

ASX Release

28 February 2018

Babylon HY18 Results

Highlights

- **Strong balance sheet to support future growth**
- **Continual investment in specialised equipment**
- **Opportunities pipeline continues to grow**

The Board of specialist resources services provider Babylon Pump & Power Limited (Babylon) (formerly IM Medical Limited), (ASX: BPP, BPPOA), is pleased to present its financial report for the half year ended 31 December 2017.

HY18 Financial Update

- \$0.36M net loss relates to IM Medical Limited (now Babylon) prior to acquisition of Babylon Operations Pty Ltd.
- Healthy cash position of \$4.2M to support planned asset purchases to meet clients' needs.

Shareholders should note that Babylon's financial report as at 31 December 2017 does not include revenue from its wholly owned subsidiary, Babylon Operations Pty Ltd (BOP), noting date of completion of the acquisition of BOP by Babylon was 18 December 2017 and there were no material transactions in this post-acquisition period to 31 December 2017.

Operational Update

- Currently undertaking recurring diesel maintenance works for loyal customer base
- Undertaking marketing campaign in preparation for completion of several engine rebuilds in the coming weeks
- Babylon's opportunity pipeline grows with ongoing positive client engagement for the supply of specialised rental equipment in the local market
- Ongoing recruitment of diesel mechanics and pumping specialists to fulfil clients' needs and prepare for future project works and opportunities flagged in the rental market
- Secured additional assets from domestic and overseas suppliers to add to growing speciality rental fleet and market to clients

The Board is optimistic of securing material rental and diesel maintenance contracts as a result of the increased client engagement and is looking forward to providing revenue and operational updates to shareholders as they are warranted.

For more information, please contact:

Michael Shelby

Executive Chairman

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BABYLON

Babylon Pump & Power Limited (BPP)

47 009 436 908

Appendix 4D – Half Year Report for six months ended 31 December 2017

1. Details of reporting periods:

Current reporting period : Six (6) months to 31 December 2017
Previous corresponding period : Six (6) months to 31 December 2016

2. Results for announcement to the market:

	Six Months 31 December 2017	Six Months 31 December 2016	% Change
Revenues	Nil	Nil	Nil
Loss	(364,209)	(127,226)	(186%)
Loss after tax attributable to members	(364,209)	(127,226)	(186%)

Commentary on the above figures is included in the accompanying ASX Announcement and the enclosed Financial Report for the half year ended 31 December 2017.

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 attached Financial Report for the half year ended 31 December 2017.

4. Statement of financial position

Refer to attached Financial Report for the half year ended 31 December 2017.

5. Statement of cash flows

Refer to attached Financial Report for the half year ended 31 December 2017.

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 Financial Report for the half year ended 31 December 2017.

6. Dividend payments

Not applicable.

7. Dividend reinvestment plans

Not applicable.

8. Statement of changes in equity

Refer to attached Financial Report for the half year ended 31 December 2017.

9. Net tangible assets per security

	31 December 2017 Cents	30 June 2017 Cents
Net tangible assets per ordinary security	0.010389	(0.000071)

10. Gain or loss of control over entities

Refer to attached Financial Report for the half year ended 31 December 2017.

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 2017 has been audit reviewed and is not subject to dispute or qualification.



BABYLON

BABYLON PUMP & POWER LIMITED

ABN 47 009 436 908

(formerly known as IM Medical Limited)

**FINANCIAL REPORT
FOR THE HALF YEAR ENDED**

31 DECEMBER 2017

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



Contents



Directors' Report..... 1

Lead Auditor's Independence Declaration 2

Consolidated Statement of Profit or Loss and Other Comprehensive Income..... 3

Consolidated Statement of Financial Position 4

Consolidated Statement of Changes in Equity 5

Consolidated Statement of Cash Flows..... 6

Condensed Notes to the Consolidated Financial Statements..... 7

Directors' Declaration 13

Independent Auditor's Review Report to Members of Babylon Pump & Power Limited 14

