Babylon Pump & Power Limited (BPP)

009 436 908

Appendix 4D – Half Year Report for six months ended 31 December 2020

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1. Details of reporting periods:

Current reporting period : Six (6) months to 31 December 2020

Previous corresponding period : Six (6) months to 31 December 2019

2. Results for announcement to the market:

	Six Months 31 December 2020 $	Six Months 31 December 2019 $	% Change
Revenues	10,291,297	7,845,719	+31%
Loss for the period	(2,388,218)	(333,269)	-496%
Loss after tax attributable to members.	(2,388,218)	(333,269)	-496%

Refer to enclosed Financial Report for the half year ended 31 December 2020 for further commentary.

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

3. Statement of comprehensive income

Refer to enclosed Financial Report for the half year ended 31 December 2020.

4. Statement of financial position

Refer to enclosed Financial Report for the half year ended 31 December 2020.

This Appendix 4D Half Year Report is provided to the ASX under Listing Rule 4.3B and should be read in conjunction with the accompanying Interim Financial Report for the half year ended 31 December 2020.

5. Statement of cash flows

Refer to enclosed Financial Report for the half year ended 31 December 2020.

6. Dividend payments

Not applicable.

7. Dividend reinvestment plans

Not applicable.

8. Statement of changes in equity

Refer to enclosed Financial Report for the half year ended 31 December 2020.

9. Net tangible assets per security

	31 December 2020 (cents)	30 June 2020 (cents)
Net tangible assets per ordinary security	0.0044	0.0071

10. Gain or loss of control over entities

Refer to enclosed Financial Report for the half year ended 31 December 2020.

11. Associates and joint ventures

Not applicable.

12. Other significant information

Not applicable.

13. Foreign entities

Not applicable.

14. Status of audit

The Financial Report for the half year ended 31 December 2020 has been audit reviewed and is not subject to dispute or qualification.

This Appendix 4D Half Year Report is provided to the ASX under Listing Rule 4.3B and should be read in conjunction with the accompanying Interim Financial Report for the half year ended 31 December 2020.

Babylon Pump & Power Limited

ACN 009 436 908

and its controlled entities

FINANCIAL REPORT
FOR THE HALF YEAR ENDED

31 DECEMBER 2020

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

Corporate Governance Statement
A copy of the Corporate Governance Statement is located on the website.

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Directors' report

For the half year ended 31 December 2020

The directors present their report together with the consolidated financial report for the six months ended 31 December 2020 and the review report thereon.

Directors

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

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

Unless otherwise disclosed, all directors held their office from 1 July 2020 until the date of this report.

Review of Financial Operations

The consolidated entity's (or Group) operational revenue for the six-month period ended 31 December 2020 was $10.29 million, compared with $7.85 million for the six-month period ended 31 December 2019. Noting the Company's relative infancy, the directors are pleased with the level of revenue growth and remain optimistic around the ongoing growth trajectory for the Company moving forward.

The consolidated entity's (or Group) net loss after tax for the six-month period ended 31 December 2020 was $2.39 million, compared with a net loss after tax of $0.33 million for the previous six-month period to 31 December 2019.

The table below provides a comparison of the key results for the six-month period ended 31 December 2020 as reported, against the six-month period ended 31 December 2019.

Comprehensive Income Statement	% Change	6 month period to 31 December 2020 $	6 month period to 31 December 2019 $
Revenue from operations	31%	10,291,297	7,845,719
Reported EBITDA (LOSS)	-150%	(663,932)	1,317,196
Reported loss after tax attributable to members	-617%	(2,388,218)	(333,269)

Review of Operations

Babylon has experienced a solid start to 2021 with growth in revenue across both core operational divisions on the back of increased diesel maintenance activity. Revenue was driven primarily by growth in diesel maintenance which is up 48% in H1 FY21 vs H1 FY20.

Babylon's reported EBITDA was -$0.66 million a decrease from $1.3 million reported in H1 FY20. This decrease in EBITDA occurred within a context of strong underlying business growth, driven by several timing factors that are outlined below. Removal of non-recurring items provided a net normalised EBITDA of $0.1m as detailed in the table below.

