# Babylon Pump & Power Limited

**ACN 009 436 908**

**and its controlled entities**

# 2021 Financial Report

**Year ended 30 June 2021**

# 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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AUSTRALIA

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**Share Registry**
Automic Registry Services
Level 2, 267 St Georges Terrace
PERTH WA 6000
AUSTRALIA

Telephone: 1300 288 664
Fax: (02) 8583 3040

**Auditor**
BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008
AUSTRALIA

**Bankers**
National Australia Bank Limited
100 St Georges Terrace
PERTH WA 6000
AUSTRALIA

**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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# Contents

Page

The directors present their report on the consolidated entity comprising Babylon Pump & Power Limited and its controlled entities ("Babylon" or "the Group" or "The Company") for the year ended 30 June 2021 and the auditor's report thereon.

## 1. Directors and Officers

The names and details of the Group's directors in office during the financial year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

**Mr Michael Shelby**
*Executive Chairman*

Mr Shelby has over two decades of experience in oil & gas, mining and specialty rental markets spanning commercial, technical and project management roles. He obtained a Bachelor of Science in Chemical Engineering from Louisiana State University and began work for major oil service companies in his native United States.

In 2007 he moved his family to Perth where he has spent the last decade in various management positions at international oil service and specialty rental companies. Mr Shelby has an extensive network across Australian, Asian and Middle Eastern markets.

Whilst General Manager Oil & Gas at Resource Equipment Ltd (ASX:RQL) he had management responsibility for growing the oil & gas service business of RQL from inception until RQL was acquired by Pump Services LLC by way of cash on market takeover offer completed in 2015, recruited key personnel and launched an overseas branch to complement Australian business activities. Mr Shelby has 10 years of experience in Australia leading multifunction teams across mining and oil & gas during most recent market cycles.

Mr Shelby has completed the Senior Executive MBA program at Melbourne Business School, and the AICD Company Directors Course.

During the three years prior to the end of the year, Mr Shelby has not held any directorships in any other listed companies.

Mr Shelby was appointed Executive Chairman on 18 December 2017.

**Mr Patrick Maingard**
*Executive Director*

A graduate member of the Australian Institute of Company Directors (GAICD), Mr Maingard has 30 years of management experience with a strong SME background with Director and Managing Director portfolios.

Mr Maingard was a Director/co-owner of plastics manufacturing business Omni Manufacturing Pty Ltd, (acquired April 1999). Key milestones included increasing profitability via organic growth and acquisitions, overhaul of manufacturing plant and equipment, achieving ISO certification and Australian Standards accreditation and assisting in establishing and managing relationships with Bunnings, Reece Plumbing, Masters, Australian Defence Force, Constellation Wines, Matrix Asia Pacific and other clients. The business was sold to a European multinational, with Mr Maingard retained on contract as Managing Director until December 2015.

Patrick holds a MSc Management from Oxford University.

During the three years prior to the end of the year, Mr Maingard has not held any directorships in any other listed companies.

Mr Maingard was appointed Executive Director on 18 December 2017.

**Mr Michael Kenyon**
*Non-Executive Director and Company Secretary*

Mr Kenyon has extensive experience in senior finance executive roles in Australian listed companies, holding Chief Financial Officer and Company Secretarial roles at private and public companies over the past 20 years.

Mr Kenyon holds a Bachelor of Business degree from the Edith Cowan University, is a Chartered Accountant, graduate member of the Australian Institute of Company Directors, and a certificated member of the Governance Institute.

He has had significant exposure to manufacturing, engineering and contracting sectors through roles in ASX listed corporations. Mr Kenyon was Chief Financial Officer & Company Secretary of Resource Equipment Ltd (ASX:RQL) for almost 2 years prior to its takeover.

### 1. Directors and Officers (continued)

Mr Kenyon was appointed as a Non-executive Director on 18 December 2017.

### 2. Interests in shares and options of The Company and related bodies corporate

As at the date of this report, the direct and indirect interests of the directors and their related parties in the shares and options of Babylon Pump & Power Limited were:

| Director | Performance Rights | Ordinary shares | Options over ordinary shares |
|---|---|---|---|
| Michael Shelby | 22,995,000 | 14,296,827 | - |
| Patrick Maingard | 13,383,332 | 6,289,446 | - |
| Michael Kenyon | 3,345,813 | 1,329,816 | - |
| | **39,724,145** | **21,916,089** | **-** |

### Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Group during the financial year are:

| | Board meetings | |
|---|---|---|
| Director | Held | Attended |
| Michael Shelby | 12 | 12 |
| Patrick Maingard | 12 | 12 |
| Michael Kenyon | 12 | 12 |

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

### 3. Principal activities

The Group is primarily focused on three areas, being rental of specialty diesel driven pumping and power generation equipment and rebuild and maintenance services for large diesel driven equipment of a similar type to the Group's owned fleet.

Group business operations comprise;

3.1) A rental and diesel maintenance business; Babylon Operations Pty Ltd ("Babylon Operations"), which includes the (i) heavy diesel maintenance, (ii) pumping and dewatering, and (iii) equipment rental and servicing located at a number of mine sites across WA.

3.2) Primepower Queensland based in Mackay, Queensland provides diesel engine rebuilding, service and spare parts to the mining, oil and gas and other industries with a modern fully equipped workshop.

3.3) Effective 1st March 2021 Pilbara Trucks Pty Ltd, trading as Ausblast was acquired. The business provides high-pressure water blasting and ancillary services to the resources sector.

### 4. Dividends

No dividends have been paid or declared by the Group since the end of the previous financial year. No dividend in respect to the current financial year.

### 5. Industry and Geographic Exposures

The Group is exposed to the Australian mining and oil and gas industries. On a geographic basis, the Group is predominantly exposed to Western Australia and Queensland.

### 6. Significant changes in the state of affairs

The following significant events took place during the financial year.

- 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 21.
- Acquired Pilbara Trucks Pty Ltd trading as Ausblast ("Ausblast") effective 1 March 2021. The business provides high-pressure water blasting and ancillary services to the resources sector. The acquisition was funded by an equity placement and an underwritten share purchase plan of $0.5M.
- Secured a $3M increase in asset finance and a $1M increase in trade finance facilities.
- Raised $1.55M by a successful placement of shares.

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 financial year.

### 7. Matters subsequent to the end of the financial year

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 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 2022 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

No other matters or circumstance have arisen since the end of the financial year that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future years.

### 8. Likely developments and expected results of operations

The Group will continue to pursue new contract opportunities both in Australia and internationally.

Information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

### 9. Environmental regulation

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

## 10. Operating and financial review

### *Review of financial results*

The Board is pleased to have overseen rapid growth by Babylon Pump & Power Limited ("Babylon" or "Company") since reinstatement on the ASX on 10 January 2018. This year has seen Babylon continue to grow its offerings to market and its customer base of mineral producers and top tier resource service providers throughout Western Australia and Queensland. The local and global response to the COVID-19 has presented challenges to the business during FY21, so it is a significant achievement by staff and management to report annual revenue of $21.3M for FY21 representing an increase of 24% over the previous year.

The Company has made investments in assets, people and facilities during the year. It has also completed a major acquisition during FY21 to position itself for future growth.

The Company reported a loss before interest, taxation, depreciation and amortisation (EBITDA) of $2.8 million (FY20 earnings $1.1 million) and a net loss after tax of $6.7 million (FY20 net loss $1.8 million).

Summary of group results for FY21 and change from previous year are as follows:

- Revenue $21.3 million (+24% improvement)
- EBITDA -$2.8 million (-366% change)
- NPAT (loss) $6.7 million (-275% change)

The table below provides a comparison of the key results for the year ended 30 June 2021 to the preceding year ended 30 June 2021:

| *Statement of Profit or Loss* | *% Change* | 2021 *($)* | 2020 *($)* |
|---|---|---|---|
| Revenue from operations | *24%* | 21,331,973 | 17,199,633 |
| EBITDA | *(366%)* | (2,816,725) | 1,059,070 |
| Reported loss after tax attributable to members | *(275%)* | (6,669,391) | (1,777,623) |

### *Review of operations*

The Company's trading entities include Babylon Operations, Primepower Queensland and Pilbara Trucks (Ausblast) which was acquired during the year.

#### (i) Babylon Operations

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

| *Babylon Operations Pty Ltd* *Trading Summary - Year ended 30 June 2021* | *Amount* *$* |
|---|---|
| Sales | 12,321,807 |
| Cost of Sales | (9,549,338) |
| **Gross Profit** | **2,772,469** |
| | |
| Other Income | 79,401 |
| Loss on disposal of property plant and equipment | 94,996 |
| Employee Benefits Expense | (733,257) |
| Admin & Corporate Costs | (685,765) |
| **EBITDA** | **1,527,844** |

## Operating and financial review (Continued)

### (ii) Primepower Queensland

Primepower Queensland's core activity comprises maintenance and rebuild services for large diesel driven equipment. Since acquisition in September 2019 the business has been significantly restructured including its business development and sales and its workshops upgraded to position it for growth in future periods.

| *Primepower Queensland Pty Ltd*<br>*Trading Summary - Year ended 30 June 2021* | *Amount*<br>*$* |
|---|---|
| Sales | 9,161,274 |
| Cost of Sales | (8,230,323) |
| **Gross Profit** | **930,951** |
| | |
| Other Income | 75,963 |
| Employee Benefits Expense | (1,077,895) |
| Admin & Corporate Costs | (1,198,985) |
| **EBITDA** | **(1,269,966)** |

### (iii) Pilbara Trucks (trading as Ausblast)

Pilbara Trucks Pty Ltd was acquired during the year as a wholly owned subsidiary. The core activity is the provision of high-pressure water blasting and ancillary services to the resources sector. The results of its operations are included in the consolidated Group's results from 1 March 2021. Since acquisition management has improved upon the capacity of the business to deliver quality tenders and pricing and has invested in its business development and sales capabilities to position it for growth in future periods.

| *Pilbara Trucks Pty Ltd (trading as Ausblast)*<br>*Trading Summary - for the period from 1 March 2021 to 30 June 2021* | *Amount*<br>*$* |
|---|---|
| Sales | 576,244 |
| Cost of Sales | (310,662) |
| **Gross Profit** | **265,582** |
| | |
| Other Income | 30,617 |
| Employee Benefits Expense | (320,862) |
| Admin & Corporate Costs | (59,659) |
| **EBITDA** | **(84,322)** |

***New and Ongoing Works***

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

- Secured an extension of power generation rental contract with BHP Iron Ore Pty Ltd.
- Continued pump rental and repair and maintenance of portable diesel power generation assets for Pilbara Iron.
- Continued power generation and dewatering rental contract with BHP Nickel West Pty Ltd.
- Continued Cummins engine rebuild works for Chichester Metals Pty Ltd.
- Secured contract for service and supply of exchange engines for Alcoa of Australia Limited.
- Secured rental and dewatering services for Koolan Iron ore Pty Ltd.
- Secured site industrial services project work for Pilbara Minerals, Fortescue and Veolia Environmental Services
- Continued rental and maintenance of power generation equipment for Vestas Yandin Wind Farm Project.
- Multiple large diesel engine and heavy component rebuild rebuilds for clients in the iron ore, coal, and gold sectors.