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Directors' Report



The directors present their report together with the consolidated financial report for the six months ended 31 December 2017 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 (appointed 18 December 2017)
Mr Patrick Maingard	Executive Director (appointed 18 December 2017)
Mr Michael Kenyon	Non-Executive Director and Company Secretary (appointed 18 December 2017)
Mr Richard Wadley	Former Non-Executive Director & Company Secretary (resigned 18 December 2017)
Mr Nigel Blaze	Former Chairman (resigned 18 December 2017)
Mr Paul Burton	Former Non-Executive Director (resigned 18 December 2017)

Operating Result

The consolidated loss after tax for the half-year ended was \$364,209 (31 Dec 2016: \$127,226).

Review of Operations

On behalf of the Board of Directors of the Company, formerly IM Medical Limited (IM Medical), I am pleased to welcome both new shareholders and IM Medical shareholders as shareholders of Babylon.

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

Shareholders should note that Babylon's financial report as at 31 December 2017, does not include revenue from Babylon, noting date of completion of the acquisition of Babylon Operations by Babylon (formerly IM Medical Limited) was 18 December 2017 and there were no material transactions in this post-acquisition period to 31 December 2017.

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

The newly appointed directors of Babylon and senior staff bring together extensive experience in the resource services sector. We are excited by the opportunity to build a strong, profitable business servicing the specialised requirements of the resources sector. Naturally, we are fully focussed on generating positive returns for shareholders.

We were delighted by the interest received in our prospectus offer which has raised \$4.5 million in new capital. The Board intends to apply the funds raised to build the assets and scope of the Babylon business and to capture the many profitable opportunities that the team has generated in our business pipeline.

We look forward to a long and prosperous association and delivering on our growth ambitions for Babylon.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 3 and forms part of the directors' report for the six months ended 31 December 2017.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Michael Shelby'.

Michael Shelby
Executive Chairman

Dated at Perth this 27th day of February 2018.

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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 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 27 February 2018

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Consolidated Statement of Profit or Loss and Other Comprehensive Income



For the six months ended 31 December 2017

	Notes	31 December 2017	31 December 2016
General and administrative	3	(358,393)	(127,226)
Share based payments		(6,685)	-
Other Income		868	-
Loss before interest, tax, depreciation and amortisation		(364,209)	(127,226)
Depreciation and amortisation		-	-
Results from operating activities		(364,209)	(127,226)
Loss before income tax		(364,209)	(127,226)
Income tax expense		-	-
Loss for the period		(364,209)	(127,226)
Other comprehensive income		-	-
Total comprehensive loss for the period		(364,209)	(127,226)
Loss attributable to:			
Equity holders of the company		(364,209)	(127,226)
Loss for the period		(364,209)	(127,226)
Total comprehensive loss attributable to:			
Equity holders of the company		(364,209)	(127,226)
Total comprehensive loss for the period		(364,209)	(127,226)
Earnings per share			
Basic loss per share (cents)		(0.001)	(0.01)
Diluted loss per share (cents)		(0.001)	(0.01)

The condensed notes on pages 7 to 12 are an integral part of these consolidated interim financial statements.

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Consolidated Statement of Financial Position



As at 31 December 2017

	Notes	31 December 2017	30 June 2017
Assets			
Cash and cash equivalents		4,216,455	126,822
Prepayments		18,940	-
Trade receivables		186,021	-
Current tax asset		8,327	-
Total current assets		4,429,742	126,822
Property, plant and equipment	4	567,239	-
Goodwill	13	817,885	-
Total non-current assets		1,385,124	-
Total assets		5,814,866	126,822
Liabilities			
Trade and other payables	5	1,132,690	255,678
Total current liabilities		1,132,690	255,678
Total liabilities		1,132,690	255,678
Net assets/(deficiency)		4,682,176	(128,856)
Equity			
Share capital	6	28,030,324	23,041,122
Reserves	7	414,330	-
Retained losses		(23,762,478)	(23,169,978)
Total equity		4,682,176	(128,856)

The condensed notes on pages 7 to 12 are an integral part of these consolidated interim financial statements.