Reported EBITDA	**(663,932)**
Non-recurring items:	
ATO PAYG Cash Flow Boost (-)	150,000
Acquisition Costs and Professional fees (+)	189,381
Facility Improvements (Mackay) (+)	57,945
Inventory Adjustment Provision (+)	402,261
Warranty Cost and Provision (+)	196,523
Prior year Payroll Tax adjustment (+)	55,387
Normalised EBITDA	**87,565**

Net loss also includes a non-recurring charge of $274,500 for Converting Loan Raising Fees. Increased asset base has resulted in higher depreciation charges during H1 FY21 where the assets have only commenced earning rental revenue in February 2021.

Directors' Report continued

The Company is in a rapid growth phase and is making significant investment for future growth. This is reflected in the reduction in EBITDA in the half year. Workshop capacity has been applied to investment in preparing service exchange engines and increasing parts inventory to reduce and smooth the impact of COVID-19 on logistics and diesel maintenance project timelines. This is expected to be a temporary impact on operating cash flows and earnings with a conversion to sales in the current half year and future periods. Returns on an investment of approximately $2 million in H1 FY21 have begun to be realised in H2 FY21 with works committed with Glencore, Macmahon and Griffin Coal in Q3FY21.

Workshop capacity and cash has been invested in rental equipment acquired during the period to refurbish and prepare assets and ancillary equipment for rental projects. Assets from the Trico asset acquisition completed in October 2020 have been mobilised under a long-term rental agreement with Koolan Iron Ore with rental beginning in February 2021. Further rental asset mobilisation is expected in coming months.

The irregularity in the Company's earnings to date has been due to the timing of large contracts with major customers. The Company expects to report reduced earnings volatility in future reporting periods due to commencement of engine service exchange programs, investment in inventory to reduce logistics risk and mobilisation of new rental projects as the Company grows scale in operations.

Primepower Queensland (PPQ)

Significant investment was made in Queensland to increase capacity and inventory levels and to prepare engines for exchange that were not previously available to the Company. These stock engines are valued at approximately $2.0 million which will provide the opportunity for the Company to secure larger engine rebuild programmes in the remainder of FY21 and into FY22.

Babylon has also invested in higher inventory levels of engine rebuild parts, both to reduce logistics risks and to reduce the margin impact of higher costs of imported parts due to the impact of COVID-19. In addition to smoothing our logistics, this inventory is used for the stock swing engines which enables Babylon to secure larger maintenance programs. A non-recurring warranty provision of $0.2m at PPQ has negatively impacted earnings for the period. No other material warranty claims have occurred post acquisition of PPQ and although a negative impact on earnings for the period, the service provided has resulted in a stronger relationship with a major client.

Plans to expand rental activities into the Queensland market were delayed due to COVID-19 restrictions, due to restrictions on site travel and access. Whilst delayed, the planned expansion of specialty rental into the Queensland market is expected to ramp-up rapidly as COVID-19 related border restrictions are eased.

Babylon Operations (BOP)

BOP delivered 32% growth in Western Australia in diesel maintenance revenue over the corresponding period in FY20. Although BOP works directly with most major miners and service companies, a significant portion of diesel maintenance works has been introduced through resellers which has resulted in lower margins in the period. In response to this, the Company has added new business development managers for rental and diesel maintenance segments. This investment in business development personnel has increased overhead which has impacted current period earnings, but this investment is expected to substantially scale back the use of resellers with diesel maintenance margins expected to increase in future periods as our direct pathway to market is increased.

While rental revenue stepped back by $0.3 million during the period as several key assets came off hire, rental revenues are expected to rebound in the second half of the year as assets are mobilised to new projects. Maintenance and repair on assets acquired during the period have contributed to one-off higher costs during the period.

BOP has been successful in securing competitive specialty rental works for an iron ore producer off the coast of northern WA and multiple drilling companies whilst also mobilising more equipment to Barrow Island with existing clients.

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

Directors' Report continued

The following significant events took place during and subsequent to the financial period.

- The company raised $200,000 through the issue of ordinary shares and $750,000 in asset funding to facilitate the acquisition of $950,000 in rental and other assets.
- Secured shareholder approval to convert $4,675,000 in unsecured loans into convertible loans (refer note 20 below).
- Entered into an agreement to acquire Pilbara Trucks Pty Ltd trading as Ausblast ("Ausblast").
- Has firm commitments for an equity placement of $4.3M and will conduct a share purchase plan to be underwritten to $0.5M, both priced at $0.025 per share to assist with funding the acquisition of Ausblast.
- Advised intention to undertake a subsequent placement of up to $2.0M which will be subject to shareholder approval.
- On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

  The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during the remainder of the 2021 financial year.
  Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the remainder of the 2021 financial year.

