



Babylon Pump & Power Limited (BPP)

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Appendix 4E – Preliminary final report for the year ended 30 June 2020

1. **Details of reporting periods:**
 Current reporting period : 12 months ended 30 June 2020
 Previous corresponding period : 12 months ended 30 June 2019

2. **Results for announcement to the market**

	<i>12 Months ended 30 June 2020</i>	<i>12 Months ended 30 June 2019</i>	<i>% Change</i>
	<i>\$</i>	<i>\$</i>	
Revenues	17,199,633	11,509,158	+49%
Total comprehensive loss for the year attributable to the members of Babylon Pump and Power Limited	(1,777,623)	(2,209,222)	+20%
Loss per share attributable to members of Babylon Pump and Power Limited	(0.0025)	(0.0059)	+58%

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

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Comments

2.1) Refer to attached preliminary financial report for the year ended 30 June 2020 for further commentary.

2.2) ASX and ASIC relief – ASX issued a class waiver “Extended Reporting and Lodgement Deadlines” under listing rule 18.1 to give effect under the listing rules to the relief granted by ASIC in ASIC Corporations (Extended Reporting and Lodgement Deadlines – Listed Entities) Instrument 2020/451 dated 15 May 2020 (“ASIC Relief”).

ASX’s class waiver imposes two conditions that listed entities must satisfy to get the benefit of the extension to the lodgement date for their audited or reviewed accounts under listing rules 4.2B and 4.5.1:

- The first is a requirement that the entity provide to the market unaudited accounts and the information required by Appendix 4E by the usual lodgement deadlines. *Babylon Pump and Power Limited is complying with this requirement in this release.*
- The second is a requirement that, at the same time that it lodges its unaudited / unreviewed accounts with ASX, it announces to the market not only that it is relying the ASIC Relief to extend the lodgement date for its audited / reviewed accounts, but also to state that it will immediately make a further announcement to the market if there is a material difference between its unaudited / unreviewed accounts and its audited / reviewed accounts. *Babylon Pump and Power Limited hereby states that it is relying on the ASIC Relief to extend the lodgement date for its audited accounts and will immediately make a further announcement to the market if there is a material difference between its unaudited accounts and its audited accounts.*

3. **Statement of comprehensive income**

Refer to attached preliminary financial report for the year ended 30 June 2020.

4. **Statement of financial position**

Refer to attached preliminary financial report for the year ended 30 June 2020.

5. **Statement of cash flows**

Refer to attached preliminary financial report for the year ended 30 June 2020.

6. **Statement of changes in equity**

Refer to attached preliminary financial report for the year ended 30 June 2020.

7. **Dividend distributions and payments**

Not applicable.

8. **Dividend reinvestment plans**

Not applicable.

9. **Net tangible assets per security**

	30 June 2020 (cents)	30 June 2019 (cents)
Net tangible assets per ordinary security	0.0071	0.0038

10. **Gain or loss of control over entities**

Refer attached financial report for the year ended 30 June 2020.

11. **Associates and joint ventures**

Not applicable.

12. **Other significant information**

Refer to attached preliminary financial report for the year ended 30 June 2020.

13. **Foreign entities**

Not applicable.

14. Commentary on results for the period

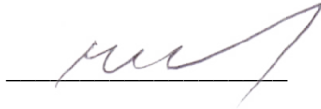
Refer to enclosed preliminary financial report for the year ended 30 June 2020.

15. Status of audit

The attached preliminary financial report is in the process of being audited. It is anticipated that the final financial report in respect of the year ended 30 June 2020 along with the audit report thereon will be completed on or before the 30 September 2020.

16. Anticipated audit opinion

The directors do not anticipate the audit report in respect of the year ended 30 June 2020 will be subject to a modified opinion, emphasis of matter or other matter paragraph.



Signed: Michael Shelby

Executive Chairman

Babylon Pump and Power Limited

Date: 31st August 2020

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Commentary on results

The Board is delighted to have overseen rapid growth by Babylon Pump & Power Limited (“Babylon” or “Company”) since reinstatement on the ASX on 10 January 2018. Babylon is now servicing major mineral producers as well as top tier resource service providers throughout Western Australia and Queensland. It is a great achievement and a testament to the hard work of staff and management to report annual revenue of \$17.2M for FY20 representing an increase of 49% over the previous year.