## 11. Executive Chairman's Report

This is the fourth annual report from Babylon Pump & Power Limited ("Babylon" or "the Group") since the Group was reinstated on the ASX on 10th January 2018 and commenced operations as a specialist resources services business. This is Babylon's third full year of operations since that date and I hereby present our results and this annual report.

Babylon via its executive team continues to focus on the following core business revenue streams:

- Heavy diesel maintenance and servicing.
- Specialty equipment rental and servicing.
- Specialty pumping and industrial services.

I am pleased to have overseen Babylon's rapid growth since inception, and I am delighted that Babylon is now servicing major mining and oil & gas service companies as well as producers and equipment providers in the Australian resources sector. Whilst COVID-19 has created challenges on both supply and client sides of the Group, staff and management have achieved continued growth in FY21 reporting revenue of $21.3M representing an increase of 24% over the previous year.

Babylon is executing a rapid growth phase of its business cycle where net losses are expected in the short to medium term as the Company invests in assets, people, facilities and acquires other growing companies. To this end the Group successfully acquired Pilbara Trucks Pty Ltd trading as Ausblast ('Ausblast") in March 2021.

Babylon has a strong operational foundation in key geographical hubs in Western Australia and Queensland and the acquisition of Ausblast has provided a third pillar of growth through specialty services for the resources market.
I believe these investments in capacity and capability by the Group will provide growth and larger returns for years to come.

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

## Lead Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 18 and forms part of the directors' report for the twelve months ended 30 June 2021.

Signed in accordance with a resolution of the directors.

**Michael Shelby**
*Executive Chairman*

Dated at Perth this 24th day of September 2021

### 12. Remuneration report - audited

The information provided in this Remuneration Report has been audited as required by section 308(c) of the *Corporations Act 2001.*

This report outlines the remuneration arrangements in place for directors and other key management personnel of the Group. Remuneration is referred to as compensation throughout this report.

#### 12.1 Key management personnel included in this report

| *Name of Key Management Personnel* | *Position held* | *Appointment / Resignation* | *Date* |
|---|---|---|---|
| Michael Shelby | Executive Chairman | Appointment | 18-Dec-17 |
| Patrick Maingard | Executive Director | Appointment | 18-Dec-17 |
| Michael Kenyon | Non-Executive Director and Company Secretary | Appointment | 18-Dec-17 |
| Mark Lagemann | Operations Manager | Resignation | 25-Jun-21 |
| Craig Batterham | National Operations Coordinator | Appointment | 28-Jun-21 |
| Alan Ings | Chief Financial Officer | Appointment | 01-Mar-20 |

#### 12.2 Principles of compensation

**Non-Executive Director remuneration policy**

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities, having regard to the level of fees paid to non-executive directors by other companies of similar size in the industry.

Total compensation for all non-executive directors are set within the maximum aggregate amount approved by shareholders at the 2004 AGM, being $250,000 per annum. Currently non-executive directors do not receive performance related compensation, however to create alignment with shareholders non-executive directors are encouraged to hold equity securities in the Group. Directors' fees cover all main Board activities.

For the year ended 30 June 2021, exclusive of superannuation guarantee, the annual cash remuneration for non-executives was $50,000. The total remuneration paid to the Group's non-executive director during the year is set out in this report.

In addition to these fees, non-executive directors are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred attending meetings of the Board, committees or shareholders, or while engaged on the Group's business. Non-executive directors are not entitled to compensation or retirement benefits on termination of their directorships.

### 12. Remuneration report – audited (continued)

#### Executive remuneration policy

Compensation levels for executives of the Group are competitively set to attract and retain appropriately qualified and experienced executives. The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders.

Board fees are not paid to either the Executive Chairman or the Executive Director, as the time spent on Board work and the responsibilities of Board membership are included when determining the remuneration package provided as part of their normal employment responsibilities.

The compensation structures take into account:

- The capability and experience of the executive;
- The executive's ability to control the relevant segment's performance; and
- The Group's performance including:
  - The Group's earnings; and
  - The growth in share price and delivering constant returns on shareholder wealth.

#### Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any Fringe Benefits Tax charges related to employee benefits) and employer contributions to superannuation funds. Compensation levels are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Group.

#### Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is a discretionary 'at risk' bonus provided in the form of cash or shares that is paid upon the achievement of pre-determined key performance indicators set by the Board. No STI objectives were set or paid during the year-ended 30 June 2021. The long-term incentive (LTI) is provided as performance rights over ordinary shares of the Group as outlined below. The objective of this form of reward is to align the behaviour of executives to maximise shareholder value. Performance evaluations of senior executives have taken place during the reporting period in accordance with the process disclosed above.

**Key performance indicators of the Group over the last 5 years**

| *Consolidated* | 2021 ($) | 2020 ($) | 2019 ($) | 2018 ($) | 2017 ($) |
|---|---|---|---|---|---|
| Revenue | 21,331,973 | 17,199,633 | 11,509,158 | 1,628,357 | - |
| Net Loss before tax | (6,669,391) | (1,777,623) | (2,209,222) | (1,122,333) | (298,267) |
| Net loss after tax | (6,669,391) | (1,777,623) | (2,209,222) | (1,122,333) | (298,267) |
| Share price at start of year | 0.018 | 0.017 | 0.016 | 0.001 | 0.001 |
| Share price at end of year | 0.017 | 0.018 | 0.017 | 0.016 | 0.001 |
| Interim and final dividend | - | - | - | - | - |
| Basic loss per share (cents) | (0.0071) | (0.0025) | (0.0059) | (0.0013) | (0.0002) |

### 12. Remuneration report – audited (continued)

#### Employment contracts of key management personnel

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Group and other executives. A summary of the agreements are set out below:

M Shelby, *Executive Chairman*

(a) Term of agreement – commencing 1 March 2017 with indefinite duration and review of terms dated 28 September 2020;
(b) Base salary of $270,000 per annum exclusive of superannuation;
(c) Eligible for annual cash bonus payment upon the achievement of key performance criteria to be agreed with the Board;
(d) Is capable of termination by individual with three months notice;
(e) Is capable of termination by the Group with twelve months notice;
(f) The agreement may be terminated for serious misconduct, in which case the Group is not required to pay any compensation.
(g) Implied performance condition performance rights will be granted at discretion of the board upon termination.

P Maingard, *Executive Director*

(a) Term of agreement – commencing 30 August 2017 with indefinite duration and review of terms dated 28 September 2020;
(b) Base salary of $200,000 per annum exclusive of superannuation;
(c) Eligible for annual cash bonus payment upon the achievement of key performance criteria to be agreed with the Board;
(d) Is capable of termination by both parties on four weeks notice;
(e) The agreement may be terminated for serious misconduct, in which case the Group is not required to pay any compensation;
(f) Implied performance condition performance rights will be granted at discretion of the board upon termination.

M Kenyon, *Non-Executive Director & Company Secretary*

(a) Term of agreement – commencing 7 September 2017 with an initial term of three years, terms were reviewed to those set out below on 28 September 2020;
(b) Board fees are $50,000 per annum exclusive of superannuation;
(c) Is capable of termination by both parties on four weeks notice; and
(d) The agreement may be terminated for serious misconduct, in which case the Group is not required to pay any compensation.
(e) Implied performance condition performance rights will be granted at discretion of the board upon termination.

A Ings, *Chief Financial Officer*

(a) Terms of agreement – commencing 1st March 2020;
(b) Base salary $210,000 per annum exclusive of superannuation;
(c) Eligible for quarterly Board authorised discretionary bonus payments;
(d) Is capable of termination by either party on a one month notice period;
(e) Termination without notice at the sole discretion of the Company on the occurrence of certain conditions;
(f) Implied performance condition performance rights will be granted at discretion of the board upon termination.

C Batterham, *National Operations Coordinator (NOC)*

(a) Terms of agreement – commenced in NOC position from 28th June 2021;
(b) Base salary $220,000 per annum exclusive of superannuation;
(c) Provided with a company vehicle;
(d) Eligible for quarterly Board authorised discretionary bonus payments;
(e) Is capable of termination by either party on a one month notice period;
(f) Termination without notice at the sole discretion of the Company on the occurrence of certain conditions;
(g) Implied performance condition performance rights will be granted at discretion of the board upon termination.

## 12. Remuneration report – audited (continued)

### 12.3 Directors' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Group and key management personnel for the year ended 30 June 2021 are as follows:

| *In AUD* | *Year* | *Salary & fees ($)* | *Salary non-cash ($)* | *Employee bonus ($)* | *Employee allowances ($)* | *Post-employment superannuation ($)* | *Share-based payments ($)* | *Performance rights expense ($)* | *Notes* | *Total ($)* | *Long term incentive % of remuneration* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | | |
| Michael Shelby | 2021 | 262,500 | - | - | - | 24,938 | - | 54,127 | | 341,565 | 16% |
| | 2020 | 240,000 | - | - | - | 22,800 | 24,848 | - | *1* | 287,648 | 9% |
| Patrick Maingard | 2021 | 187,500 | - | - | - | 17,812 | - | 27,725 | | 233,037 | 12% |
| | 2020 | 150,000 | - | - | - | 14,250 | 9,939 | - | *1* | 174,189 | 6% |
| Michael Kenyon | 2021 | 47,500 | - | - | - | 4,513 | - | 6,931 | | 58,944 | 12% |
| | 2020 | 40,000 | - | - | - | 3,800 | - | - | | 43,800 | 0% |
| **Other key management personnel** | | | | | | | | | | | |
| Mark Lagemann | 2021 | 226,769 | 23,585 | 10,000 | 952 | 22,493 | - | - | *1, 4, 5* | 283,799 | 0% |
| | 2020 | 228,461 | 23,585 | 15,000 | 996 | 23,129 | 14,908 | - | *1 , 4* | 306,079 | 5% |
| Alan Ings | 2021 | 206,667 | - | - | - | 19,633 | 20,000 | 27,960 | *3* | 274,260 | 17% |
| | 2020 | 67,564 | - | - | - | 6,418 | - | - | *2* | 73,982 | 0% |
| Craig Batterham | 2021 | 127,769 | - | - | 553 | 12,138 | - | - | *6* | 140,460 | 0% |
| | **2021** | **1,058,705** | **23,585** | **10,000** | **1,505** | **101,527** | **20,000** | **116,743** | | **1,332,065** | |
| | **2020** | **726,025** | **23,585** | **15,000** | **996** | **70,397** | **49,695** | **-** | | **885,698** | |

*Note 1: Expense relates to performance rights issued. Refer to notes 12.4(b) and 14 in the Remuneration Report.*
*Note 2: Mr. Ings commenced employment on 1st March 2020.*
*Note 3: Mr. Ings received $20,000 in shares issued upon anniversary of one year employment in line with service contract, subsequently replaced by long-term incentive plan.*
*Note 4: Bonus paid for achievement of revenue target.*
*Note 5: Mr Lagemann resigned on 25 June 2021.*
*Note 6: Mr Batterham commenced in the National Operations Coordinator position from 28th June 2021.*

### 12. Remuneration report – audited (continued)

### 12.4 Equity instruments

During the reporting period no options over ordinary shares have been granted to key management personnel as remuneration. Further, during the reporting period, there were no shares issued on the exercise of options previously granted as compensation.