  Although the Group cannot fully estimate the length or gravity of the COVID-19 effect, from its initial assessment, the impact over the next twelve months is not anticipated to be significant, indicating the entity will be able to continue as a going concern.

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

Michael Shelby
Executive Chairman

Dated at Perth this 26th day of February 2021.

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

As lead auditor for the review of Babylon Pump and Power Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

BDO
J Prue

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 26 February 2021

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2020

	Notes	31 December 2020 ($)	31 December 2019 ($)
Revenue from contracts with customers	6 & 7	10,291,297	7,845,719
Cost of sales		(9,233,904)	(5,472,992)
Gross Profit		**1,057,393**	**2,372,727**
Other income		158,948	30,951
Profit on disposal of property plant and equipment		13,752	-
Employee benefits expense	8	(1,111,374)	(586,368)
Administration and corporate expense	9	(782,651)	(500,114)
Earnings before interest, tax, depreciation and amortisation		**(663,932)**	**1,317,196**
Depreciation and amortisation		(982,626)	(790,650)
Results from operating activities		**(1,646,558)**	**526,546**
Finance income		-	104
Finance expense		(741,660)	(859,919)
Net financing expense		**(741,660)**	**(859,815)**
Loss before tax		**(2,388,218)**	**(333,269)**
Income tax benefit / (expense)		-	-
Loss after income tax for the period		**(2,388,218)**	**(333,269)**
Other comprehensive Income		-	-
Total comprehensive loss for the year attributable to the members of Babylon Pump & Power Limited		**(2,388,218)**	**(333,269)**
Loss attributable to:			
Equity holders of the company		(2,388,218)	(333,269)
Loss for the period		**(2,388,218)**	**(333,269)**
Loss per share for loss attributable to the members of Babylon Pump & Power Limited:			
Basic loss per share (cents)		(0.28)	(0.06)

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

Consolidated statement of financial position

As at 31 December 2020

	Notes	31 December 2020 ($)	30 June 2020 ($)
Current Assets			
Cash and cash equivalents	***10***	291,852	3,563,601
Trade receivables	***11***	3,488,112	2,837,227
Inventories	***12***	8,930,889	6,308,536
Prepayments and other assets	***13***	424,201	106,414
Total Current Assets		**13,135,054**	**12,815,778**
Non-Current Assets			
Property, plant and equipment	***14***	8,313,657	7,322,596
Deposits		17,500	125,309
Goodwill	***15***	1,867,118	1,867,118
Right-of-use assets	***16***	658,440	842,084
Total Non-Current assets		**10,856,715**	**10,157,107**
Total Assets		**23,991,769**	**22,972,885**
Current Liabilities			
Borrowings	***20***	5,078,423	7,881,225
Deferred consideration	***27***	458,208	1,040,957
Trade and other payables	***17***	4,583,227	3,161,043
Employee liabilities		434,608	416,523
Accruals		59,567	63,685
Provisions	***18***	157,000	-
Lease liabilities	***19***	284,343	334,034
Total Current Liabilities		**11,055,376**	**12,897,467**
Non-Current Liabilities			
Borrowings	***20***	6,860,390	1,429,887
Deferred consideration		-	229,104
Employee liabilities		26,411	48,311
Lease liabilities	***19***	403,366	530,125
Total Non-Current Liabilities		**7,290,167**	2,237,427
Total Liabilities		**18,345,543**	**15,134,894**
Net Assets		**5,646,226**	**7,837,991**
Equity			
Share capital	***21***	35,914,130	35,577,677
Reserves	***22***	-	140,000
Accumulated losses		(30,267,904)	(27,879,686)
Total Equity		**5,646,226**	**7,837,991**