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Consolidated Statement of Changes in Equity



For the six months ended 31 December 2017

	Share Capital	Share Based Payment Reserve	Option reserve	Retained earnings	Total equity
Balance at 1 July 2017	23,024,664	-	-	(23,154,362)	(129,697)
Adjustments	-	-	-	(16,418)	(16,418)
Total comprehensive loss for the period					
Loss for the period	-	-	-	(591,698)	(591,698)
Total comprehensive loss for the period	-	-	-	(591,698)	(591,698)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
In-specie distribution	38,129	-	-	-	38,129
Issue of ordinary shares	5,612,500	-	-	-	5,612,500
Costs of share issue	(644,970)	-	-	-	(644,970)
Issue of Share Options	-	-	407,645	-	407,645
Share Based Payments	-	6,685	-	-	6,685
Total transactions with owners	5,005,659	6,685	407,645	-	5,419,989
Balance at 31 December 2017	28,030,324	6,685	407,645	(23,762,479)	4,682,176
Balance at 1 July 2016	22,608,124	-	-	(22,894,407)	(286,283)
Total comprehensive loss for the period					
Total other comprehensive loss	-	-	-	(127,226)	(127,226)
Balance at 31 December 2016	22,608,124	-	-	(23,021,633)	(413,509)

The condensed notes on pages 7 to 12 are an integral part of these consolidated interim financial statements.

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Consolidated Statement of Cash Flows



For the six months ended 31 December 2017

	31 December 2017	31 December 2016
Cash flows from operating activities		
Receipts from customers	28,376	-
Payments to suppliers and employees	(468,695)	(106,991)
Other	15,111	-
Net cash provided by operating activities	(425,208)	(106,991)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,705)	-
Cash acquired upon acquisition	48,849	-
Acquisition costs	-	(144,984)
Loans	-	(600)
Net cash used in investing activities	(46,144)	(145,584)
Cash flows from financing activities		
Proceeds from issues of shares	4,539,279	-
Payment of transaction costs	(48,830)	-
Proceeds from borrowings	-	330,000
Other	13,610	-
Net cash provided by (used in) financing activities	4,504,059	330,000
Net increase (decrease) in cash and cash equivalents	4,124,995	77,425
Cash and cash equivalents at the beginning of the period	91,460	(874)
Current cash and cash equivalents at the end of the period	4,216,455	76,551

The condensed notes on pages 7 to 12 are an integral part of these consolidated interim financial statements.

Condensed Notes

1. Significant Accounting Policies

Babylon is a company domiciled in Australia. The consolidated interim financial report of the company as at and for the six months ended 31 December 2017 comprises the company and its subsidiaries (together referred to as the "Group").

Shareholders should note that Babylon's financial report as at 31 December 2017, only includes revenues from Babylon, noting date of completion of the acquisition of Babylon Operations Pty Ltd by Babylon (formerly IM Medical Limited) was 18 December 2107 and there were no material transactions in this post-acquisition period to 31 December 2017.

The half-year financial report is a general purpose financial report 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.

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 condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. 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 2017. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The adoption of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) has not resulted in any changes to the company's accounting policies and has no effect on the accounts reported in the current and prior periods.