Since the end of the financial year no options over ordinary shares have been granted to key management personnel.

#### (a) Movements in shares

The movement during the reporting period in the number of ordinary shares in Babylon held, directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

| *Key Management Personnel (KMP)* | *Opening balance* | *Purchases* | *Received on vesting of performance rights* | *Received as a component of remuneration* | *Sales* | *Employee ceasing to be a KMP* | *Closing balance* |
|---|---|---|---|---|---|---|---|
| Michael Shelby | 10,796,827 | - | 3,500,000 | - | - | - | 14,296,827 |
| Patrick Maingard | 4,889,446 | - | 1,400,000 | - | - | - | 6,289,446 |
| Michael Kenyon | 1,329,816 | - | - | - | - | - | 1,329,816 |
| Mark Lagemann (1) | 6,909,287 | - | 2,100,000 | - | (1,650,000) | (7,359,287) | - |
| Alan Ings | - | - | - | 833,333 | - | - | 833,333 |
| Craig Batterham | - | - | - | - | - | - | - |
| | **23,925,376** | **-** | **7,000,000** | **833,333** | **(1,650,000)** | **(7,359,287)** | **21,916,089** |

(1) Mr Lagemann resigned on 25 June 2021, the above table is as at resignation date.

#### (b) Movements in performance rights

The movement during the reporting period in the number of performance rights in Babylon Pump & Power Limited held, directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

| *Key Management Personnel (KMP)* | *Opening balance* | *Granted as compen-sation* | *Issued following vesting of performance rights* | *Cancelled* | *Employee ceasing to be a KMP* | *Closing balance* | *Vested during the year* | *Vested and exercise-able at the end of the year* |
|---|---|---|---|---|---|---|---|---|
| Michael Shelby | 13,000,000 | 22,995,000 | (3,500,000) | (9,500,000) | - | 22,995,000 | - | - |
| Patrick Maingard | 5,200,000 | 13,383,332 | (1,400,000) | (3,800,000) | - | 13,383,332 | - | - |
| Michael Kenyon | - | 3,345,813 | - | - | - | 3,345,813 | - | - |
| Mark Lagemann | 7,800,000 | 14,139,781 | (2,100,000) | (5,700,000) | (14,139,781) | - | - | - |
| Alan Ings | - | 13,497,064 | - | - | - | 13,497,064 | - | - |
| Craig Batterham | - | - | - | - | - | - | - | - |
| | **26,000,000** | **67,360,990** | **(7,000,000)** | **(19,000,000)** | | **53,221,209** | **-** | **-** |

For further details on the performance rights outstanding and vesting conditions, refer to note 19 to the financial statements.

### 13. Share options

All unissued ordinary shares of the Group under option expired on 31 March 2019.

**Shares issued on exercise of options**

During and since the end of the financial year, the Group did not issue ordinary shares as a result of the exercise of options.

### 14. Performance Rights

The Company issued 7,000,000 ordinary shares during the year in respect of Class B performance rights following achievement of the performance condition for operating revenue to reach $9,200,000 in the second full financial year following issue. Class D and E performance conditions were not met and have therefore lapsed.

On 22 April 2021 the Group issued 67,360,990 Performance Rights to Directors and Other Key Management Personnel 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

At 30 June 2021, the unissued ordinary shares of the Group under performance rights are as follows:

| *Class* | *Grant Date* | | | *Vesting Period* | *Number Under Performance Rights* | *Value at Grant Date ($)* | *Date of Vesting* | *Management Probability Assessment on grant date* | *Management Probability Assessment 30-Jun-21* |
|---|---|---|---|---|---|---|---|---|---|
| A1 | 28-Jan-21 | - | 1-Feb-21 | 30-Jun-23 | 33,680,496 | 740,971 | 30-Sep-23 | *100%* | *100%* |
| B1 | 28-Jan-21 | - | 1-Feb-21 | 30-Jun-23 | 16,840,247 | 370,485 | 30-Sep-23 | *0%* | *0%* |
| C1 | 28-Jan-21 | - | 1-Feb-21 | 30-Jun-23 | 16,840,247 | 370,485 | 30-Sep-23 | *0%* | *0%* |
| | | | | | **67,360,990** | **1,481,941** | | | |

#### i) Terms of Performance Rights

The terms of the Class A1, B1 and C1 performance rights issued as performance rights during the year are set out below. There is an implied service condition, therefore the number of performance rights expected to vest are vesting over the life of the rights.

| *Class* | *Number* | *Performance Condition* | *Vesting Period* |
|---|---|---|---|
| Class A1 | 33,680,496 | The Group achieving certain revenue, return on capital employed and EBITDA targets for the FY21, FY22 and FY23 years. | 30-Sep-23 |
| Class B1 | 16,840,247 | The Group achieving certain outcomes in relation to medically treated injury, environmental incidents and customer warranty claims for the FY21, FY22 and FY23 years. | 30-Sep-23 |
| Class C1 | 16,840,247 | The individual achieving certain outcomes in relation to personal KPI's agreed by the Board in the categories of culture (50%), process (25%) and resources (25%) for the FY21, FY22 and FY23 years. | 30-Sep-23 |

**Performance Rights - (continued)**

| *Share Based Payment Expense* | 2021 ($) | 2020 ($) |
|---|---|---|
| Share based payments | 20,000 | 49,695 |
| Performance rights Class A1 | 116,743 | - |
| | **136,743** | **49,695** |

### 15. Indemnification and insurance of directors, officers and auditors

The Group has indemnified the directors and executive officers of the Group for costs incurred, in their capacity as a director or executive officer, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executive officers of the Group against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor. During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

### 16. Other transactions with key management personnel

The following loan to the Group from a director occurred during the year.

| *Director loans* | *Opening balance* | *Issued ($)* | *Repaid ($)* | *Closing balance* |
|---|---|---|---|---|
| Michael Shelby | - | 80,000 | (80,000) | - |
| | **-** | **80,000** | **(80,000)** | **-** |

Terms of the loan from a director are outlined below:

- Security: unsecured;
- Term: from 22nd January 2021 to 4th June 2021; and
- Annual interest rate: 8%.

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

Babylon received 81.9% of "yes" votes on its remuneration report for the 2020 financial year. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

### 18. Non-audit services

During the financial year BDO Audit (WA) Pty Ltd continued as the Group's auditor, non-assurance services are set out in the table below.

| *Non-Audit Services* | 2021 ($) | 2020 ($) |
|---|---|---|
| Pilbara Trucks - tax due diligence and review draft share purchase agreement | 6,615 | - |
| Babylon Pump and Power - review of employee incentive plan and tax implications | 3,000 | |
| | **9,615** | **-** |

### 19. Use of remuneration consultants

There were no remuneration consultants used by the Group during the year ended 30 June 2021.

**This is the end of the audited remuneration report.**

### 20. Proceedings on behalf of The Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001.*

### 21. Lead auditor's independence declaration

The lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after the Director's report and forms part of the Directors' report for the financial year ended 30 June 2021.

This report is made with a resolution of the directors:

Michael Shelby
*Executive Chairman*

Dated this 24th day of September 2021

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PO Box 700 West Perth WA 6872
Australia

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

As lead auditor of Babylon Pump & Power Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

**Jarrad Prue**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 24 September 2021

# Consolidated statement of profit or loss and other comprehensive income

### For the year ended 30 June 2021

| | Notes | 30 June 2021 ($) | 30 June 2020 ($) |
|---|---|---|---|
| Revenue from contracts with customers | 4 & 5 | 21,331,973 | 17,199,633 |
| Cost of sales | | (17,362,970) | (13,835,625) |
| **Gross Profit** | | **3,969,003** | **3,364,008** |
| Other income | | 235,980 | 246,369 |
| Profit / (loss) on disposal of property plant and equipment | | 94,996 | (24,985) |
| Employee benefits expense | 6 | (3,221,365) | (1,474,886) |
| Admininstration and corporate expense | 7 | (2,846,106) | (1,051,436) |
| Impairment loss on goodwill | 11 | (1,049,233) | - |
| **Earnings before interest, tax, depreciation and amortisation** | | **(2,816,725)** | **1,059,070** |
| Depreciation and amortisation | 10 | (2,330,862) | (1,746,192) |
| **Results from operating activities** | | **(5,147,587)** | **(687,122)** |
| Finance income | | 360 | **104** |
| Finance expense | 9 | (1,522,164) | (1,090,605) |
| **Net financing expense** | | **(1,521,804)** | **(1,090,501)** |
| **Loss before tax** | | **(6,669,391)** | **(1,777,623)** |
| Income tax benefit / (expense) | 8 | - | - |
| **Loss after income tax for the year** | | **(6,669,391)** | **(1,777,623)** |
| Other comprehensive Income | | - | - |
| **Total comprehensive loss for the year attributable to the members of Babylon Pump & Power Limited** | | **(6,669,391)** | **(1,777,623)** |
| **Loss attributable to:** | | | |
| Equity holders of the company | | (6,669,391) | (1,777,623) |
| **Loss for the year** | | **(6,669,391)** | **(1,777,623)** |
| **Loss per share for loss attributable to the members of Babylon Pump & Power Limited:** | | | |
| Basic loss per share (cents) | 20 | (0.0071) | (0.0025) |

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

# Consolidated statement of financial position

**As at 30 June 2021**

| | Notes | 30 June 2021 ($) | 30 June 2020 ($) |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 15 | 1,031,903 | 3,563,601 |
| Trade receivables | 14 | 3,998,596 | 2,837,227 |
| Inventories | 13 | 9,080,252 | 6,308,536 |
| Prepayments and other assets | | 181,104 | 106,414 |
| **Total Current Assets** | | **14,291,855** | **12,815,778** |
| | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 10 | 11,167,172 | 7,322,596 |
| Deposits | | 218,023 | 125,309 |
| Goodwill | 11 | 2,982,572 | 1,867,118 |
| Right-of-use assets | 12 | 1,095,739 | 842,084 |
| **Total Non-Current assets** | | **15,463,506** | **10,157,107** |
| **Total Assets** | | **29,755,361** | **22,972,885** |
| | | | |
| **Current Liabilities** | | | |
| Borrowings | 21 | 9,170,715 | 7,881,225 |
| Deferred consideration | 22 | 627,632 | 1,040,957 |
| Trade and other payables | 24 | 3,645,879 | 3,161,043 |
| Employee liabilities | 23 | 573,134 | 416,523 |
| Accruals | 25 | 212,780 | 63,685 |
| Provisions | 26 | 45,000 | - |
| Lease liabilities | 27 | 512,901 | 332,660 |
| **Total Current Liabilities** | | **14,788,041** | **12,896,093** |
| | | | |
| **Non-Current Liabilities** | | | |
| Borrowings | 21 | 4,307,215 | 1,429,887 |
| Deferred consideration | 22 | 1,000,000 | 229,104 |
| Employee liabilities | 23 | 53,820 | 48,311 |
| Lease liabilities | 27 | 618,427 | 531,499 |
| Deferred tax liability | 34 | 311,614 | - |
| **Total Non-Current Liabilities** | | **6,291,076** | 2,238,801 |
| **Total Liabilities** | | **21,079,117** | **15,134,894** |
| | | | |
| **Net Assets** | | **8,676,244** | **7,837,991** |
| | | | |
| **Equity** | | | |
| Share capital | 17 | 43,037,272 | 35,577,677 |
| Reserves | 18 | 188,049 | 140,000 |
| Accumulated losses | | (34,549,077) | (27,879,686) |
| **Total Equity** | | **8,676,244** | **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 year ended 30 June 2021