The Company reported positive earnings before interest, taxation, depreciation and amortisation (EBITDA) of \$1.1 million (FY19 \$0.1 million) and a reduced net loss after tax of \$1.8 million (FY19 net loss \$2.2 million) a significant improvement over the prior year.

Babylon is proud to have achieved a major milestone of positive operational cashflow. Net cash from operating activities of \$1.8M (FY19 -\$1.4 million) represents a significant achievement in the growth trajectory of the business.

Summary of group results for FY20 and change from previous year are as follows:

- Revenue \$17.2 million (+49% change)
- EBITDA \$1.1 million (+864% change)
- NPAT (loss) \$1.8 million (+20% improvement)
- Net Tangible Assets \$6.0 million (+328% change)
- Net Operating Cashflow \$1.8 million (+230% change)

As per the Company’s business strategy, Babylon is currently in the growth phase of its business lifecycle where net losses are expected for the short to medium term as the Company continues to grow, invest in assets and build its revenue base. In addition to organic growth, Babylon is continuing to actively review potential acquisition and growth opportunities without growing our corporate entity overhead.

Review of Operations

The Company’s trading entities include Babylon Operations and Primepower Queensland which was acquired during the year. Increased rental revenue is key in the growth of Babylon Operations resulting in a strong EBITDA result of \$2.03 million for the entity. Primepower Queensland was acquired effective 12 September 2019. Although costs were incurred during the period to improve efficiency, process and output within the business, a positive EBITDA contribution of \$0.34 million was achieved.

During the year, material project works included the following:

- Secured a power generation and dewatering rental contract with BHP Nickel West Pty Ltd extending services to 31 January 2023.
- Secured an extension of power generation rental contract with BHP Iron Ore Pty Ltd to April 2021.
- Rental, installation, and maintenance of power generation equipment for at Vestas Yandin Wind Farm Project.
- Pump rental and repair & maintenance of portable diesel power generation assets for Pilbara Iron.
- Pump rental and diesel engine rebuilds for Chichester Metals Pty Ltd.
- Multiple 730E module rebuilds for a Queensland mining services contractor.
- Multiple large Cummins and Caterpillar diesel engine and heavy component rebuilds for various clients in the iron, coal, and gold resource sectors.

Opportunities for Growth

Babylon has established a strong operational foundation in key geographical hubs for the resource industry from which to grow organically. The time since reinstatement on the ASX has shown that there is clear market demand for specialized rental and heavy diesel maintenance services. The Company will continue to invest in rental assets and key personnel to drive organic growth whilst continuing to evaluate opportunities to grow through acquisition.

As reported in the Company’s most recent 4C quarterly cash flow report, Babylon has circa \$9.0 million of available cash and funding to support future growth.

The Company’s directors are excited and optimistic about the Company’s outlook, with solid fundamentals and strong growth prospects, which will deliver strong revenue growth and sustainable profitability.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

	Notes	30 June 2020 (\$)	30 June 2019 (\$)
Revenue from contracts with customers	1	17,199,633	11,509,158
Cost of sales		(13,835,625)	(8,645,454)
Gross Profit		3,364,008	2,863,704
Other income		221,385	56,560
Employee benefits expense	2	(1,474,886)	(2,109,715)
Administration and corporate expense	3	(1,051,436)	(700,734)
Earnings before interest, tax, depreciation and amortisation		1,059,070	109,814
Depreciation and amortisation	9	(1,746,192)	(1,267,147)
Results from operating activities		(687,121)	(1,157,333)
Finance income		104	6,758
Finance expense	4	(1,090,605)	(1,058,648)
Net financing expense		(1,090,501)	(1,051,890)
Loss before tax		(1,777,623)	(2,209,222)
Income tax benefit / (expense)		-	-
Loss after income tax for the year		(1,777,623)	(2,209,222)
Other comprehensive Income		-	-
Total comprehensive loss for the year attributable to the members of Babylon Pump & Power Limited		(1,777,623)	(2,209,222)
Loss attributable to:			
Equity holders of the company		(1,777,623)	(2,209,222)
Loss for the year		(1,777,623)	(2,209,222)
Loss per share for loss attributable to the members of Babylon Pump & Power Limited:			
Basic loss per share (cents)	5	(0.0025)	(0.0059)