2. Operating Segments

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

3. General and Administrative Expenses

Description	31 Dec 17 \$	31 Dec 16 \$
Corporate Expenses	313,810	71,158
Office and Administration	7,911	-
Employee Expenses	36,672	49,918
Other	-	6,150
Total	358,393	127,226

4. Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciated 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, 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 capitalized borrowing costs. Cost also may include transfers from other

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Condensed Notes

4. Property, Plant and Equipment (continued)

comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment. Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognized net within other income / (expense) in the statement of profit and loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs

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

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of the asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of 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

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 followed:

- Gas and diesel engines: 20 years
- Other assets: 5 to 30 years

Power generation assets of the Company 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 related 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 the current and comparative periods are as follows:

- Office and equipment: 2 – 5 years

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

Property, Plant and Equipment	Computer	Engines	Office Equipment	Plant and Equipment	Total
Carrying amount at 30 June 2017	-	-	-	-	-
Additions	438	412,179	1,585	153,037	567,239
Disposals	-	-	-	-	-
Depreciation expense	-	-	-	-	-
Carrying amount at 31 December 2017	438	412,179	1,585	153,037	567,239

5. Trade and Other Payables

Trade and Other Payables	31 Dec 17 \$	30 June 17 \$
Trade Creditors	835,228	82,767
Accruals	297,463	172,911
Total	1,132,690	255,678

Condensed Notes



6. Share Capital

a) Ordinary shares

During the six-month period ended 31 December 2017, the Company issued 280,625,000 Babylon shares. All shares issued during the period were in respect to the capital raising and as consideration for the acquisition to ordinary shareholders.

All issued Babylon shares are fully paid.

Ordinary Shares	31 Dec 17 No.	31 Dec 17 \$	30 June 17 No.	30 June 17 \$
On issue at the beginning of the reporting period	1,826,870,453	23,024,664	1,163,633,057	22,591,666
Issue of shares per non-renounceable issue	-	-	498,237,396	498,237
Issue of shares to converting loan investors	-	-	165,000,000	13,471
Share consolidation	(1,735,525,821)	-	-	-
Issue of shares as part of purchase consideration	55,750,000	1,115,000	-	-
Issued of shares under prospectus	224,875,000	4,497,500	-	-
Transaction costs	-	(644,970)	-	(78,710)
In-specie Distribution	-	38,129	-	-
On issue at 31 December 2017	371,969,632	28,030,324	1,826,870,453	23,024,664

7. Reserves

a) Options

On 18 December 2017 the Company issued 240,312,501 Options exercisable at 4 cents on or before 31 March 2019 and have been valued using the Black Scholes option valuation model.

To date no Options have been exercised.

Options	31 Dec 17 No.	31 Dec 17 \$	30 June 17 No.	30 June 17 \$
At the beginning of the reporting period	993,302,151	-	853,921,259	-
Share consolidation	(943,637,043)	-	-	-
Options granted	-	-	498,237,396	-
Issue of free attaching options under capital raising	112,437,501	-	-	-
Consideration options issued upon acquisition	27,875,000	88,861	-	-
Sub-underwriter options issued	100,000,000	318,784	-	-
Options exercised	-	-	-	-
Options Lapsed	-	-	358,856,504	-
On issue at 31 December 2017	289,977,609	407,645	993,302,151	-

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

Options Issued	(i) Consideration Options	(ii) Sub-underwriter Options
Underlying share price	\$0.02	\$0.02
Exercise Price	\$0.04	\$0.04
Expected volatility	80%	80%
Expiry date	31-Mar-19	31-Mar-19
Expected dividends	0%	0%
Risk free rate	1.78%	1.78%
Value per Option	\$0.003	\$0.003
Number of Options	27,875,000	100,000,000
Value per tranche	\$88,861	\$318,784

Condensed Notes



7. Reserves (continued)

- (i) A total of 27,875,000 Options were issued to the shareholders of Babylon Operations Pty Ltd at completion of the acquisition as consideration for the acquisition of their Babylon Operations Pty Ltd shares.
- (ii) A total of 100,000,000 Options were issued to the Sub-underwriters of the capital raising.

b) Share Based Payment Reserve

	31 Dec 17	30 June 17
	\$	\$
Share Based Payment Reserve		
At the beginning of the period	-	-
Share based payments (benefit) / expense	6,685	-
On issue at 31 December 2017	6,685	-

8. Performance Rights

On 18 December 2017 the Company issued 40,000,000 Performance Rights to senior management of the Company, including Directors Mr Michael Shelby (20,000,000) and Mr Patrick Maingard (8,000,000) and to senior manager Mr Mark Lagemann (12,000,000), exercisable to shares on a 1 for 1 basis on the satisfaction of certain performance conditions relating to the performance of the Company by specified periods.