**Attributable to equity holders of the Group**

| | 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** |
| **Transactions with owners, in their capacity as owners:** | | | | | |
| Adjustments | **-** | **-** | **-** | | **-** |
| Loss for the period | **-** | **-** | **-** | **(1,777,623)** | **(1,777,623)** |
| 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** |
| **Balance at 30 June 2020** | **35,577,677** | **140,000** | **-** | **(27,879,686)** | **7,837,991** |
| **Balance at 1 July 2020** | **35,577,677** | **140,000** | **-** | **(27,879,686)** | **7,837,991** |
| **Total comprehensive income for the period** | | | | | |
| Loss for the period | - | - | - | (6,669,391) | (6,669,391) |
| Other comprehensive income | - | - | - | - | - |
| **Total comprehensive loss for the period** | **-** | **-** | **-** | **(6,669,391)** | **(6,669,391)** |
| **Transactions with owners, in their capacity as owners:** | | | | | |
| Issue of ordinary shares | 7,650,800 | - | - | - | 7,650,800 |
| Vesting of performance rights | 140,000 | (140,000) | | | - |
| Costs of share issue | (351,205) | - | - | - | (351,205) |
| Share based payments | 20,000 | 188,049 | - | - | 208,049 |
| **Total transactions with owners** | **7,459,595** | **48,049** | **-** | **-** | **7,507,644** |
| **Balance at 30 June 2021** | **43,037,272** | **188,049** | **-** | **(34,549,077)** | **8,676,244** |

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

# Consolidated statement of cash flows

## For the year ended 30 June 2021

| | Notes | 30 June 2021 ($) | 30 June 2020 ($) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 20,528,449 | 18,873,813 |
| Payments to suppliers and employees | | (25,191,035) | (17,257,838) |
| Interest received | | 360 | 104 |
| Interest and other costs of finance paid | | (1,522,164) | (482,269) |
| Other income | | 38,480 | 96,370 |
| Government grants and tax incentives | | 197,500 | 150,000 |
| GST refunded / (paid) | | 106,130 | (473,702) |
| **Net cash inflow from / (used in) operating activities** | **16** | **(5,842,280)** | **906,478** |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (2,083,341) | (2,258,233) |
| Proceeds on disposal of property plant and equipment | | 692,149 | 59,159 |
| Business acquisition (net of cash acquired) | 34 | (5,407,558) | (2,522,632) |
| **Net cash used in investing activities** | | **(6,798,750)** | **(4,721,706)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 4,562,695 | 2,372,015 |
| Repayment of borrowings | | (1,127,713) | (2,133,134) |
| Repayment of lease liabilities | | (424,445) | (238,013) |
| Proceeds from issue of shares | | 7,450,000 | 2,750,765 |
| Proceeds from issue of convertible loans | | - | 4,675,000 |
| Transaction costs for ordinary shares and convertible loans | | (351,205) | (552,294) |
| **Net cash provided by financing activities** | | **10,109,332** | **6,874,339** |
| | | | |
| **Net increase / (decrease) in cash and cash equivalents** | | (2,531,698) | 3,059,111 |
| | | | |
| Cash and cash equivalents at the beginning of the year | | 3,563,601 | 504,490 |
| **Cash and cash equivalents at the end of the year** | **15** | **1,031,903** | **3,563,601** |

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

### 1. Reporting entity

Babylon Pump & Power Limited ("The Company") is a company domiciled in Australia. The Company is a for-profit entity and the address of The Company's registered office is 74 Harrison Road, Forrestfield, WA 6058. The consolidated financial statements of The Company as at and for the twelve months ended 30 June 2021 comprise The Company and its subsidiaries (together referred to as the "Group"). The Group is primarily focused on two areas being rental of specialty diesel driven pumping and power generation equipment, engine rebuild and maintenance services for large diesel-powered equipment.

The separate financial statements of the parent entity, Babylon Pump & Power Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001.*

The financial statements were authorised for issue on 17th September 2021 by the Directors of the Group.

### 2. Basis of preparation

#### (a) Statement of compliance

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The Group is a for-profit entity for financial reporting purposes under AASB. The consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

#### (b) Basis of measurement

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

#### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

### 2. Basis of preparation (continued)

#### (d) Going concern

The financial statements for the year ended 30 June 2021 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 year the Group recorded a loss of $6,669,391 (2020: loss of $1,777,623) and had net cash outflows from operating activities of $5,842,280 (2020: cash inflow $906,478). At balance sheet date the Group has working capital deficit of $496,186 (2020: deficiency $80,315).

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:

- Improving underlying levels of business activity.
- Improving operational throughput and efficiency across operations.
- Improving 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.

### 2. Basis of preparation (continued)

#### (e) Use of critical accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

***Impact of Coronavirus (COVID-19) pandemic***

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain and staffing. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

***Incremental borrowing rate***

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

***Inventories***

Net realisable value is determined using the estimated selling price in ordinary course of business less estimated costs to complete less estimated costs to sell which requires a degree of estimation and judgement. The quality of inventory is also taken into account in the assessment of net realisable value. The impact of COVID-19 has been considered in the ability to sell the inventory.

***Revenue from contracts with customers involving sale of goods***

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

***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. Business combinations are accounted for on a provisional basis and when finalised may have a retrospective impact. Assets and liabilities in which judgements were made in determining the fair value were:

*Assets:* Cash, Trade and Other Receivables, Revenue Accrual, Other Receivables and Property Plant and Equipment.

*Liabilities:* Trade and Other Payables, Deferred Tax Liability and Dividend Payable.

***Expected credit losses of financial asset at amortised cost***

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

***Recoverability of intangibles***

In accordance with AASB 136 Impairment of Assets, intangible assets with an indefinite useful life and goodwill are required to be tested for impairment annually. In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them (where applicable). Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (if applicable). Details of the key assumptions and inputs are disclosed in note 11.

### 2. Basis of preparation (continued)

***Estimation of useful lives of assets***

The Group determines the estimated useful lives and related depreciation for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or other events. The depreciation charge will increase where the useful lives are less than previously estimated, or technically obsolete or non-strategic assets have been abandoned or sold will be written off or written down.

***Share-based payment transactions***

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to the number of performance rights expected to vest taking into account the terms and conditions upon which the instruments were granted. Management have determined the probability of Class B and C performance rights vesting to be unlikely and therefore zero percent probability has been applied. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

***Convertible loans carried at fair value***

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

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### (a) Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies have been changed where necessary to align them with the policies adopted by the Group.

The acquisition method of accounting is used to account for business combinations by the Group.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

#### (b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### 3. Significant accounting policies (continued)

#### (c) Share capital

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

#### (d) Property, plant and equipment

*(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income / (expense) in the statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

*(ii) Subsequent costs*

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

*(iii) Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

*Power generation assets*

Power generation assets comprise the plant, equipment, fixtures and fittings. In the opinion of the directors, these assets comprise a separate class of assets.

The power generation assets have been componentised in the following categories and are being depreciated over their estimated useful lives as follows:

- Plant & Equipment: 10 years

Power generation assets of the Group require ongoing maintenance and minor / major overhaul works over time. This is managed as part of an ongoing major cyclical maintenance program. The cost of this maintenance is charged as an expense as incurred, except where the cost relates to the replacement of a component of an asset, in which case costs are capitalised and depreciated in accordance with the component classifications above. Other routine maintenance, repair costs and minor renewals are also charged as expenses as incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The estimated useful lives of other classes of assets for current and comparative periods are as follows:

- Office and computer equipment: 3 years
- Motor Vehicles 8 years

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

### 3. Significant accounting policies (continued)

#### (e) Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the income statement.

#### (f) Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group’s incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate (being the interest rate implicit in the lease for the remainder of the lease term or, if that cannot be readily determined, the Group’s incremental borrowing rate at the re-assessment date). An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

The carrying value of lease liabilities is also revised when the variable element of future lease payments dependent on a rate or index is revised or there is a revision to the estimate of amounts payable under a residual value guarantee. In both cases an unchanged discount rate is used. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

### 3. Significant accounting policies (continued)

*Leases (continued)*

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items such as IT-equipment and small items of office furniture.

#### (g) Inventories

Consumables and spare parts and engine trading stock are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchases of inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

**(h) Impairment**

*Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such impairment exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit" ("CGU")). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the acquisition synergies.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(i) Employee benefits**

*(i) Short-term benefits*

Short-term employee benefit obligations are those benefits expected to be settled within 12 months of the reporting date. They are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*(ii) Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits are those not expected to be settled within 12 months of the reporting date and are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

**(j) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

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

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

**(k) Finance income and finance costs**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

**(l) Revenue recognition**

The accounting policies for the Group's revenue recognition from customers are explained in note 4.

**(m) Government grants**

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. This includes Cash boost income received due to COVID-19 during the year which has been presented as other income.

**(n) Income tax**

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

*Tax consolidation*

The Group and its wholly owned Australian resident entity are part of a tax-consolidated group. As a consequence all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Babylon Pump & Power Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Group as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Group as an equity contribution or distribution.

The Group recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

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

**(o) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(p) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to directors, employees and shareholders.

**(q) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

**(r) Financial instruments**

*Classification and measurement*

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

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

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

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

*Impairment*

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

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

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

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

## 3. Significant accounting policies (continued)

### (s) 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.

### (t) Adoption of new and amended accounting standards

No new or amended accounting standards have been adopted by the Group during the annual reporting period ended 30 June 2021.

### (u) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 4. Reporting Segment

Babylon has four reportable segments, Babylon Operations Pty Ltd, Primepower Queensland Pty Ltd and Pilbara Trucks 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, equipment rental and labour hire disaggregated as follows;

| *Revenue From External Customers* | *Service and Repair* | | *Sale of Goods* | | *Equipment Rental* | | *Labour Hire* | | *Total* | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | *($)* | *($)* | *($)* | *($)* | *($)* | *($)* | *($)* | *($)* | *($)* | *($)* |
| Segment revenue | 7,807,202 | 5,178,918 | 9,581,310 | 8,179,522 | 3,099,898 | 3,841,192 | 843,563 | - | **21,331,973** | **17,199,633** |
| **Timing of revenue recognition** | | | | | | | | | | |
| At a point in time | 7,807,202 | 5,178,918 | 9,581,310 | 8,179,522 | - | - | - | - | **17,388,512** | **13,358,441** |
| Over time | - | - | - | - | 3,099,898 | 3,841,192 | 843,563 | - | **3,943,461** | **3,841,192** |

- *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.