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

Consolidated statement of changes in equity

For the six months ended 31 December 2020

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 2020	**35,577,677**	**140,000**		**(27,879,686)**	**7,837,991**
Adjustments				-	-
Total comprehensive income for the period					
Loss for the period	-	-	-	(2,388,218)	(2,388,218)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	**(2,388,218)**	**(2,388,218)**
Issue of ordinary shares	200,000	-	-	-	200,000
Transaction costs	(3,547)	-	-	-	(3,547)
Vesting Performance Rights	140,000	(140,000)	-	-	-
Total transactions with owners	**336,453**	**(140,000)**	**-**	**-**	**196,453**
Balance at 31 December 2020	**35,914,130**	-	-	**(30,267,904)**	**5,646,226**

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

Consolidated statement of changes in equity

BABYLON

For the six months ended 31 December 2019

Attributable to equity holders of the Group

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

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

Consolidated statement of cash flows

For the six months ended 31 December 2020

	Notes	31 December 2020 ($)	31 December 2019 ($)
Cash flows from operating activities			
Receipts from customers		9,640,412	8,839,816
Payments to suppliers and employees		(12,528,016)	(8,147,418)
Interest received		-	104
Interest and other costs of finance paid		(467,160)	(229,217)
Other income		8,948	(422,249)
Government grants and tax incentives		150,000	-
GST refunded		114,346	-
Net cash inflow from / (used in) operating activities		**(3,081,470)**	**41,036**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,807,144)	(542,491)
Proceeds on disposal of property plant and equipment		33,260	-
Business acquisition (net of cash acquired)		(803,994)	(1,742,683)
Net cash used in investing activities		**(2,577,878)**	**(2,285,174)**
Cash flows from financing activities			
Proceeds from borrowings		3,084,788	1,298,344
Repayment of borrowings		(464,707)	(2,004,035)
Repayment of lease liabilities		(178,935)	-
Proceeds from issue of shares		200,000	2,969,644
Repayment of convertible loans		(250,000)	-
Transaction costs for ordinary shares and convertible loans		(3,547)	(273,361)
Net cash provided by financing activities		**2,387,599**	**1,990,592**
Net increase / (decrease) in cash and cash equivalents		(3,271,749)	(253,546)
Cash and cash equivalents at the beginning of the period		3,563,601	504,490
Cash and cash equivalents at the end of the period	*10*	**291,852**	**250,944**

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 consolidated interim financial report of the Company as at and for the six months ended 31 December 2020 comprises the Company and its subsidiaries (together referred to as the "Group").

2. Statement of Compliance

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

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

3. Significant Accounting Policies

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

a) Basis of Preparation

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

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

b) Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's financial report for the year ended 30 June 2020.

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

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

i) Convertible Loans

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

4. Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2020.

Convertible loans carried at fair value

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

5. Going Concern

The financial statements for the half year ended 31 December 2020 have been prepared on the basis that the Group 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.

During the half year the Group recorded a loss of $2.39 million (2019: loss of $0.33 million) and had net cash outflows from operating activities of $3.08 million (2019: cash inflow $0.04 million). At balance sheet date the Group has working capital surplus of $2.08 million (2019: $2.30 million).

Based on the Group's future cashflow forecast, the Group will require additional funding in the next twelve months to enable it to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due.

The group's ability to continue as a going concern and pay its debts as and when they fall due is dependent on the following:

- Maintaining underlying levels of business activity.
- Maintaining operational throughput and efficiency across operations.
- Maintaining levels of utilisation for rental assets.

On 31 January 2020, the COVID-19 pandemic announced by the World Health Organisation is having a negative impact on world stock markets, currencies and general business activity. The Group has developed a policy and is evolving procedures to address the health and wellbeing of employees, consultants and contractors in relation to COVID-19. The timing and extent of the impact and recovery from COVID-19 is unknown but it may have an impact on activities and potentially impact the ability for the entity to raise capital in the current prevailing market conditions.

These conditions indicate a material uncertainty that may cast 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.

The directors believe that the Group has the capacity to raise additional funding and therefore are satisfied that the going concern basis for preparing the financial statements is appropriate. In arriving at this position, the Directors expect that the Group will:

- Raise additional finance from debt or equity as and when required to contribute to the Group's working capital position in the near term
- Continue to benefit from ongoing demand for the Group's products and services.
- Continue to yield a high conversion rate from its tender and pricing pipeline.
- Access current capacity in its debt finance facilities.
- Benefit from the ongoing support of investors throughout the business' current growth stage.