Consolidated statement of financial position

As at 30 June 2020

	Notes	30 June 2020 (\$)	30 June 2019 (\$)
Current Assets			
Cash and cash equivalents	6	3,563,601	504,490
Trade receivables	7	2,837,227	2,741,763
Inventories	8	6,308,536	814,886
Prepayments and other assets		106,414	20,926
Total Current Assets		12,815,778	4,082,065
Non-Current Assets			
Property, plant and equipment	9	7,322,596	6,486,832
Deposits		125,309	17,500
Goodwill	10	1,867,118	817,885
Right of use asset	11	842,084	-
Total Non-Current assets		10,157,106	7,322,217
Total Assets		22,972,884	11,404,283
Current Liabilities			
Borrowings	12	7,881,225	2,143,033
Deferred consideration	13	1,040,957	-
Trade and other payables	14	3,013,603	1,360,264
Employee liabilities	15	563,963	247,957
Accruals	16	63,685	470,227
Total Current Liabilities		12,563,433	4,221,480
Non-Current Liabilities			
Borrowings	12	1,429,887	4,926,404
Deferred consideration	13	229,104	-
Employee liabilities	15	48,311	4,906
Lease liabilities	17	864,159	-
Total Non-Current Liabilities		2,571,460	4,931,310
Total Liabilities		15,134,893	9,152,790
Net Assets		7,837,991	2,251,493
Equity			
Share capital	18	35,577,677	27,983,251
Reserves	19	140,000	777,950
Accumulated losses		(27,879,686)	(26,509,708)
Total Equity		7,837,991	2,251,493

Consolidated statement of changes in equity

For the year ended 30 June 2020

Attributable to equity holders of the Group

	Share Capital (\$)	Share based Payment Reserve (\$)	Options Reserve (\$)	Accumulated Losses (\$)	Total Equity (\$)
Balance at 1 July 2018	27,970,323	99,759	407,645	(24,293,113)	4,184,614
Transactions with owners, in their capacity as owners:					
Adjustments	-	-	-	(7,373)	(7,373)
Loss for the period	-	-	-	(2,209,222)	(2,209,222)
Issue of ordinary shares	15,000	-	-	-	15,000
Costs of share issue	(2,072)	-	-	-	(2,072)
Share based payments	-	270,546	-	-	270,546
Balance at 30 June 2019	27,983,251	370,305	407,645	(26,509,708)	2,251,492
Balance at 1 July 2019	27,983,251	370,305	407,645	(26,509,708)	2,251,493
Total comprehensive income for the period					
Loss for the period	-	-	-	(1,777,623)	(1,777,623)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(1,777,623)	(1,777,623)
Transactions with owners, in their capacity as owners:					
Issue of ordinary shares	7,592,220	-	-	-	7,592,220
Vesting of performance rights	280,000	(280,000)	-	-	-
Costs of share issue	(277,794)	-	-	-	(277,794)
Transfer to accumulated losses on expiry of options	-	-	(407,645)	407,645	-
Share based payments	-	49,695	-	-	49,695
Total transactions with owners	7,594,426	(230,305)	(407,645)	407,645	7,364,120
Balance at 30 June 2020	35,577,677	140,000	-	(27,879,686)	7,837,991

Consolidated statement of cash flows

For the year ended 30 June 2020

	Notes	30 June 2020 (\$)	30 June 2019 (\$)
Cash flows from operating activities			
Receipts from customers		20,234,607	10,258,921
Payments to suppliers and employees		(17,747,647)	(10,904,185)
Interest received		104	6,757
Interest and other costs of finance paid		(373,799)	(460,281)
Government grants and tax incentives		150,000	-
GST paid		(473,702)	(274,422)
Net cash inflow from / (used in) operating activities	6	1,789,563	(1,373,210)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,188,371)	(5,227,354)
Prepayments and purchase of other assets		(262,857)	(50,791)
Business acquisition (net of cash acquired)		(1,742,683)	-
Net cash used in investing activities		(4,193,911)	(5,278,145)
Cash flows from financing activities			
Proceeds from borrowings		3,938,644	4,553,707
Repayment of borrowings		(5,239,083)	(2,122,565)
Proceeds from issue of shares		3,569,645	-
Proceeds from issue of convertible notes		3,774,000	4,500,000
Payment of transaction costs		(579,745)	(302,072)
Other financing		(2)	20,657
Net cash provided by financing activities		5,463,459	6,649,727
Net increase / (decrease) in cash and cash equivalents		3,059,111	(1,628)
Cash and cash equivalents at the beginning of the year		504,490	506,118
Cash and cash equivalents at the end of the year	6	3,563,601	504,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. Revenue