- *Labour Hire*

Revenue from providing labour hire is recognised in the accounting period in which the labour services are rendered.

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

| *Revenue by state* | 2021 *$* | 2020 *$* |
|---|---|---|
| Western Australia | 12,216,267 | 9,078,959 |
| Queensland | 9,115,706 | 8,120,674 |
| | **21,331,973** | **17,199,633** |

### 5. Operating Segments

Babylon has four reportable segments, being Babylon Pump and Power Ltd (BPP), Babylon Operations Pty Ltd (BOP), Primepower Queensland Pty Ltd (PPQ) and Pilbara Trucks Pty Ltd (AUB). The Group primarily focuses on three areas being rental of specialty diesel driven pumping and power generation equipment, rebuild and maintenance services for large diesel driven equipment and high-pressure water blasting and ancillary services to the resources sector. 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.

| | 30 June 21 ($) | 30 June 20 ($) |
|---|---|---|
| **(a) Segmented External Revenues** | | |
| BOP - Service and Repair | 7,477,577 | 4,826,973 |
| BOP - Sale of Goods | 791,929 | 410,793 |
| BOP - Equipment Rental | 3,099,898 | 3,841,192 |
| BOP - Labour Hire | 270,620 | - |
| PPQ - Service and Repair | 75,732 | 351,945 |
| PPQ - Sale of Goods | 8,780,110 | 7,768,729 |
| PPQ - Labour Hire | 259,864 | - |
| AUB - Service and Repair | 253,894 | - |
| AUB - Sale of Goods | 9,271 | - |
| AUB - Labour Hire | 313,079 | - |
| **Total** | **21,331,973** | **17,199,633** |
| **(b) Earnings / (loss) before interest, tax, depreciation and amortisation** | | |
| BPP | (2,802,232) | (1,116,503) |
| BOP | 1,527,845 | 2,030,646 |
| PPQ | (1,269,967) | 144,927 |
| AUB | (84,322) | - |
| **Total** | **(2,628,676)** | **1,059,070** |
| **Depreciation and Amortisation** | (2,330,862) | (1,746,192) |
| **Finance Income** | 360 | 104 |
| **Finance Expense** | (1,522,164) | (1,090,605) |
| **Net Profit/(Loss)** | **(6,481,342)** | **(1,777,623)** |

### 5. Operating Segments (Continued)

| | 30 June 21 ($) | 30 June 20 ($) |
|---|---|---|
| **(C) Segment assets and liabilities** | | |
| **Assets** | | |
| BPP | 3,424,100 | 5,482,388 |
| BOP | 12,152,197 | 10,095,390 |
| PPQ | 9,237,149 | 7,395,107 |
| AUB | 4,941,915 | |
| **Total** | **29,755,361** | **22,972,885** |
| **Liabilities** | | |
| BPP | 6,609,265 | 6,096,115 |
| BOP | 4,843,606 | 4,431,077 |
| PPQ | 5,760,711 | 4,607,702 |
| AUB | 3,865,535 | |
| **Total** | **21,079,117** | **15,134,894** |
| **Net Assets** | **8,676,244** | **7,837,991** |

### 6. Employee benefits expense

| *Employee Benefits Expense* | 2021 ($) | 2020 ($) |
|---|---|---|
| Wages and salaries | 2,568,770 | 1,297,001 |
| Employment related taxes | 314,625 | 78,361 |
| Share-based payment expense | 208,049 | 49,695 |
| Other employment related expenses | 129,921 | 49,829 |
| | **3,221,365** | **1,474,886** |

### 7. Administration and corporate expense

| *Administration and Corporate Expense* | 2021 ($) | 2020 ($) |
|---|---|---|
| Office expenses | 417,611 | 197,217 |
| Corporate costs and compliance | 755,856 | 476,950 |
| Other expenses | 51,807 | 8,964 |
| Consumables and operational costs | 1,050,272 | 280,776 |
| Business acquisition expense | 218,709 | 87,529 |
| Bad debt | 24,360 | - |
| Warranty | 327,491 | - |
| | **2,846,106** | **1,051,436** |

# Notes to the consolidated financial statements

## For the year ended 30 June 2021

### 8. Income tax expense

| *Income Tax Benefit* | 2021 ($) | 2020 ($) |
|---|---|---|
| **Reconciliation of income tax benefit and tax at the statutory rate** | | |
| Loss before income tax benefit | (6,669,391) | (1,777,623) |
| Tax at the statutory rate of 26% (2020: 27.5%) | (1,734,042) | (488,846) |
| | | |
| **Tax effect amounts which are not deductible in calculating taxable income** | | |
| Entertainment | 2,466 | 1,015 |
| Share based payments | 54,093 | 13,666 |
| Non assesable income - cash flow boost | (39,000) | (27,500) |
| Capital expenditure | 56,864 | 24,070 |
| Ausblast - Prior year closing provisions | (10,905) | - |
| Unused tax losses and temporary differences not recognised as deferred tax assets | 1,670,524 | 477,595 |
| **Income tax benefit** | **-** | **-** |
| | | |
| **Deferred tax assets not recognised attributable to** | | |
| Tax losses | 4,352,455 | 3,390,202 |
| Temporary differences | (758,208) | (350,048) |
| **Total deferred tax assets not recognised** | **3,594,247** | **3,040,154** |

### 9. Finance expense

| *Finance Expense* | 2021 ($) | 2020 ($) |
|---|---|---|
| Bank and other finance charges | 144,681 | 97,925 |
| Convertible loan interest expense | 553,634 | 254,710 |
| Convertible loan conversion to equity | 1,330 | 608,336 |
| Convertible loan fees | 278,659 | - |
| Foreign exchange loss | (31,378) | (132,508) |
| Interest expense | 435,238 | 262,142 |
| Loan establishment fee | 140,000 | - |
| | **1,522,164** | **1,090,605** |

### 10. Property, plant and equipment

| *Property, Plant and Equipment Summary* | 2021 ($) | 2020 ($) |
|---|---|---|
| Cost | 15,682,062 | 8,808,700 |
| Accumulated depreciation | (4,514,890) | (1,486,104) |
| | **11,167,172** | **7,322,596** |

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

| *Property, Plant and Equipment* | *Leasehold Improvements ($)* | *Plant & Equipment ($)* | *Office Equipment ($)* | *IT Equipment ($)* | *Motor Vehicles ($)* | *Capital Work in Progress ($)* | *Total ($)* |
|---|---|---|---|---|---|---|---|
| **Consolidated Group** | | | | | | | |
| **Carrying amount at 30 June 2020** | **29,854** | **6,917,113** | **571** | **10,137** | **218,624** | **146,297** | **7,322,596** |
| Disposal | - | (593,188) | - | (1,976) | (1,989) | - | (597,153) |
| Additions | 6,221 | 1,830,281 | 9,060 | 19,551 | 63,806 | 154,422 | 2,083,341 |
| Business acquisition | 19,577 | 2,474,142 | 7,736 | - | 1,751,858 | - | 4,253,313 |
| Depreciation expense (1) | (2,000) | (1,711,297) | (1,582) | (9,246) | (170,800) | - | (1,894,925) |
| **Balance at 30 June 2021** | **53,652** | **8,917,051** | **15,785** | **18,466** | **1,861,500** | **300,719** | **11,167,172** |

(1) Depreciation and Amortisation expense of $2,330,862 in the statement of profit or loss and other comprehensive income is comprised of the Depreciation expense in this table together with $435,937 in amortization expenses relating to the group's Right of Use Assets.

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

| *Property, Plant and Equipment* | *Leasehold Improvements ($)* | *Plant & Equipment ($)* | *Office Equipment ($)* | *IT Equipment ($)* | *Motor Vehicles ($)* | *Capital Work in Progress ($)* | *Total ($)* |
|---|---|---|---|---|---|---|---|
| **Consolidated Group** | | | | | | | |
| **Carrying amount at 30 June 2019** | - | 6,261,857 | 856 | 15,473 | 208,646 | - | 6,486,832 |
| Disposal | - | (84,144) | - | - | - | - | (84,144) |
| Additions | 30,727 | 2,005,332 | 436 | 6,260 | 68,977 | 146,297 | 2,258,029 |
| Business acquisition | - | 146,187 | - | - | 1,592 | - | 147,779 |
| Depreciation expense | (873) | (1,412,119) | (721) | (11,596) | (60,591) | - | (1,485,900) |
| **Balance at 30 June 2020** | **29,854** | **6,917,113** | **571** | **10,137** | **218,624** | **146,297** | **7,322,596** |

# Notes to the consolidated financial statements

## For the year ended 30 June 2021

### 11. Goodwill

Impairment of intangible assets is recognised in impairment expense on the statement of profit or loss. An impairment charge of $1,049,233 has been recognised for the impairment of the goodwill of Primepower Queensland Pty Ltd as budgeted revenue and earnings before interest, taxation, depreciation and amortisation were not achieved.

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

| *Intangible Assets* | *Note* | 2021 ($) | 2020 ($) |
|---|---|---|---|
| Goodwill | 3(e) | 2,982,572 | 1,867,118 |
| | | **2,982,572** | **1,867,118** |

The recoverable amount of goodwill was based on the higher of value in use of 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 other than has been noted above.

11.1 Goodwill is monitored by management at the level of the three cash generating units identified in the table below.

| *Intangible Assets (cash generating units)* | 2021 ($) | 2020 ($) |
|---|---|---|
| Babylon Operations Pty Ltd | 817,885 | 817,885 |
| Primepower Queensland Pty Ltd | - | 1,049,233 |
| Pilbara Trucks Pty Ltd | 2,164,687 | - |
| | **2,982,572** | **1,867,118** |

i) Impairment tests for goodwill

Significant estimate: key assumptions used for value-in-use calculations.

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the cash-generating units was based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on approved financial budgets. The following table sets out the key assumptions used to assess the value-in-use for those cash generating units that have significant goodwill allocated to them.

| *Key assumptions - goodwill impairment assesment* | Babylon Operations | Pilbara Trucks |
|---|---|---|
| **2021** | | |
| EBITDA % | 17.4% | 16.7% |
| Pre-tax discount rate | 10.0% | 10.0% |
| Inflation rate | 1.6% | 1.6% |
| Short-term growth rate | 3.4% | 3.4% |
| Long-term growth rate | 0.0% | 0.0% |
| Capital expenditure outlay (% of EBITDA) | 42.5% | 29.2% |

Management has determined the values assigned to the values assigned to each of the above key assumptions as follows:

- EBITDA % - sourced from the budget for year ended 30 June 2022 with inclusion of an adjustment to include corporate support overhead.
- Pre-tax discount rate - includes the cost of capital, debt, gearing ratio and corporate tax rate. The risk-free rate was ascertained with reference to the ten-year Australian government bond rate. An average of a low and high scenario was used in the value-in-use modelling.
- Inflation rate – sourced from the Reserve Bank of Australia using the lower end of the target inflation rate range of 1% to 3%. Use of the mid-point of the range is in management's view supported by the low inflation rate of the preceding twelve months.
- Short-term growth rate – the rate set for each entity is based on management's assessment of the anticipated growth that is readily achievable. It is noted that a conservative approach has been adopted due to market uncertainties regarding Covid-19.