Should the entity not be able to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

6. Reporting Segment

Babylon has two revenue generating reportable segments, Babylon Operations Pty Ltd and Primepower Queensland Pty Ltd.

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 Group derives revenue from the service and repair, sale of goods and equipment rental disaggregated as follows;

Revenue From External Customers	Service and Repair		Sale of Goods		*Equipment Rental*		Total	
	31 Dec 20 ($)	31 Dec 19 ($)	31 Dec 20 ($)	31 Dec 19 ($)	31 Dec 20 ($)	31 Dec 19 ($)	31 Dec 20 ($)	31 Dec 19 ($)
Segment revenue	8,494,800	5,722,318	292,929	344,154	1,503,568	1,779,247	**10,291,297**	**7,845,719**
Timing of revenue recognition								
At a point in time	8,494,800	5,722,318	292,929	344,154	-	-	**8,787,729**	**6,066,472**
Over time	-	-	-	-	1,503,568	1,779,247	**1,503,568**	**1,779,247**

- *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.

- *Equipment Rental*

Revenue from equipment rental comprises short-term hire arrangements and is included in the statement of profit or loss due to its operating nature. Installation revenue is deemed to be not material.

The disaggregation of Group revenue by Australian state or territory is as follows;

Revenue by state	31 Dec 20 *$*	31 Dec 19 *$*
Western Australia	5,093,968	4,613,140
Queensland	5,197,329	3,232,579
	10,291,297	**7,845,719**

7. Operating Segments

Babylon has three reportable segments, being Babylon Pump and Power Ltd (BPP), Babylon Operations Pty Ltd (BOP) and Primepower Queensland Pty Ltd (PPQ). The Group primarily focus on two areas being rental of specialty diesel driven pumping and power generation equipment and rebuild and maintenance services for large diesel driven equipment. Babylon Pump and Power Ltd is not a revenue generating unit and incurs the Group administration and management overheads as well as the cost of providing finance to the Group. These are the Group's strategic business units and the Group's Executive Chairman reviews internal management reports for these business units monthly.

	31 Dec 20 ($)	31 Dec 19 ($)
(a) Segmented External Revenues		
BOP - Rental	1,503,568	1,779,248
BOP - Sale of Goods	292,929	344,154
BOP - Service and Repair	3,297,471	2,489,738
PPQ - Service Repair	5,197,329	3,232,579
Total	10,291,297	**7,845,719**
(b) Earnings / (loss) before interest, tax, depreciation and amortisation		
BPP	(789,797)	(589,826)
BOP	517,542	1,708,196
PPQ	(391,677)	198,826
Total	(663,932)	1,317,196
Depreciation and Amortisation	(982,626)	(790,650)
Finance Income	-	104
Finance Expense	(741,660)	(859,919)
Net Profit/(Loss)	(2,388,218)	(333,269)

	31 Dec 20 ($)	30 Jun 20 ($)
(C) Segment assets and liabilities		
Assets		
BPP	2,330,780	5,482,388
BOP	11,934,501	10,095,390
PPQ	9,726,488	7,395,107
Total	23,991,769	**22,972,885**
Liabilities		
BPP	5,767,666	6,096,115
BOP	5,444,935	4,431,077
PPQ	7,132,942	4,607,702
Total	18,345,543	**15,134,894**
Net Assets	5,646,226	**7,837,991**

8. Employee Benefits Expense

Employee Benefits Expense	31 Dec 20 ($)	31 Dec 19 ($)
Wages and salaries	884,604	472,058
Employment related taxes	157,814	75,112
Share-based payment expense	-	24,848
Other employment related expenses	68,956	14,350
	1,111,374	**586,368**

9. Administration and Corporate Expense

Administration and Corporate Expense	31 Dec 20 ($)	31 Dec 19 ($)
Office expenses	145,918	65,989
Corporate costs and compliance	265,621	166,176
Other expenses	26,938	51,637
Consumables and operational costs	201,273	128,783
Business acquisition expense	142,901	87,529
	782,651	**500,114**

10. Cash and Cash Equivalents

Cash and Cash Equivalents	31 Dec 20 ($)	30 Jun 20 ($)
Bank balances	261,485	3,563,601
Term deposits	29,892	-
Cash on hand	475	-
	291,852	**3,563,601**