<i>Revenue From External Customers</i>	Service and Repair		Sale of Goods		Total	
	2020	2019	2020	2019	2020	2019
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Segment revenue	5,178,918	7,873,256	8,179,522	1,654,322	13,358,441	9,527,578
Timing of revenue recognition						
At a point in time	5,178,918	7,873,256	8,179,522	1,654,322	13,358,441	9,527,578
Over time	-	-	-	-	-	-

The Company also derived rental revenue of \$3,841,192 (\$1,981,580) from its rental revenue stream. Installation revenue is only earned on rental assets and revenue earned from this stream during the year is deemed to be not material.

2. Employee benefits expense

<i>Employee Benefits Expense</i>	2020	2019
	(\$)	(\$)
Wages and salaries	1,297,001	1,622,288
Employment related taxes	78,361	146,236
Share-based payment expense	49,695	285,546
Other employment related expenses	49,829	55,645
	1,474,886	2,109,715

3. Administration and corporate expense

<i>Administration and Corporate Expense</i>	2020	2019
	(\$)	(\$)
Office expenses	197,217	70,877
Corporate costs and compliance	476,951	404,892
Other expenses	8,964	35,947
Consumables and operational costs	280,776	189,018
Business acquisition expense	87,529	-
	1,051,436	700,734

4. Finance expense

<i>Finance Expense</i>	2020	2019
	(\$)	(\$)
Bank and other finance charges	97,925	26,945
Convertible loan interest expense	254,710	405,000
Convertible loan conversion to equity	608,336	-
Convertible loan fees	-	300,000
Foreign exchange loss	(132,508)	25,248
Interest expense	262,142	301,455
	1,090,605	1,058,648

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

5. Earnings per share

<i>Earnings per share</i>	30 June 2020	30 June 2019
Basic loss per share - cents	(0.0025)	(0.0059)
Loss for the year used in to calculate basic loss per share - \$'s	(1,777,623)	(2,209,222)
Weighted average number of ordinary shares in issue	720,365,109	372,156,618

6. Cash and cash equivalents

<i>Cash and Cash Equivalents</i>	2020 (\$)	2019 (\$)
Current		
Bank balances	3,563,601	515,813
Commercial credit card facility	-	(11,323)
	3,563,601	504,490

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

<i>Reconciliation of Cash Flows from Operations with Profit / (Loss) after Income Tax</i>	2020 (\$)	2019 (\$)
Loss after income tax	(1,777,623)	(2,209,222)
Cash flows excluded from profit / (loss) from continuing activities attributable to operating activities		
Finance costs	1,090,605	1,058,648
Non-cash flows in result from continuing activities		
Share based payments (benefit) / expense	49,695	285,546
Depreciation and amortisation	1,746,192	1,267,147
(Increase) / decrease in inventories	(2,249,356)	(479,636)
(Increase) / decrease in trade receivables	1,200,479	(2,273,980)
Increase / (decrease) in employee entitlements	224,794	151,699
Increase / (decrease) trade payables	315,559	490,039
Increase / (decrease) in borrowings	1,835,416	
Increase / (decrease) in other assets and liabilities	(646,198)	336,549
Net cash inflow from / (used in) operating activities	1,789,563	(1,373,210)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

7. Trade and other receivables

<i>Trade and Other Receivables</i>	2020 (\$)	2019 (\$)
Trade debtors	2,837,227	2,741,763
	2,837,227	2,741,763

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

Impairment and risk exposure

Trade and other receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or other receivable is impaired. No impairment provision was recorded at 30 June 2020 based on management's assessment.