**11. Goodwill (continued)**

- Long-term growth rate – this rate has been conservatively set at zero while general market uncertainty persists regarding the impact of Covid-19.
- Capital expenditure outlay – anticipated level at which assets will need to be replaced in order to maintain the business

ii) Significant estimate: impact of possible changes in key assumptions

The following table sets out the sensitivities of the key assumptions to the recoverable value calculated by the value in use model for each cash generating unit:

| *Babylon Operations Pty Ltd* | *Sensitivity based on reasonable possible change* | *Positive impact* | *Negative impact* | *Observed impact on impairment* |
|---|---|---|---|---|
| EBITDA % | + / -10% | 1,541,721 | (1,541,721) | No |
| Pre-tax discount rate | + / -10% | 1,825,203 | (1,485,146) | No |
| Inflation rate | + / -10% | 76,358 | (76,034) | No |
| Short-term growth rate | + / -10% | 162,429 | (160,968) | No |
| Long-term growth rate | + / -10% | - | - | No |
| Capital expenditure outlay (% of EBITDA) | + / -10% | 1,139,533 | (1,139,533) | No |

| *Pilbara Trucks Pty Ltd* | *Sensitivity based on reasonable possible change* | *Positive impact* | *Negative impact* | *Observed impact on impairment* |
|---|---|---|---|---|
| EBITDA % | + / -10% | 1,070,537 | (1,070,537) | No |
| Pre-tax discount rate | + / -10% | 1,267,380 | (1,031,252) | No |
| Inflation rate | + / -10% | 53,021 | (52,796) | No |
| Short-term growth rate | + / -10% | 112,787 | (111,773) | No |
| Long-term growth rate | + / -10% | - | - | No |
| Capital expenditure outlay (% of EBITDA) | + / -10% | 441,521 | (441,521) | No |

The Company has considered and assessed reasonable possible changes for these key assumptions and other than those disclosed above have not identified any instances that could cause the carrying amount of the cash generating unit to exceed its recoverable amount.

### 12. Right-of-use assets

| *Right of use asset* | 2021 ($) | 2020 ($) |
|---|---|---|
| Harrison Road Lease - Babylon Operations | 65,193 | 142,969 |
| Walters Way Lease - Babylon Operations | 110,103 | 100,125 |
| Len Shield Street Lease - Primepower Queensland (main premises) | 329,704 | 453,340 |
| Len Shield Street Lease - Primepower Queensland (storage) | 97,100 | 145,650 |
| Paxton Way Lease - Pilbara Trucks | 58,075 | - |
| Shovelanna Street Lease - Pilbara Trucks | 435,564 | - |
| | **1,095,739** | **842,084** |

### 13. Inventories

| *Inventories* | 2021 ($) | 2020 ($) |
|---|---|---|
| Consumables and spare parts | 4,311,438 | 4,217,454 |
| Engine trading stock | 2,006,835 | 305,280 |
| Work in progress | 2,761,979 | 1,785,802 |
| | **9,080,252** | **6,308,536** |

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

### 14. Trade and other receivables

| *Trade and Other Receivables* | 2021 ($) | *2020 ($)* |
|---|---|---|
| Trade debtors | 3,998,596 | 2,837,227 |
| | **3,998,596** | **2,837,227** |

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. An impairment provision of $24,360 was recorded at 30 June 2021 (2020: Nil) based on management's assessment.

Information about the impairment of trade receivables and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 28.

### 15. Cash and cash equivalents

| *Cash and Cash Equivalents* | 2021 ($) | 2020 ($) |
|---|---|---|
| **Current** | | |
| Bank balances | 1,031,903 | 3,563,601 |
| | **1,031,903** | **3,563,601** |

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.

### 16. Reconciliation of cash flows from operations

| *Reconciliation of Cash Flows from Operations with Profit / (Loss) after Income Tax* | 2021 ($) | 2020 ($) |
|---|---|---|
| Loss after income tax | (6,669,391) | (1,777,623) |
| | | |
| **Cash flows excluded from profit / (loss) from continuing activities attributable to operating activities** | | |
| Finance costs | - | 608,336 |
| Impairment loss on goodwill | 1,049,233 | - |
| | | |
| **Non-cash flows in result from continuing activities** | | |
| Share based payments (benefit) / expense | 208,049 | 49,695 |
| Depreciation and amortisation | 2,330,862 | 1,746,192 |
| (Profit) / Loss on disposal of property plant and equipment | (94,996) | 24,985 |
| | | |
| (Increase) / decrease in inventories | (2,771,716) | (2,249,356) |
| (Increase) / decrease in trade receivables | (697,395) | 1,200,479 |
| Increase / (decrease) in employee entitlements | 162,121 | 144,356 |
| Increase / (decrease) trade payables | (309,955) | 423,837 |
| Increase / (decrease) in borrowings | 924,216 | 1,335,416 |
| Increase / (decrease) in other assets and liabilities | 26,692 | (599,839) |
| **Net cash inflow from / (used in) operating activities** | **(5,842,280)** | **906,478** |

### 17. Share Capital

#### a) Ordinary shares

During the twelve-month period ended 30 June 2021, the Group issued 313,900,634 Babylon shares (30 June 2020: 464,657,288).

All issued Babylon shares are fully paid.

| *Ordinary Shares* | 2021 No. | 2021 $ | 2020 No. | 2020 $ |
|---|---|---|---|---|
| At the beginning of the reporting period | 837,376,920 | 35,577,677 | 372,719,632 | 27,983,251 |
| Issue of shares | 250,000,000 | 6,250,000 | 195,886,953 | 2,969,645 |
| Issued for business acquisition | 40,000,000 | 1,000,000 | 29,556,651 | 600,000.00 |
| Vesting performance rights | 7,000,000 | 140,000 | 14,000,000 | 280,000.00 |
| Issue of shares to convertible loan holders | 8,924,445 | 200,800 | 225,213,684 | 4,022,575.00 |
| Issued to acquire assets | 7,142,856 | 200,000 | - | - |
| Issued to an employee as remuneration | 833,333 | 20,000 | - | - |
| Transaction costs | - | (351,205) | - | (277,794) |
| | **1,151,277,554** | **43,037,272** | **837,376,920** | **35,577,677** |

### 18. 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.

| *Options* | 2021 No. | 2021 $ | 2020 No. | 2020 $ |
|---|---|---|---|---|
| At the beginning of the reporting period | - | - | - | 407,645 |
| Options lapsed | - | - | - | - |
| Transfer to accumulated losses | - | - | - | (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.

During the year ended 30 June 2021, the Company issued 7,000,000 ordinary shares in relation to performance rights which had vested (class B). All remaining performance rights relating to 18 December 2017 lapsed during the year.

On 22 April 2021 the Group issued 115,995,224 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 (refer to note 19 for details).

Management has assessed the probability of the Class A1 performance rights vesting as 100% and has recognised a share-based payment expense of $188,049 for the year ended 30 June 2021. Class B1 and C1 performance rights have been assessed at 0% probability and no share-based expense has been provided.

| *Share Based Payment Reserve* | 2021 No. | 2021 $ | 2020 No. | 2020 $ |
|---|---|---|---|---|
| At the beginnning of the period | 26,000,000 | 140,000 | 40,000,000 | 370,305 |
| Perfomance rights issued as ordinary shares | (7,000,000) | (140,000) | (14,000,000) | (280,000) |
| Issued to an employee as remuneration | (833,333) | (20,000) | - | - |
| Share based payments | 833,333 | 20,000 | - | 49,695 |
| Performance rights lapsed | (19,000,000) | - | - | - |
| Issue of performance rights to employees | 115,995,224 | 188,049 | - | - |
| | **115,995,224** | **188,049** | **26,000,000** | **140,000** |

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.

### 19. Performance Rights

As set out in note in 18 (b) the Company issued 7,000,000 ordinary shares during the year for performance rights which had vested (Class B).

On 22 April 2021 the Group issued 115,995,224 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.

At 30 June 2021, the unissued ordinary shares of the Group under performance rights are as follows:

| *Class* | *Grant Date* | | | *Vesting Period* | *Number Under Performance Rights* | *Value at Grant Date ($)* | *Date of Vesting* | *Management Probability Assessment on grant date* | *Management Probability Assessment 30-Jun-21* |
|---|---|---|---|---|---|---|---|---|---|
| A1 | 28-Jan-21 | - | 1-Feb-21 | 30-Jun-23 | 57,997,614 | 1,580,070 | 30-Sep-23 | *100%* | *100%* |
| B1 | 28-Jan-21 | - | 1-Feb-21 | 30-Jun-23 | 28,998,805 | 790,035 | 30-Sep-23 | *0%* | *0%* |
| C1 | 28-Jan-21 | - | 1-Feb-21 | 30-Jun-23 | 28,998,805 | 790,035 | 30-Sep-23 | *0%* | *0%* |
| | | | | | **115,995,224** | **3,160,140** | | | |

#### i) Terms of Performance Rights

The terms of the Class A1, B1 and C1 performance rights issued as performance rights during the year are set out below. There is an implied service condition, therefore the number of performance rights expected to vest are vesting over the life of the rights

| *Class* | *Number* | *Performance Condition* | *Vesting Period* |
|---|---|---|---|
| Class A1 | 57,997,614 | The Group achieving certain revenue, return on capital employed and EBITDA targets for the FY21, FY22 and FY23 years. | 30-Sep-23 |
| Class B1 | 28,998,805 | The Group achieving certain outcomes in relation to medically treated injury, environmental incidents and customer warranty claims for the FY21, FY22 and FY23 years. | 30-Sep-23 |
| Class C1 | 28,998,805 | The individual achieving certain outcomes in relation to personal KPI's agreed by the Board in the categories of culture (50%), process (25%) and resources (25%) for the FY21, FY22 and FY23 years. | 30-Sep-23 |

| *Share Based Payment Expense* | **2021 ($)** | **2020 ($)** |
|---|---|---|
| Share based payments | 20,000 | 49,695 |
| Performance rights Class A1 | 188,049 | - |
| | **208,049** | **49,695** |

### 20. Earnings per share

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

| *Consolidated Group* | 2021 ($) | 2020 ($) |
|---|---|---|
| Reconciliation of earnings to net loss | (6,669,391) | (1,777,623) |
| Net loss from continuing operations attributable to ordinary shareholders | **(6,669,391)** | **(1,777,623)** |

**Weighted average number of ordinary shares**

| *Weighted average number of ordinary shares* | 2021 ($) | 2020 ($) |
|---|---|---|
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | 934,710,494 | 720,365,109 |

| *Earnings per share* | 2021 ($) | 2020 ($) |
|---|---|---|
| Basic earnings per share | (0.0071) | (0.0025) |

### 21. Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at fair value through profit or loss. Loans and borrowings relate to asset financing, trade finance, insurance premium funding and convertible loans.

| *Loans and Borrowings* | 2021 ($) | 2020 ($) |
|---|---|---|
| **Current** | | |
| Invoice finance facility | 909,496 | 641,239 |
| Trade finance facility | 2,264,071 | 1,662,084 |
| Insurance premium funding | 103,699 | 49,727 |
| Asset finance facilities | 1,418,449 | 860,794 |
| Convertible loans (1) | 4,475,000 | 4,667,381 |
| *Sub-total* | 9,170,715 | 7,881,225 |
| | | |
| **Non-current** | | |
| Asset finance facilities | 4,307,215 | 1,429,887 |
| *Sub-total* | 4,307,215 | 1,429,887 |
| **Total** | **13,477,930** | **9,311,112** |

(1) $4,675,000 comprise Loans received by the Company on 30 June 2020 which were approved as Convertible Loans by Shareholders on 1st September 2020. $200,000 of the loans were converted to equity on 13 January 2021. The terms of the June 2020 Convertible Loans are set out in note e) below.