11. Trade Receivables

Trade Receivables	31 Dec 20 ($)	30 Jun 20 ($)
Trade Debtors	3,488,112	2,837,227
	3,488,112	**2,837,227**

12. Inventories

Inventories	31 Dec 20 ($)	30 Jun 20 ($)
Consumables and spare parts	5,447,533	4,217,454
Engine trading stock	2,021,022	305,280
Work in progress	1,462,334	1,785,802
	8,930,889	**6,308,536**

13. Prepayments and Other Assets

Prepayments and Other Assets	31 Dec 20 ($)	30 Jun 20 ($)
Prepayments	275,009	106,414
GST receivable	121,470	-
Inventory purchase prepayments	27,722	-
	424,201	**106,414**

14. Property Plant and Equipment

Property, Plant and Equipment	Leasehold Improvements ($)	Plant & Equipment ($)	Office Equipment ($)	IT Equipment ($)	Motor Vehicles ($)	Capital Work in Progress ($)	Total ($)
Carrying amount at 30 June 2020	**29,854**	**6,917,113**	**571**	**10,137**	**218,624**	**146,297**	**7,322,596**
Additions	-	1,583,687	-	1,412	63,807	158,238	1,807,144
Disposals	-	(18,508)	-	-	(1,000)	-	(19,508)
Depreciation expense	(752)	(762,000)	(187)	(3,502)	(30,134)	-	(796,575)
Balance at 31 December 2020	**29,102**	**7,720,292**	**384**	**8,047**	**251,297**	**304,535**	**8,313,657**

15. Goodwill

Significant judgement

Goodwill- impairment testing

Goodwill is tested for impairment annually. No impairment indicators were identified during the half year period therefore no impairment has been recognised in respect of goodwill as at 31 December 2020.

16. Right of Use Asset

Right of Use Asset	31 Dec 20 ($)	30 Jun 20 ($)
Harrison Road Lease - Babylon Operations	103,974	142,969
Walters Way Lease - Babylon Operations	41,568	100,125
Len Shield Street Lease - Primepower Queensland (main premises)	391,523	453,340
Len Shield Street Lease - Primepower Queensland (storage)	121,375	145,650
	658,440	**842,084**

Right of Use Asset Cost and Accumulated Amortisation	31 Dec 20 ($)	30 Jun 20 ($)
Right of Use Asset at cost	1,063,539	1,061,054
Accumulated amortisation	(405,099)	(218,970)
	658,440	**842,084**

17. Trade and Other Payables

Trade and Other Payables	31 Dec 20 ($)	30 Jun 20 ($)
Trade payables	3,817,787	2,559,460
GST liability	32,987	(9,323)
PAYG Withholdings Payable	155,134	211,336
Superannuation liability	117,314	147,440
Other payables	460,005	252,130
	4,583,227	**3,161,043**

18. Provisions

Provisions	31 Dec 20 ($)	30 Jun 20 ($)
Warranty provision	157,000	-
	157,000	**-**

19. Lease Liability

Lease Liability	31 Dec 20 ($)	30 Jun 20 ($)
Current Liability		
Harrison Road Lease - Babylon Operations	78,529	77,030
Walters Way Lease - Babylon Operations	45,874	102,367
Len Shield Street Lease - Primepower Queensland (main premises)	114,594	109,332
Len Shield Street Lease - Primepower Queensland (storage)	45,346	45,305
Sub-total	284,343	334,034
Non-current		
Harrison Road Lease - Babylon Operations	28,909	71,049
Walters Way Lease - Babylon Operations	-	-
Len Shield Street Lease - Primepower Queensland (main premises)	296,387	358,731
Len Shield Street Lease - Primepower Queensland (storage)	78,070	100,345
Sub-total	403,366	530,125
Total	**687,709**	**864,159**

20. Borrowings

Borrowings	31 Dec 20 ($)	30 Jun 20 ($)
Current Liability		
Invoice finance facility	2,205,234	641,239
Trade finance facility	1,501,118	1,662,084
Insurance premium funding	257,374	49,727
Asset finance facilities	1,114,697	860,794
Convertible loans (a)	-	4,667,381
Sub-total	5,078,423	7,881,225
Non-current		
Asset finance facilities	2,185,390	1,429,887
Convertible loans (a)	4,675,000	-
Sub-total	6,860,390	1,429,887
Total	**11,938,813**	**9,311,112**

a) **Convertible Loans**

On 26 June 2020, The Company announced it had successfully raised $4.68 million via a placement of convertible loans to purchase rental assets, procure parts for heavy diesel maintenance programs, repay existing convertible loans, payment of deferred Primepower acquisition consideration and to provide working capital. ("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 $4.68 million.

