth stage.

2. Basis of preparation (continued)

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.

(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.

(g) 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. Details of the key assumptions and inputs are disclosed in note 23.

(h) 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 minimal and credit risk has not changed from inception of the loan.

(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 operating 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 reporting date. No other specific intangibles were identified from the acquisition of Babylon Operations. Refer to note 10.

(j) 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. Refer to note 3d.

(k) 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 17 for management's estimated probability of achieving each of the performance rights.

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.

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) 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.

3. Significant accounting policies (continued)

(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 diminishing value 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:

- Plant & Equipment: 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 computer equipment: 3 years
- Motor Vehicles 8 years

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

(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.

3. Significant accounting policies (continued)

(h) Impairment

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 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.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds on year from reporting date. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

3. Significant accounting policies (continued)

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

(l) 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.

(m) 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.

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.

3. Significant accounting policies (continued)

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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

3. **Significant accounting policies (continued)**

(r) 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.

(i) AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers replaces AASB 118 Revenue. AASB 15 requires an entity to recognise revenue in a manner that represents the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled. This means that revenue will be recognised when control of goods and/or services is transferred, rather than on transfer of risks and rewards.

The Directors have reviewed and assessed the Group's recognition and measurement of revenue from 1 July 2018 based on the facts and circumstances that existed from this date and concluded that the application of AASB 15 has had no material impact on the recognition or measurement of the revenue for the Group in the current reporting period.

Disaggregation of revenue note

The Group derives revenue from the transfer of goods at a point in time in the following major revenue streams:

Revenue From External Customers	Service and Repair		Sale of Goods		Total	
	2019 ($)	2018 ($)	2019 ($)	2018 ($)	2019 ($)	2018 ($)
Segment revenue	7,873,256	1,363,177	1,654,322	207,534	**9,527,578**	**1,570,711**
Timing of revenue recognition						
At a point in time	7,873,256	1,363,177	1,654,322	207,534	**9,527,578**	**1,570,711**
Over time	-	-	-	-	**-**	-

The Group also derived revenue of $1,981,580 (2018: 57,646) from its rental revenue stream. Installation revenue is only earned on rental assets and revenue earned from this stream during the year is deemed to be not material.

Accounting policies

- *Service and Repair*

Revenue from providing services is recognised in the accounting period in which the services are rendered and at the point in time in which the performance obligation is complete. Revenue is recognised when the product being serviced is delivered back to the customer. Delivery occurs when the product has left the Group's warehouse where the risks of obsolescence and loss have been transferred to the customer. Warranties on service and repairs are within commercial terms with no option of extension, therefore are accounted for under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. Management have determined the warranties to be immaterial.

- *Sale of Goods*

Revenue is recognised when control of the product has transferred, being when the products are delivered to the customer. Delivery occurs when the product has left the Group's warehouse where the risks of obsolescence and loss have been transferred to the customer. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue from these sales is recognised based on the price specified in the contract. Warranties on goods sold are within commercial terms with no option of extension, therefore are accounted for under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. Management have determined the warranties to be immaterial.

- *Rental Revenue*

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

3. Significant accounting policies (continued)

(ii) AASB 9 Financial Instruments

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

The adoption of AASB 9 Financial Instruments from 1 July 2018 did not give rise to any material transitional adjustments. The new accounting policies (applicable from 1 July 2018) are set out below.

In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

Classification and measurement

Under AASB 9 financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's financial assets are, as follows:

- Debt instruments at amortised cost, for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the 'SPPI criterion'. This category includes the Group's trade and other receivables.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the SPPI criterion.

On transition to AASB 9 the assessment of the Group's business models was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Impairment

From 1 July 2018 the group assesses on a forward looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets including long term loan receivables, the ECL is based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payment are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

3. Significant accounting policies (continued)

(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 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 is still assessing the potential impact on the financial statements.