### 21. Borrowings (continued)

| *Movements in Borrowings* | *Opening balance 2020 ($)* | *Cash flows ($)* | *Non-Cash flow ($)* | *Closing balance 2021 ($)* |
|---|---|---|---|---|
| **Short term borrowings** | | | | |
| Invoice finance facility | 641,239 | 268,257 | - | 909,496 |
| Trade finance facility | 1,662,084 | 601,987 | - | 2,264,071 |
| Insurance premium funding | 49,727 | 53,972 | - | 103,699 |
| Asset finance facilities | 860,794 | 557,655 | - | 1,418,449 |
| Convertible loans (1) | 4,667,381 | - | (192,381) | 4,475,000 |
| Lease liabilities | 332,660 | 180,241 | - | 512,901 |
| **Long term borrowings** | | | | |
| Asset finance facilities | 1,429,887 | 2,877,328 | - | 4,307,215 |
| Lease liabilities | 531,499 | 86,928 | - | 618,427 |
| **Total libilities arising from financing activities** | **10,175,271** | **4,626,368** | **(192,381)** | **14,609,258** |

(1) Conversion to equity.

#### 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, Prime Power Queensland and Pilbara Trucks and is used to assist with working capital requirements.

#### c) Asset finance facilities

The asset finance facilities bear fixed interest at prevailing market rates (ranging from 4.54% to 7.95%) and are primarily repayable over 1 to 5 years (ranging from 1 to 5 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 Pilbara Trucks and have been used by those entities to purchase new and used capital equipment.

#### d) Trade finance facility

The trade finance facility bears interest at prevailing market rates and is secured via a registered General Security Agreement ("GSA") over all of the present and future rights, property and undertaking of Babylon Pump and Power, Primepower Queensland and Babylon Operations and is used to fund inventory.

### 21. Borrowings (continued)

#### e) Convertible loans

On 26 June 2020, The Company announced it had successfully raised $4.6 million via a placement of Convertible Loans which were approved by Shareholders on 1 September 2020 to strategically support further growth ("Convertible Loans") on terms as follows;

#### i) Terms

The key terms of the Convertible Loans are as follows:

(a) 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. Shareholder Approval was secured at a General Meeting of Shareholder on 1 September 2020.

(b) Face Value: The total Face Value of all the Convertible Loans issued by The Company in June 2020 is $4.6 million.

(c) 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.

(d) Unsecured: The Convertible Loans are unsecured.

(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 on 30 June 2021 is $4,475,000. On 13 January 2021 $200,000 in Convertible Loans were converted to equity at the election of the Holder.

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

### 22. Deferred consideration

| *Deferred consideration* | 2021 ($) | 2020 ($) |
|---|---|---|
| **Current** | | |
| Payable on acquisition of Primepower Queensland Pty Ltd | | |
| Deferred consideration | 305,570 | 1,040,957 |
| Payable on acquisition of Pilbara Trucks Pty Ltd | | |
| Deferred consideration | 322,062 | - |
| *Sub-total* | 627,632 | 1,040,957 |
| **Non-current** | | |
| Payable on acquisition of Primepower Queensland Pty Ltd | | |
| Deferred consideration | - | 229,104 |
| Payable on acquisition of Pilbara Trucks Pty Ltd | | |
| Contingent consideration (Refer to Note 34) | 1,000,000 | - |
| *Sub-total* | 1,000,000 | 229,104 |
| **Total** | **1,627,632** | **1,270,061** |

### 23. Employee liabilities

| *Employee Benefits* | 2021 ($) | 2020 ($) |
|---|---|---|
| **Current** | | |
| Liability for annual leave | 508,183 | 416,523 |
| Liability for long service leave | 64,951 | - |
| *Sub-total* | 573,134 | 416,523 |
| **Non-current** | | |
| Liability for long service leave | 53,820 | 48,311 |
| *Sub-total* | 53,820 | 48,311 |
| **Total** | **626,954** | **464,834** |

### 24. Trade and other payables

| *Trade and other payables* | 2021 ($) | 2020 ($) |
|---|---|---|
| Trade payables | 3,218,730 | 2,559,460 |
| GST liability | 61,019 | (9,323) |
| PAYG Withholdings Payable | 212,969 | 211,336 |
| Superannuation liability | 143,078 | 147,440 |
| Other payables | 10,082 | 252,130 |
| | **3,645,879** | **3,161,043** |

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 28 (c).

### 25. Accruals

| *Accruals* | 2021 ($) | 2020 ($) |
|---|---|---|
| Payroll Tax liability | 106,213 | 8,757 |
| Audit and Tax Services | 51,160 | 25,000 |
| Employee wages | 27,846 | 12,000 |
| Payroll Oncosts | 6,442 | - |
| Consultant Fees | 15,200 | - |
| Other | 5,919 | - |
| Interest accrual | - | 17,928 |
| | **212,780** | **63,685** |

### 26. Provisions

| *Provisions* | 30 June 21 ($) | 30 Jun 20 ($) |
|---|---|---|
| Warranty provision | 45,000 | - |
| | **45,000** | **-** |

### 27. Leases

| *Lease liability* | 2021 ($) | 2020 ($) |
|---|---|---|
| **Current Liability** | | |
| Harrison Road Lease - Babylon Operations | 69,564 | 75,656 |
| Walters Way Lease - Babylon Operations | 110,720 | 102,367 |
| Len Shield Street Lease - Primepower Queensland (main premises) | 115,258 | 109,332 |
| Len Shield Street Lease - Primepower Queensland (storage) | 47,438 | 45,305 |
| Paxton Way Lease - Pilbara Trucks | 19,992 | - |
| Shovelanna Street Lease - Pilbara Trucks | 149,929 | - |
| *Sub-total* | 512,901 | 332,660 |
| | | |
| **Non-current** | | |
| Harrison Road Lease - Babylon Operations | - | 72,423 |
| Walters Way Lease - Babylon Operations | - | - |
| Len Shield Street Lease - Primepower Queensland (main premises) | 236,362 | 358,731 |
| Len Shield Street Lease - Primepower Queensland (storage) | 52,907 | 100,345 |
| Paxton Way Lease - Pilbara Trucks | 38,724 | - |
| Shovelanna Street Lease - Pilbara Trucks | 290,434 | - |
| *Sub-total* | 618,427 | 531,499 |
| **Total** | **1,131,328** | **864,159** |

#### Nature of leasing activities

The group leases a number of properties in the jurisdictions from which it operates. These lease contracts provide for payments to increase each year by inflation.

## 28. Financial risk

### (a) Overview

The Group's activities expose it to a variety of financial risks: credit risk (including foreign currency risk and interest rate risk), liquidity risk, market risk and operational risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on financial performance of the Group.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

### (b) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Due to the size of the Group, and its low nature of risk with respect to financial risk management, the Board is of the opinion that there is no need to establish a Risk Management Committee for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### (c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

Management has established a credit policy under which each new customer and counterparties to transactions are analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes the use of external ratings, when available. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating.

The Group's exposure to credit risk is influenced mainly by the individual credit characteristics of each customer. 100% of revenue is attributable to Australian entities.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

*(i) Impairment of financial assets*

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

*(ii) Trade receivables*

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

The expected loss rates are based on the payment profiles of sales over a period of 18 months before 30 June 2021 or 1 July 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward- looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2021 and 1 July 2020 was determined as follows for trade receivables:

### 28. Financial risk (continued)

| *1-Jul-20* | *Current* | *30 Days* | *60 Days* | *90 days* | *> 90 days* | *Total ($)* |
|---|---|---|---|---|---|---|
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | |
| Gross carrying amount - trade receivables | 1,286,253 | 1,132,908 | 32,837 | 22,726 | 362,503 | 2,837,227 |
| **Loss allowance** | - | - | - | - | - | |

| *30-Jun-21* | *Current* | *30 Days* | *60 Days* | *90 days* | *> 90 days* | *Total ($)* |
|---|---|---|---|---|---|---|
| Expected loss rate | 0% | 0% | 0% | 0% | 49% | |
| Gross carrying amount - trade receivables | 2,138,978 | 1,402,319 | 22,718 | 409,006 | 49,935 | 4,022,956 |
| **Loss allowance** | **-** | **-** | **-** | **-** | **(24,360)** | **(24,360)** |
| Net carrying amount - trade receivables | 2,138,978 | 1,402,319 | 22,718 | 409,006 | 25,575 | 3,998,596 |

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group and failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. Of the impairment losses recognised in the statement of profit or loss as at 30 June 2021 $24,360 (2020: Nil) relates to receivables arising from contracts with customers.

#### (d) Exposure to credit risk

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

| *Exposure to credit risk* | *Notes* | **2021** *($)* | **2020** *($)* |
|---|---|---|---|
| Cash and cash equivalents | **15** | 1,031,903 | 3,563,601 |
| Trade receivables | **14** | 3,998,596 | 2,837,227 |
| Deposits | | 218,023 | 125,309 |
| | | **5,248,522** | **6,526,137** |

#### (e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses a forecast cash flow budget which assists it in monitoring cash flow requirements and optimising its cash return on investments and trading position. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

#### (f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### 28. Financial risk (continued)

#### (g) Currency risk

The Group is exposed to currency risk on purchases of spare parts and plant and equipment that are denominated in US dollars (USD). The Group uses forward exchange and participating forward exchange contracts to manage currency risk.

#### (h) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The financial instruments which primarily expose the Group to interest rate risk are borrowings and cash and cash equivalents. The Group manages its exposure to changes in interest rates on borrowings by using a mix of fixed and floating rate debt. The Group is exposed to movements in market interest rates on short term deposits. The Directors monitor the Group's cash position relative to the expected cash requirements. Where appropriate, surplus funds are placed on deposit earning higher interest. The Group also has short or long-term debt, and therefore the risk is minimal.