(b) Interest at the rate of 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 1 July 2020.

(c) Unsecured: The Convertible Loans are unsecured.

Convertible note continued

(d) Effective Date: The Convertible Loans were entered into with each Holder on or about 25 June 2020 ("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 30 June 2022 ("Maturity Date").

(f) Conversion Period: The conversion period is the period commencing on 1 January 2021 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 two-month period prior to the date The Company receives the Conversion Notice, subject to a minimum price of $0.01 per Share,

Borrowings continued

(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 1st September 2020 at a general meeting of the Company.

(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 1st January 2021 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 5% 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 at 31 December 2020 is $4,675,000.

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

21. Share Capital

a) Ordinary shares

During the six-month period ended 31 December 2020, the Company issued the following shares:

All issued Babylon shares are fully paid.

Ordinary Shares	*31-Dec-20* No.	*31-Dec-20* $	*30-Jun-20* No.	*30-Jun-20* $
At the beginning of the reporting period	837,376,920	35,577,677	372,719,632	27,983,251
Issue of shares	-	-	195,886,953	2,969,645
Issued to aquire assets (i)	7,142,856	200,000	-	-
Issued for business acquisition	-	-	29,556,651	600,000
Vesting performance rights	7,000,000	140,000	14,000,000	280,000
Issue of shares to convertible loan holders	-	-	225,213,684	4,022,575
Transaction costs	-	(3,547)	-	(277,794)
Total	**851,519,776**	**35,914,130**	**837,376,920**	**35,577,677**

(i) Plant and equipment additions in note 14 include a package of assets purchased for $950,000 settled by the issue of $200,000 in ordinary shares and $750,000 in asset finance.

22. Reserves

a) Options

During the six-month period ended 31 December 2020, the Company did not issue any Babylon options.

The full amount of the reserve associated with expired options was transferred to accumulated losses on 30 June 2020.

Options	31-Dec-20 No.	31-Dec-20 $	30-Jun-20 No.	30-Jun-20 $
At the beginning of the reporting period	-	-	-	407,645
Transfer to accumulated losses	-	-	-	(407,645)
Total	**-**	**-**	**-**	**-**

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.

During the half year ended 31 December 2020, the Company issued 7,000,000 ordinary shares in relation to performance rights which had vested (class B). All remaining performance rights lapsed during the period.

During the half year period ended 31 December 2020, the Company did not issue any additional performance rights.

Share Based Payment Reserve	31-Dec-20 $	30-Jun-20 $
At the beginnning of the period	140,000	370,305
Perfomance rights issued as ordinary shares	(140,000)	(280,000)
Share based payments	-	49,695
Total	**-**	**140,000**

23. Dividends

No amounts have been paid, declared or recommended by the Company by way of dividend since the commencement of the financial period to 31 December 2020.

24. Contingencies

There has been no change from that which was detailed in the financial report as at 30 June 2020 in relation to contingent assets and liabilities. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

25. Subsequent Events

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

- entered into an agreement to acquire Pilbara Trucks Pty Ltd trading as Ausblast ("Ausblast"); and
- has firm commitments for an equity placement of $4.3M and will conduct a share purchase plan to be underwritten to $0.5M, both priced at $0.025 per share to assist with funding the acquisition of Ausblast
- advised intention to undertake a subsequent placement of up to $2.0M which will be subject to shareholder approval

Subsequent Events Continued

On 31 January 2020, the COVID-19 pandemic announced by the World Health Organisation is having a negative impact on world stock markets, currencies and general business activity. The Group has developed a policy and is evolving procedures to address the health and wellbeing of employees, consultants and contractors in relation to COVID-19. The timing and extent of the impact and recovery from COVID-19 is unknown but it may have an impact on activities and potentially impact the ability for the entity to raise capital in the current prevailing market conditions.

No matters or circumstance have arisen since the end of the interim financial period 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 financial periods.