4. Reporting Segment

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	2019 ($)	2018 ($)
Office expenses	70,877	103,138
Corporate costs and compliance	404,892	354,116
Other expenses	35,947	153,868
Consumables and operational costs	189,018	155,859
Business acquisition expense	-	198,738
	700,734	**965,720**

6. Employee benefits expense

Employee Benefits Expense	2019 ($)	2018 ($)
Wages and salaries	1,622,288	203,680
Employment related taxes	146,236	58,580
Share-based payment expense	285,546	99,759
Other employment related expenses	55,645	27,320
	2,109,715	**389,339**

7. Income tax expense

Income Tax Benefit	2019 ($)	2018 ($)
Reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(2,209,222)	(1,122,333)
Tax at the statutory rate of 27.5% (2018: 27.5%)	(607,536)	(308,642)
Tax effect amounts which are not deductible in calculating taxable income		
Entertainment	941	104
Share based payments	78,525	27,434
Interest - convertible notes (tax equity)	129,525	
Unused tax losses and temporary differences not recognised as deferred tax assets	398,545	281,104
Income tax benefit	**-**	**-**
Deferred tax assets not recognised attributable to		
Tax losses	2,448,402	1,924,130
Temporary differences	(177,440)	26,475
Total deferred tax assets not recognised	**2,270,962**	**1,950,605**

8. Finance expense

Finance Expense	2019 ($)	2018 ($)
Bank and other finance charges	26,945	1,819
Convertible loan interest expense	405,000	-
Convertible loan fees	300,000	-
Foreign exchange loss	25,248	-
Interest expense	301,455	-
	1,058,648	**1,819**

9. Property, plant and equipment

Property, Plant and Equipment Summary	2019 ($)	2018 ($)
Cost	7,753,979	3,371,939
Accumulated depreciation	(1,267,147)	(204,072)
	6,486,832	**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 2018	1,305,940	1,640,232	1,370	28,053	109,273	83,000	3,167,867
Disposal	-	-	-	-	-	(83,000)	(83,000)
Additions	221,482	5,358,324	443	9,340	146,559	-	5,736,148
Transfer to inventory	(1,439,468)	372,432	-	-	-	-	(1,067,036)
Depreciation expense	(87,954)	(1,109,131)	(957)	(21,919)	(47,186)	-	(1,267,147)
Balance at 30 June 2019	-	**6,261,857**	**856**	**15,473**	**208,646**	-	**6,486,832**

Expected use for trading engines held as property, plant and equipment at 30 June 2018 has changed during the year, therefore trading engines have been transferred to inventory at their carrying value at the time this judgment was made.

10. Goodwill

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. The aggregate carrying amounts of goodwill is as follows:

Intangible Assets	*Note*	2019 ($)	2018 ($)
Goodwill	**3(e)**	817,885	817,885
		817,885	**817,885**

The recoverable amount of goodwill was based on its fair value less cost to sell. The recoverable amount of goodwill was determined to be higher than its carrying value and as such no impairment loss was recognised.

11. Inventories

Inventories	2019 ($)	2018 ($)
Consumables and spare parts	-	264,250
Engine trading stock	620,855	-
Work in progress	194,031	71,000
	814,886	**335,250**

Inventory is stated at the lower of cost or net realisable value.

12. Trade and other receivables

Trade and Other Receivables	2019 ($)	2018 ($)
Trade debtors	2,741,763	467,783
	2,741,763	**467,783**

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

Impairment and risk exposure

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. No impairment provision was recorded at 30 June 2019 based on management's assessment.

Information about the impairment of trade receivables and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 23.

13. Cash and cash equivalents

Cash and Cash Equivalents	2019 ($)	2018 ($)
Current		
Bank balances	515,813	512,997
Commercial credit card facility	(11,323)	(6,879)
	504,490	**506,118**

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.

14. Cash and cash equivalents

Reconciliation of Cash Flows from Operations with Profit / (Loss) after Income Tax	2019 ($)	2018 ($)
Loss after income tax	(2,209,222)	(1,122,333)
Cash flows excluded from profit / (loss) from continuing activities attributable to operating activities		
Finance costs	1,058,648	1,819
Non-cash flows in result from continuing activities		
Share based payments (benefit) / expense	285,546	99,759
Depreciation and amortisation	1,267,147	204,072
Impairment of assets	-	(868)
(Increase) / decrease in inventories	(479,636)	(385,880)
(Increase) / decrease in trade and other receivables	(2,273,980)	(467,783)
Increase / (decrease) in employee entitlements	151,699	96,144
Increase / (decrease) in trade payables	490,039	673,626
Increase / (decrease) in other assets and liabilities	336,549	207,140
Net cash used in operating activities	**(1,373,210)**	**(694,304)**

15. Share Capital

a) Ordinary shares

During the 12 month period ended 30 June 2019, the Group issued 750,000 Babylon shares (30 June 2018: 280,625,000).

All issued Babylon shares are fully paid.