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

The performance rights were valued at \$800,000 as at 31 December 2017, based on a share price of \$0.02 and management's assessment of probability of achieving the performance conditions set at 50%.

Noting the Company's ongoing client engagement and growing opportunity pipeline, management's estimated probability of achieving the below performance conditions is 50%. This is reflected in the share based payment expense of the performance rights as at 31 December 2017.

i) Terms of Performance Rights

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

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Condensed Notes



9. Dividends

No amounts have been paid, declared or recommended by the Company by way of dividend since the commencement of the financial year to 31 December 2017.

10. Contingencies

There has been no change from that which was detailed in the financial report as at 30 June 2017 in regards 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.

11. Subsequent Events

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

12. Related Party Transactions

During the half year ended 31 December 2017, options and shares were issued to the following Directors and key management personnel as part of the acquisition of Babylon Operations Pty Ltd.

a) Consideration Share Capital and Options

Consideration	Grant Date	No. Consideration Shares	No. Consideration Options
Directors			
Michael Shelby	18-Dec-17	2,500,000	1,250,000
Michael Kenyon	18-Dec-17	1,000,000	500,000
Management			
Mark Lagemann	18-Dec-17	2,500,000	1,250,000
Total		6,000,000	3,000,000

b) Performance Rights

During the half year ended 31 December 2017, performance rights were issued to the following Directors and key management personnel.

Performance Rights	Grant Date	No. Performance Rights
Directors		
Michael Shelby	18-Dec-17	20,000,000
Patrick Maingard	18-Dec-17	8,000,000
Management		
Mark Lagemann	18-Dec-17	12,000,000
Total		40,000,000

Refer to note 8 for further details.

c) Directors' Remuneration

The remuneration and benefits of the Directors is as follows:

Director	Annual Remuneration	Performance Rights
Michael Shelby	\$240,000	20,000,000
Patrick Maingard	\$150,000	8,000,000
Michael Kenyon	\$40,000	-

Condensed Notes



12. Related Party Transactions (continued)

The Directors' employee contracts are subject to normal commercial conditions. There are no additional short or long term incentives and there are no set length employee contracts.

13. 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 acquiree, 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 Babylon Operations Pty Ltd

On 18 December 2017, Babylon Pump & Power Limited acquired 100% of the shares of Babylon Operations Pty Ltd ("Babylon Operations"). A summary of the acquisition details with respect to the acquisition of Babylon Operations as included in our report is set out below. The acquisition accounting has been determined under AASB 3: Business Combinations. At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Babylon Operations. In particular, the fair values of the assets and liabilities disclosed below have only been determined provisionally due to the timing of the acquisition.

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

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

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

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets at the time of acquisition. If the acquisition had occurred on 1 July 2017, Babylon Operations would have contributed an estimated \$1 million of revenue and a net loss of circa \$0.72 million.

Significant Judgement

Identifying the acquirer in business combination

The company has determined that Babylon Pump and Power Limited (formerly IM Medical Limited) was the acquirer as the owners of Babylon Operations Pty Ltd did not have a majority shareholding of the group post-acquisition.

Goodwill- impairment testing

Goodwill is tested for impairment annually. No impairment has been recognised in respect of goodwill at the end of the reporting period.

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 3 to 12, 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 2017 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 27th day of February 2018.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'Michael Shelby', written over a light blue horizontal line.

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 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 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*.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit (WA) Pty Ltd

BDO
J Prue

Jarrad Prue

Director

Perth, 27 February 2018

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