26. Related Party Transactions

During the half year ended 31 December 2020, no options and or shares were issued to the Directors.
Transactions are consistent to 30 June 2020 year end.

27. Business Combinations

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

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

Acquisition of Primepower Queensland Pty Ltd

On 11 September 2019, Babylon Pump & Power Limited acquired 100% of the share capital of Primepower Queensland Pty Ltd ("Primepower"). A summary of the acquisition details with respect to the acquisition of Primepower as included in our report is set out below. The acquisition accounting has been determined under AASB 3: Business Combinations.

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

Decscription	*Fair value*
Net identifiable assets acquired	2,750,767
Cash consideration	1,750,000
Deferred consideration - cash	950,000
Issue of oridinary Babylon Pump and Power shares	600,000
Contingent consideration - cash	500,000
Less: Total of Primepower net assets acquired	(2,750,767)
Amount recognised as goodwill upon acquisition	1,049,233

Business Combinations continued

- Deferred consideration to be paid in cash comprised three payments to the sum of $950,000. All three instalments have been paid on their respective due dates by 31 December 2020. These payments have been adjusted to include $48,098 in each instance being payment for the settlement of inventory acquired in excess of the amount in the sale agreement. Note 27 sets out the values included in the statement of financial position.

- Shares in the Group to the value of $600,000 (29,556,651 ordinary shares) have been issued on 2 January 2020.

- Contingent consideration of $500,000 made up of $250,000 to be paid on 1 January 2021 and $250,000 to be paid on 1 July 2021. This consideration is contingent on Primepower meeting a revenue performance target of $8.90 million in FY20. As Primepower has recorded revenue of $9.08 million this revenue requirement has been met and the amount has consequently been disclosed as deferred consideration at 31 December 2020. These payments have been adjusted to include a reduction of $20,896 in each instance for the value of net working capital other than inventory acquired which adjustment is in terms of the sale agreement. Note 27 sets out the values included in the statement of financial position.

- Babylon Pump and Power Ltd has taken over the debt of Primepower Queensland Pty Ltd and are legally responsible for it outside of the fair value of net assets acquired. It is noted that an indemnity has been granted by the seller in terms of the sale agreement in respect of pre-acquisition taxation liabilities which may arise.

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

Decscription	*Fair value*
Cash	7,308
Trade and other receivables	1,295,942
Inventories	3,244,294
Property plant and equipment	147,779
Right of use assets	577,033
Trade and other payables	(1,472,396)
Trade finance liability	(500,000)
Lease liability	(549,193)
Net identifiable assets acquired	2,750,767

- Acquisition related legal costs have been included as an expense in the statement of profit and loss. A total of $126,191 has been incurred to 31 December 2020 comprising $28,910 during the year ended 30 June 2019, $87,529 during the year ended 30 June 2020 and $9,752 during the current period.
- Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets at the time of acquisition.
- The sale agreement included taking over the seller’s liability on the trade finance facility for an amount of $500,000 with a provision that any value at acquisition date above or below the amount of $500,000 to be adjusted in amounts payable to the seller. Based on accounting for this acquisition a liability of $498,010 was taken over on acquisition date and the amount due to the seller was increased by $1,990 in settlement of this component of the purchase price.

Business Combinations continued

The cash outflow from investing activities disclosed in the consolidated statement of cash flows is calculated as follows:

Reconciliation of cash outlflow on acquisition of Primepower Queensland	*$*
Deferred consideration due to seller at beginning of period	(1,270,061)
Interest on deferred payment included in interest	7,859
Deferred consideration due to seller at end of period	458,208
Cash outflow in statement of cashflows	(803,994)

Acquisition of Primepower Queensland Pty Ltd

Primepower contributed revenue of $5.2 million and a net loss of $0.55 million to the group for the period to 31 December 2020.

Significant Judgement

Identifying the acquirer in business combination

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

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

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

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

Liabilities: Lease liabilities.

Directors' Declaration

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

1. the financial statements and notes set out on pages 10 to 23, are in accordance with the *Corporations Act 2001*, including:

   (a) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the six-month period ended that date; and

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

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

Dated at Perth this 26th day of February 2021.

Signed in accordance with a resolution of the directors:

Michael Shelby
Executive Chairman

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Babylon Pump & Power Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Babylon Pump & Power Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and

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

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

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

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 26 February 2021