Ordinary Shares	2019 No.	*2019 $*	2018 No.	*2018 $*
At the beginning of the reporting period	371,969,632	27,970,323	1,826,870,453	23,041,122
Share consolidation	-	-	(1,735,525,821)	-
Issue of shares	750,000	15,000	55,750,000	1,115,000
Issued of shares under prospectus	-	-	224,875,000	4,497,500
Transaction costs	-	(2,072)	-	(721,428)
In-specie distribution	-	-	-	38,129
	372,719,632	**27,983,251**	**371,969,632**	**27,970,323**

16. 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 were valued using the Black Scholes option valuation model.

No Options were exercised and subsequently, the following Options expired during the period on 31 March 2019:

(i) 27,875,000 Options 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; and
(ii) 100,000,000 Options issued to the Sub-underwriters of the capital raising.

Options	2019 No.	2019 $	2018 No.	*2018 $*
At the beginning of the reporting period	289,977,667	407,645	993,302,151	-
Share consolidation	-	-	(943,636,986)	-
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 lapsed	(289,977,667)	-	-	-
	-	**407,645**	**289,977,667**	**407,645**

b) 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 several performance rights have already been achieved and the upcoming expiration of the balance of performance rights, management's estimated probability of achieving the below performance conditions are set out below in note 17. This is reflected in the share-based payment expense of the performance rights as at 30 June 2019.

During the year ended 30 June 2019, The Company did not issue any additional performance rights.

Share Basaed Payment Reserve	2019 No.	2019 $	2018 No.	*2018 $*
At the beginnning of the period	-	99,759	-	-
Share based payments	-	270,546	-	99,759
	-	**370,305**	**-**	**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.

17. 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 noting several performance conditions have been met, resulting in a fair value of $420,000 at 30 June 2019.

Class	Grant Date	Vesting Period	Number Under Performance Rights	Value at Grant Date ($)	Date of Vesting	Management Probability Assessment 30-Jun-18	Management Probability Assessment 30-Jun-19	Fair Value ($)
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%*	*100%*	140,000
C	18-Dec-17	30-Sep-19	7,000,000	140,000	30-Sep-19	*50%*	*100%*	140,000
D	18-Dec-17	30-Sep-20	7,000,000	140,000	30-Sep-20	*50%*	*0%*	-
E	18-Dec-17	31-Dec-19	12,000,000	240,000	31-Dec-19	*50%*	*0%*	-
			40,000,000	**800,000**				**420,000**

i) Terms of Performance Rights

Class	Number	Performance Condition	Vesting Period
Class A	7,000,000	The Group achieving operating revenue of at least $4.6 million in the first full financial year following issue.	30-Sep-19
Class B	7,000,000	The Group achieving operating revenue of at least $9.2 million in the second full financial year following issue.	30-Sep-20
Class C	7,000,000	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.	30-Sep-20
Class D	7,000,000	The Group achieving earnings before interest, tax, depreciation and amortization of at least $2.6 million in the second full financial year following issue.	30-Sep-20
Class E	12,000,000	The exercise of 80% of IMIOA Options on issue immediately following completion of the Acquisition (delivering circa $8.5m of new capital).	31-Dec-19

Share Basaed Payment Expense	2019 ($)	2018 ($)
Share based payments	270,546	99,759
	270,546	**99,759**

18. Earnings per share

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

Consolidated Group	2019 ($)	2018 ($)
Reconciliation of earnings to net loss	(2,209,222)	(1,122,333)
Net loss from continuing operations attributable to ordinary shareholders	**(2,209,222)**	**(1,122,333)**

Weighted average number of ordinary shares	2019 no.	2018 no.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	372,156,618	854,645,196

Weighted average number of ordinary shares

Earnings per share	2019 ($)	2018 ($)
Basic earnings per share	(0.0059)	(0.0013)

19. 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	2019 ($)	2018 ($)
Current		
Invoice finance facility	496,329	78,311
Insurance premium funding	21,305	-
Asset finance facilities	1,625,399	-
Sub-total	2,143,033	78,311
Non-current		
Asset finance facilities	426,404	88,949
Convertible loans	4,500,000	-
Sub-total	4,926,404	88,949
Total	**7,069,437**	**167,260**