8. Inventories

<i>Inventories</i>	2020 (\$)	2019 (\$)
Consumables and spare parts	4,217,454	-
Engine trading stock	305,280	620,855
Work in progress	1,785,802	194,031
	6,308,536	814,886

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

9. Property plant and equipment

<i>Property, Plant and Equipment Summary</i>	2020 (\$)	2019 (\$)
Cost	8,808,700	7,753,979
Accumulated depreciation	(1,486,104)	(1,267,147)
	7,322,596	6,486,832

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

<i>Property, Plant and Equipment</i>	<i>Leasehold Improvements</i>	<i>Plant & Equipment (\$)</i>	<i>Office Equipment (\$)</i>	<i>IT Equipment (\$)</i>	<i>Motor Vehicles (\$)</i>	<i>Capital Work in Progress (\$)</i>	<i>Total (\$)</i>
Consolidated Group							
Carrying amount at 30 June 2019	-	6,261,857	856	15,473	208,646	-	6,486,832
Disposal	-	(84,145)	-	-	-	-	(84,145)
Additions	30,727	2,005,536	436	6,260	68,977	146,296	2,258,233
Business acquisition	-	146,187	-	-	1,592	-	147,779
Depreciation expense	(873)	(1,412,323)	(721)	11,596	(60,591)	-	(1,486,104)
Balance at 30 June 2020	29,854	6,917,113	571	10,137	218,624	146,296	7,322,596

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

10. Goodwill

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

For the purposes of impairment testing, goodwill is not amortised. The aggregate carrying amounts of goodwill is as follows:

<i>Intangible Assets</i>	2020 (\$)	2019 (\$)
Goodwill	1,867,118	817,885
	1,867,118	817,885

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

11. Right of use asset

<i>Right of use asset</i>	2020 (\$)	2019 (\$)
Harrison Road Lease - Babylon Operations	142,969	-
Walters Way Lease - Babylon Operations	100,125	-
Len Shield Street lease Primepower Queensland (main premises)	453,340	-
Len Shield Street lease Primepower Queensland (storage)	145,650	-
	842,084	-

12. Borrowings

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

<i>Loans and Borrowings</i>	2020 (\$)	2019 (\$)
Current		
Invoice finance facility	641,239	496,329
Trade finance facility	1,662,084	-
Insurance premium funding	49,726	21,305
Asset finance facilities	860,794	1,625,399
Convertible loans (1)	4,667,381	-
<i>Sub-total</i>	7,881,225	2,143,033
Non-current		
Asset finance facilities	1,429,887	426,404
Convertible loans	-	4,500,000
<i>Sub-total</i>	1,429,887	4,926,404
Total	9,311,113	7,069,437

- (1) \$250,000 of the loans are repayable by 17 August 2020 and \$4,675,000 comprise Loans received by the Company on 30 June 2020 which will be rolled over to Convertible Loans subject to Shareholder approval by 30 November 2020. The amount is stated net of raising fees of \$274,500 and inclusive of accrued interest of \$16,881. The terms of the June 2020 Convertible Loans are set out in note d) below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Borrowings continued

Movements in Borrowings	Opening balance	Acquisition	Cash flows	Closing balance
	2019			2020
	(\$)	(\$)	(\$)	(\$)
Short term borrowings				
Invoice finance facility	496,329	-	144,910	641,239
Trade finance facility	-	498,055	1,164,029	1,662,084
Insurance premium funding	21,305	-	28,421	49,726
Asset finance facilities	1,625,399	-	(764,605)	860,794
Convertible loans	-	-	4,667,381	4,667,381
Long term borrowings				
Asset finance facilities	426,404	-	1,003,483	1,429,887
Convertible loans	4,500,000	-	(4,500,000)	-
Lease liabilities	-	549,193	314,966	864,159
Total liabilities arising from financing activities	7,069,437	1,047,248	2,058,587	10,175,272

a) Insurance Premium

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

b) Invoice finance facility

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

c) Asset finance facilities

The asset finance facilities bears fixed interest at prevailing market rates (ranging from 4.95% to 7.95%) and are primarily repayable over 1 to 3 years (ranging from 1 to 4 years). The asset finance facilities are secured via a registered GSA over all of the present and future rights, property and undertaking of Babylon Operations and have been used by Babylon to purchase new capital equipment.

d) Convertible Loans

On 26 June 2020, The Company announced it had successfully raised \$4.6 million via a placement of Convertible Loans to strategically support further growth ("Convertible Loans") on terms as follows;

i) Terms

The key terms of the Convertible Loans are as follows:

- The Loans entered into on or about 26 June 2020 are subject to Shareholder Approval for the issue of Convertible Loans whereupon they will rollover to become the Face Value of the Convertible Loans. If Shareholder Approval is not obtained by 30 November 2020 the Loans will be immediately repayable.
- Face Value: The total Face Value of all the Convertible Loans issued by The Company in June 2020 is \$4.6 million.
- Interest: 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 thirty-day months. Interest will be payable on the Face Value from 30 June 2020.
- Unsecured: The Convertible Loans are unsecured.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

Borrowings continued

- (e) **Effective Date:** The Convertible Loans were entered into with each Holder on or about 26 June 2020 (“Effective Date”).
- (f) **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).
- (h) **Conversion Period:** The period commencing on 1 January 2021 and ending on the Maturity Date.
- (i) **Conversion Price:** The lower of:
- (i) \$0.0225 per fully paid registered and freely tradable ordinary share of the Company (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,
- (j) **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.
- (k) **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.
- (l) **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 1 January 2021 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 Loan during this early redemption notice period.
- (m) **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 as at 30 June 2020 is \$4,675,000.

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

13. Deferred consideration

<i>Deferred consideration</i>	2020 (\$)	2019 (\$)
Current		
Payable on acquisition of Primepower Queensland Pty Ltd	1,049,957	-
Non-current		
Payable on acquisition of Primepower Queensland Pty Ltd	229,104	-
Total	1,279,060	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

14. Trade and other payables

<i>Trade and other payables</i>	2020 (\$)	2019 (\$)
Trade payables	2,559,459	1,194,975
GST liability	(9,323)	90,618
PAYG Withholdings Payable	211,336	74,814
Other payables	252,130	(143)
	3,013,603	1,360,264

15. Employee liabilities

<i>Employee Benefits</i>	2020 (\$)	2019 (\$)
Current		
Liability for annual leave	416,523	180,955
Superannuation liability	147,440	61,981
Employee expense claims	-	5,021
<i>Sub-total</i>	563,963	247,957
Non-current		
Liability for long service leave	48,311	4,906
<i>Sub-total</i>	48,311	4,906
Total	612,273	252,863

16. Accruals

<i>Accruals</i>	2020 (\$)	2019 (\$)
Payroll Tax liability	8,757	-
Audit Services	25,000	22,000
Employee wages	12,000	97,398
Interest accrual	17,928	350,829
	63,685	470,227

17. Lease liabilities

<i>Lease liability</i>	2020 (\$)	2019 (\$)
Harrison Road Lease - Babylon Operations	148,079	-
Walters Way Lease - Babylon Operations	102,367	-
Len Shield Street lease Primepower Queensland (main premises)	468,063	-
Len Shield Street lease Primepower Queensland (storage)	145,650	-
	864,159	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

18. Share capital

During the twelve-month period ended 30 June 2020, the Group issued 195,886,953 Babylon shares (30 June 2019: 750,000).

All issued Babylon shares are fully paid.

<i>Ordinary Shares</i>	2020	2020	2019	2019
	No.	\$	No.	\$
At the beginning of the reporting period	372,719,632	27,983,251	371,969,632	27,970,323
Issue of shares	195,886,953	2,969,645	750,000	15,000
Issued for business acquisition	29,556,651	600,000	-	-
Vesting performance rights	14,000,000	280,000	-	-
Issue of shares to convertible loan holders	225,213,684	4,022,575	-	-
Transaction costs	-	(277,794)	-	(2,072)
	837,376,920	35,577,677	372,719,632	27,983,251

19. Reserves

a. Options

The Company did not issue any Babylon options during the year.

All previously issued options expired on 31 March 2019 with no options exercised.

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

<i>Options</i>	2020	2020	2019	2019
	No.	\$	No.	\$
At the beginning of the reporting period	-	407,645	289,977,667	407,645
Options lapsed	-	-	(289,977,667)	-
Transfer to accumulated losses	-	(407,645)	-	-
	-	-	-	407,645

b. Share Based Payment Reserve

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

Noting several performance rights have already been achieved and the upcoming expiration of the balance of performance rights, management's estimated probability of achieving the below performance conditions are set out below in note 17. This is reflected in the share-based payment expense of the performance rights as at 30 June 2020.