Movements in Borrowings	Opening balance 2018 ($)	Acquisiiton ($)	Cash flows ($)	Closing balance 2019 ($)
Short term borrowings				
Invoice finance facility	78,311	-	418,018	496,329
Insurance premium funding	-	-	21,305	21,305
Asset finance facilities	-	-	1,625,398	1,625,398
Long term borrowings				
Asset finance facilities	88,949	-	337,455	426,404
Convertible loans	-	-	4,500,000	4,500,000
Lease liabilities	-	-	-	-
Total libilities arising from financing activities	**167,260**	**-**	**6,902,176**	**7,069,436**

19. Borrowings (continued)

a) Insurance Premium

The insurance premium funding bears interest at prevailing market rates and repayable over 10 months.

b) Invoice finance facility

The invoice finance facility bears interest at prevailing market rates and on a rolling loan term. The invoice finance facility is secured via a registered General Security Agreement ("GSA") over all of the present and future rights, property and undertaking of Babylon Operations and is used to assist with working capital requirements.

c) Asset finance facilities

The asset finance facilities bears fixed interest at prevailing market rates (ranging from 5.14% to 9.49%) and are primarily repayable over 1 to 3 years (ranging from 1 to 4 years). The asset finance facilities are secured via a registered GSA over all of the present and future rights, property and undertaking of Babylon Operations and have been used by Babylon to purchase new capital equipment.

d) Convertible Loans

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.

(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.

19. Borrowings (continued)

(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 30 June 2019 is $4,500,000.

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

20. Employee benefits

Employee Benefits	2019 ($)	2018 ($)
Current		
Liability for annual leave	180,955	87,238
Superannuation liability	61,981	8,520
Employee expense claims	5,021	-
Sub-total	247,957	95,758
Non-current		
Liability for long service leave	4,906	386
Sub-total	4,906	386
Total	**252,863**	**96,144**

21. Trade and other payables

Trade and other payables	2019 ($)	2018 ($)
Trade payables	1,194,975	809,621
GST liability	90,618	1,913
PAYG Withholdings Payable	74,814	-
Other payables	(143)	58,690
	1,360,264	**870,224**

The Group’s exposure to liquidity risk related to trade and other payables is disclosed in note 23.

22. Accruals

Accurals	2019 ($)	2018 ($)
Payroll Tax liability	-	55,000
Audit Services	22,000	4,080
Employee wages	97,398	-
Interest accrual	350,829	-
	470,227	**59,080**

23. Financial risk

(a) 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.

(b) 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.

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.

(c) 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 23(c). 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 23(c).

(i) Impairment of financial assets

The group hold trade receivables that are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

(ii) Trade receivables

The group applies the AASB 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected credit losses have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 18 months before 30 June 2019 or 1 July 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward- looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Notes to the consolidated financial statements

For the year ended 30 June 2019

23. Financial risk (continued)

(c) Credit risk (continued)

On that basis, the loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for trade receivables:

1-Jul-18	Current	*< 30*	*31 - 60*	*> 120*	Total *($)*
Expected loss rate	0%	0%	0%	3%	
Gross carrying amount - trade receivables	235,633	232,150	-	-	467,783
Loss allowance	**-**	**-**	**-**	**-**	**-**

30-Jun-19	Current	*< 30*	*31 - 60*	*> 120*	Total *($)*
Expected loss rate	0%	0%	0%	3%	
Gross carrying amount - trade receivables	2,501,789	146,087	93,887	-	2,741,763
Loss allowance	**-**	**-**	**-**	**-**	**-**

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 of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. Of the impairment losses recognised in the statement of profit or loss as at 30 June 2019, nil relates to receivables arising from contracts with customers.

(d) Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The credit risk on liquid funds is limited because the counterparties are banks with a minimum credit rating of AA assigned by reputable credit rating agencies. The Group's maximum exposure to credit risk at the reporting date was:

Exposure to credit risk	Notes	2019 *($)*	2018 *($)*
Cash and cash equivalents	**13**	504,490	506,118
Trade receivables	**12**	2,741,763	467,783
		3,246,253	**973,901**

(e) 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.

(f) 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.

Notes to the consolidated financial statements

For the year ended 30 June 2019

23. Financial risk (continued)

(g) 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) and US dollars (USD). The Group does not use currency hedging for administration expenses as the receipts in ZAR and USD are used to meet the liability obligations of the Group entities denominated in ZAR and USD. 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 2019, the Group did not enter into any forward foreign currency contracts.

(h) 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.

(i) Profile

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

Variable rate instruments	***Carrying Amount*** **2019** ***($)***	**2018** ***($)***
Financial assets	504,490	506,118
Financial liabilities	-	-
	504,490	**506,118**

(i) 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.