During the year ended 30 June 2020, the Company issued 14,000,000 ordinary shares in relation to performance rights which had vested (class A and C). Class E performance rights lapsed during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Reserves continued

No additional performance rights were issued during the year ended 30 June 2020 (30 June 2019: Nil).

	2020	2020	2019	2019
<i>Share Based Payment Reserve</i>	No.	\$	No.	\$
At the beginning of the period	40,000,000	370,305	40,000,000	99,759
Performance rights issued as ordinary shares	(14,000,000)	(280,000)	-	-
Share based payments	-	49,695	-	270,546
	26,000,000	140,000	40,000,000	370,305

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

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

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

20. Performance rights

As set out in note in note 19 (b) the Company issued 14,000,000 ordinary shares during the year for performance rights which had vested.

The remaining performance rights were fair valued at \$280,000 based on a share price of \$0.02 at grant date. As outlined below, management have revised the probability assessment noting performance conditions for Class B performance rights have been met, resulting in a fair value of \$140,000 at 30 June 2020.

Class	Grant Date	Vesting Period	Number Under Performance Rights	Value at Grant Date (\$)	Date of Vesting	Management Probability Assessment 30-Jun-19	Management Probability Assessment 30-Jun-20	Fair Value (\$)
B	18-Dec-17	30-Sep-20	7,000,000	140,000	30-Sep-20	100%	100%	140,000
D	18-Dec-17	30-Sep-20	7,000,000	140,000	30-Sep-20	0%	0%	-
			14,000,000	280,000				140,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Performance rights continued

i) Terms of Performance Rights

The terms of the Class A and C performance rights issued as ordinary shares during the year as well as the remaining Class B and D performance rights are set out below.

Class	Number	Performance Condition	Vesting Period
Class A	7,000,000	The Group achieving operating revenue of at least \$4.6 million in the first full financial year following issue.	30-Sep-19
Class B	7,000,000	The Group achieving operating revenue of at least \$9.2 million in the second full financial year following issue.	30-Sep-20
Class C	7,000,000	The Group achieving earnings before interest, tax, depreciation and amortization of at least \$0 (i.e. breakeven) in the first full financial year following issue.	30-Sep-20
Class D	7,000,000	The Group achieving earnings before interest, tax, depreciation and amortization of at least \$2.6 million in the second full financial year following issue.	30-Sep-20

Share Based Payment Expense	2020	2019
	(\$)	(\$)
Share based payments	49,695	270,546
	49,695	270,546

21. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Business combinations continued

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. At the time of issue of the preliminary final report, the Group had not yet completed the accounting for the acquisition of Primepower. The fair values of the assets and liabilities disclosed below have only been determined provisionally due to the timing of the acquisition.

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

Description	Fair value
Net identifiable assets acquired	3,250,767
Cash consideration	1,750,000
Trade finance debt taken over	500,000
Deferred consideration - cash	950,000
Issue of ordinary Babylon Pump and Power shares	600,000
Contingent consideration - cash	500,000
Less: Total of Primepower net assets acquired	(3,250,767)
Amount recognised as goodwill upon acquisition	1,049,233

- Deferred consideration to be paid in cash is made up of three payments to the sum of \$950,000 to October 2020. At 30 June 2020 two payments remain owing.
- 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 in January 2021 and \$250,000 to be paid in 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 \$9.93M (unaudited) it has been determined as highly probable by management that the contingent requirement has been achieved and the amount has consequently been disclosed as a Deferred consideration at 30 June 2020. It is further noted that these payments are subject to adjustment for the final value of inventory and net working capital acquired.

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

Description	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)
Lease liability	(549,193)
Net identifiable assets acquired	3,250,767

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. The fair value will be finalised within twelve months of the acquisition date in accordance with AASB3 Business combinations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

22. Subsequent events

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 financial year that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future years.

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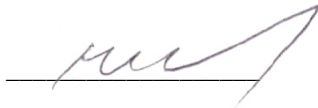
Compliance statement

This report has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to the ASX.

This report and accounts upon which the report is based (if separate), use the same accounting policies.

This report does give a true and fair view of the matters disclosed.

This report is based on accounts that are in the process of being audited.



Signed: Michael Shelby

Date: 31st August 2020

Executive Chairman

Babylon Pump and Power Limited

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