23. Financial instruments (continued)

(i) Profile (continued)

(ii) 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.

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

Capital Management	2019 ($)	2018 ($)
Total liabilities	9,152,790	1,192,708
Less: cash and cash equivalents	(504,490)	(506,118)
Net debt	8,648,300	686,590
Total capital	2,251,493	4,184,615
Debt-to-capital ratio at the end of the period	**3.84**	**0.16**

(j) 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.

(iii) 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.

24. Commitments

Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

Operating lease commitments	2019 ($)	2018 ($)
Less than one year	-	65,000
Between one and five years	238,000	-
Later than 5 years	-	-
	238,000	**65,000**

The Group leases its Forrestfield workshop premises under an operating lease. The leased premises currently have a term of a further 34 months remaining.

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.

25. Related parties

(a) 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.

(b) Other key management personnel and director transactions

The following director loans with key management personnel occurred during the period with the Group.

Director loans	Opening balance	Issued	Repaid	Closing balance
Michael Shelby	-	150,000	(150,000)	-
Patrick Maingard	-	200,000	(200,000)	-
	-	**350,000**	**(350,000)**	**-**

All director loans were issued at market interest rates and made on normal commercial terms.

(c) Subsidiaries

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

26. Group entities

Name of entity	Country of incorporation	Ownership Interests 2019	Ownership Interests 2018
Parent entity			
Babylon Pump & Power Limited	Australia		
Significant subsidiaries			
Babylon Operations Pty Ltd	Australia	100%	100%

27. 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 2019.

28. Subsequent events

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

- secured an increase in its (i) invoice finance facility by $1M to $1.5M (previously $0.5M), and (ii) asset finance facility by $0.2M to $0.5M (previously $0.3M);
- entered into an agreement to acquire Primepower Queensland Pty Ltd ("PrimePower"); and
- raised $1.5M via an underwritten share purchase plan to assist with funding the acquisition of PrimePower.

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.

29. Auditors' remuneration

Auditors' Remuneration	2019 ($)	2018 ($)
Audit services		
Audit and review of financial reports	66,760	19,380
Non-audit services - Investigating Accountants Report	-	16,287
Non-audit services - Tax advice	-	1,000
	66,760	**36,667**

Notes to the consolidated financial statements

For the year ended 30 June 2019

30. Parent entity disclosures

Financial Position	30 June 2019 (*$*)	30 June 2018 (*$*)
Assets		
Current assets	21,262	18,339
Non-current assets	817,885	4,282,885
Total Assets	**839,147**	**4,301,224**
Liabilities		
Current liabilities	215,291	14,465
Non-current liabilities	4,501,136	-
Total liabilities	**4,716,427**	**14,465**
Net Assets / (Liabilities)	**(3,877,280)**	**4,286,759**
Equity		
Share capital	19,810,744	26,855,324
Reserves	777,950	507,404
Retained losses	(24,465,974)	(23,075,969)
Total Equity / (Deficiency)	**(3,877,280)**	**4,286,759**

Financial Performance	30 June 2019 (*$*)	30 June 2018 (*$*)
Loss for the year	(1,408,242)	(1,106,811)
Other comprehensive income	-	-
Total comprehensive income	**(1,408,242)**	**(1,106,811)**

(i) Guarantees provided in relation to subsidiaries

Babylon Pump & Power Limited provides a parent-Company guarantee in respect to asset finance and invoice finance facilities established by Babylon (see note 19).

31. 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 2019

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

(a) the Group's financial statements and notes set out on pages 21 to 46 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 2019 and of its performance, for the financial period ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australia Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(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 2019.

Signed in accordance with a resolution of the directors:

Michael Shelby
Executive Chairman

Dated at Perth this 30th day of August 2019.

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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 subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2019 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.

Material uncertainty related to going concern

We draw attention to Note 2(e) 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 opinion is not modified in respect of this matter.

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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying Value of Goodwill

Key audit matter	How the matter was addressed in our audit
The carrying value of goodwill as at 30 June 2019 is disclosed in Note 10. 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. Refer to Note 10 and Note 2(i) for the detailed disclosures which includes the significant accounting estimates and judgements.	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 2019; and • Assessing the adequacy of the Group's disclosures and impairment assessment methodology as disclosed in Notes 10 and Note 2(i) 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 2019, 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 at:

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Babylon Pump & Power Limited, for the year ended 30 June 2019, 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 2019