#### (i) Profile

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

| *Variable rate instruments* | *Carrying Amount* 2021 *($)* | 2020 *($)* |
|---|---|---|
| Financial assets | 1,031,903 | 3,563,601 |
| Financial liabilities | - | - |
| | **1,031,903** | **3,563,601** |

*(i) Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisations of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the competency of personnel, adequacy of controls and risk management procedures to address the risks identified;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

### 28. Financial risk (continued)

*(ii) Capital management*

The Board's policy is to maintain adequate capital so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group's debt and capital structure includes ordinary share capital and loans and borrowings. The Group is not subject to externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risk and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

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

| *Capital Management* | 2021 *($)* | 2020 *($)* |
|---|---:|---:|
| Total liabilities | 21,079,117 | 15,134,894 |
| Less: cash and cash equivalents | (1,031,903) | (3,563,601) |
| Net debt | 20,047,214 | 11,571,293 |
| | | |
| Total capital | 8,676,244 | 7,837,991 |
| **Debt-to-capital ratio at the end of the period** | **2.31** | **1.48** |

### (j) Fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

*(i) Trade and other receivables and trade and other payables*

Trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value.

*(ii) Share-based payment transactions*

The fair value of the employee share options is measured using the Black-Scholes option valuation methodology. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

*(iii) Fair value hierarchy*

Financial instruments carried at fair value are determined by valuation level, as determined in accordance with the relevant accounting standard. The different levels have been defined as:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between levels during the current or prior year.

All financial assets and liabilities carried at fair value have been deemed to be level 2 within the fair value hierarchy. With respect to specific financial assets and liabilities, the following valuation methods have been used:

Term receivables and fixed interest securities are determined by discounting the cash flows, as at the market interest rates of similar securities, to their present value.

Other loans and amounts due are determined by discounting the cash flows, at market rates of similar borrowings, to their present value.

Other assets and other liabilities approximate their carrying value. The carrying amount of all financial assets and financial liabilities approximate their fair value at reporting date.

### 29. Related parties

#### (a) Individual directors and executives compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

#### (b) Other key management personnel and director transactions

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

| *Director loans* | *Opening balance* | *Issued ($)* | *Repaid ($)* | *Closing balance* |
|---|---|---|---|---|
| Michael Shelby | - | 80,000 | (80,000) | - |
| | **-** | **80,000** | **(80,000)** | **-** |

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

#### (c) Subsidiaries

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

### 30. Group entities

| *Name of entity* | *Country of incorporation* | *Ownership Interests* | |
|---|---|---|---|
| | | **2021** | **2020** |
| **Parent entity** | | | |
| Babylon Pump & Power Limited | Australia | | |
| **Significant subsidiaries** | | | |
| Babylon Operations Pty Ltd | Australia | 100% | 100% |
| Primepower Queensland Pty Ltd | Australia | 100% | 100% |
| Pilbara Trucks Pty Ltd | Australia | 100% | - |

### 31. Dividends

No amounts have been paid, declared or recommended by the Group by way of dividend since the commencement of the financial year to 30 June 2021.

### 32. Subsequent events

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 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 2022 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

No other matters or circumstance have arisen since the end of the financial year that have 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.

### 33. Auditors' remuneration

| *Auditors' Remuneration* | 2021 ($) | 2020 ($) |
|---|---|---|
| **Audit services** | | |
| Audit and review of financial reports | 87,578 | 61,664 |
| | **87,578** | **61,664** |

### 34. 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.

### 34. Business combinations (continued)

***Acquisition of Pilbara Trucks Pty Ltd (trading as Ausblast)***

On 5 March 2021, Babylon Pump & Power Limited acquired 100% of the share capital of Pilbara Trucks Pty Ltd (trading as "Ausblast"). A summary of the acquisition details with respect to the acquisition of Ausblast 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 Ausblast. 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:

| ***Decscription*** | ***Fair value*** |
|---|---|
| Net identifiable assets acquired | 4,575,368 |
| | |
| Cash consideration | 4,418,000 |
| Deferred consideration - shares or cash at Babylon's discretion | 1,000,000 |
| Issue of ordinary Babylon Pump and Power shares | 1,000,000 |
| Deferred consideration for working capital acquired | 322,055 |
| | |
| Less: Total of Pilbara Trucks net assets acquired | (4,575,368) |
| **Amount recognised as goodwill upon acquisition** | 2,164,687 |

- Cash was paid on 5 March 2021 and comprised settlement of the vendor's bank debt on various assets acquired with the remaining balance paid to the vendor's nominated beneficiary.
- Shares in the Group to the value of $1,000,000 (40,000,000 ordinary shares) have been issued on 5 March 2021.
- Deferred consideration of $1000,000 is dependent on the achievement by Ausblast of $1,000,000 EBITDA for the year ended 30 June 2023 and is measured post completion of the audited annual report for that financial year. Subject to achievement of the milestone, settlement will be by the issue of Babylon Pump and Power Ltd shares to the value of $1,000,000 or payment in cash at the election of Babylon.

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

| ***Decscription*** | ***Fair value*** |
|---|---|
| Cash | 652,871 |
| Trade and other receivables | 398,815 |
| Revenue accrual | 65,160 |
| Other receivables | 40,891 |
| Trade and other payables | (107,316) |
| Other payables | (114,752) |
| Deferred tax | (311,614) |
| Dividend payable | (302,000) |
| Property plant and equipment | 4,253,313 |
| **Net identifiable assets acquired** | 4,575,368 |

- Acquisition related legal and other costs have been included as an expense in the statement of profit and loss. A total of $215,509 has been incurred to 30 June 2021.
- 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.
- Had Ausblast been acquired at the beginning of the financial year the Group loss before tax would have decreased by $84,863.

### *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 determined 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 ordinary 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 |

- Deferred consideration was paid in cash made up of three payments to the sum of $950,000. Two remaining instalments were paid during the year ended 30 June 2021 totalling $811,853 with $405,926 paid on 1 July 2020 and $405,927 on 1 October 2020. These payments were 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.

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

- Contingent consideration of $500,000 made up of two payments of $250,000 each which were payable on 1 January 2021 and July 2021. This consideration was contingent on Primepower meeting a revenue performance target of $8.90 million in the year ended 30 June 2020. As Primepower has recorded revenue of $9.08 million this revenue requirement was met, the amount has been settled on the dates noted above. 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.

- 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.

### 34. Business combinations (continued)

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 in previous accounting periods. A total of $116,439 has been incurred to 30 June 2020 comprising $28,910 during the year ended 30 June 2019 and $87,529 during the year ended 30 June 2020.
- Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets at the time of acquisition. Following a review by management goodwill on acquisition of Primepower Queensland has been fully impaired and an impairment loss of $1,049,233 recognised in the statement of profit or loss and other comprehensive income.
- 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.

.

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 Pilbara Trucks (Ausblast) and Primepower Queensland* | *$* |
|---|---|
| Acquisition price | (6,418,000) |
| Cash acquired with business | 652,871 |
| Deferred consideration due to seller of Pilbara Trucks at year end | 1,322,062 |
| **Cash outflow in relation to Pilbara Trucks (Ausblast)** | (4,443,067) |
| Deferred consideration due to seller of Primepower Queensland at beginning of year | (1,270,061) |
| Deferred consideration due to seller of Primepower Queensland at year end | 305,570 |
| **Cash outflow in relation to Primepower Queensland** | (964,491) |
| **Cash outflow in statement of cashflows in relation to business acquisitions** | (5,407,558) |

### 35. Parent entity disclosures

| *Financial Position* | 30 June 2021 *($)* | 30 June 2020 *($)* |
|---|---|---|
| **Assets** | | |
| Current assets | 441,527 | 3,615,271 |
| Non-current assets | 14,843,982 | 10,345,341 |
| **Total Assets** | **15,285,509** | **13,960,612** |
| | | |
| **Liabilities** | | |
| Current liabilities | 5,599,055 | 5,890,783 |
| Non-current liabilities | 1,010,210 | 231,838 |
| **Total liabilities** | **6,609,265** | **6,122,621** |
| | | |
| **Net Assets / (Liabilities)** | **8,676,244** | **7,837,991** |
| | | |
| **Equity** | | |
| Share capital | 43,037,272 | 35,577,677 |
| Reserves | - | 140,000 |
| Accumulated losses | (34,361,028) | (27,879,686) |
| **Total Equity / (Deficiency)** | **8,676,244** | **7,837,991** |

| *Financial Performance* | 30 June 2021 *($)* | 30 June 2020 *($)* |
|---|---|---|
| Loss for the year | (6,481,342) | (2,958,152) |
| Other comprehensive income | - | - |
| **Total comprehensive income** | **(6,481,342)** | **(2,958,152)** |

#### (i) Guarantees provided in relation to subsidiaries

Babylon Pump & Power Limited provides a parent-Company guarantee in respect to asset finance, invoice finance and trade finance facilities established by Babylon (see note 21).

### 36. Contingencies and capital commitments

There are no contingencies or capital commitments on 30 June 2021 (30 June 2020: Nil).

### 37. Registered Office and Principal Place of Business

**The registered office of The Company is:**
74 Harrison Road, Forrestfield
Western Australia 6058

**The principal place of business of The Company is:**
74 Harrison Road, Forrestfield
Western Australia 6058

# Directors' declaration

## For the year ended 30 June 2021

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

(a) the Group's financial statements and notes set out on pages 19 to 59 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance, for the financial period ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as set out in note 2(a);

(c) the remuneration disclosures that are contained in the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the *Corporations Act 2001* and the Corporations Regulations 2001.

(d) there are reasonable grounds to believe that the Group will be able to pay its debts and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Board for the year ended 30 June 2021.

Signed in accordance with a resolution of the directors:

Michael Shelby
*Executive Chairman*

Dated at Perth this 24th day of September 2021.

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**INDEPENDENT AUDITOR'S REPORT**

To the members of Babylon Pump & Power Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Babylon Pump & Power Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty related to going concern**

We draw attention to Note 2(d) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

**Acquisition of Pilbara Trucks Pty Ltd**

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| During the year, the Group acquired Pilbara Trucks Pty Ltd as disclosed in Note 34.<br><br>Accounting for acquisitions is complex and requires management to make significant judgements and estimates in determining the fair value of consideration paid including the assessment of contingent consideration and in determining the fair value of assets and liabilities acquired. | Our procedures included, but were not limited to the following:<br>• Reviewing the purchase and sale agreements to understand the terms and conditions of the acquisition;<br>• Evaluating management's application of the applicable Australian Accounting Standards;<br>• Assessing management's calculation of the total consideration including challenging the key assumptions made in determining the contingent consideration;<br>• Challenging the methodology and assumptions utilised to determine the fair value of assets and liabilities acquired, including assessing the competency of management experts used; and<br>• Assessing the adequacy of the Group's disclosures as disclosed in Note 34 to the financial report. |

## Carrying Value of Goodwill

| *Key audit matter* | *How the matter was addressed in our audit* |
| --- | --- |
| The carrying value of goodwill as at 30 June 2021 is disclosed in Note 11.<br><br>An annual impairment test for goodwill is required under the relevant Australian Accounting Standards.<br><br>The assessment of the carrying value of goodwill is considered to be a key audit matter due to the significance of the asset to the Group's consolidated statement of financial position, and the assessment requires management to make significant judgements and estimates in determining the recoverable amount of goodwill. | Our procedures included, but were not limited to the following:<br><br>• Assessing the appropriateness of the Group's categorisation of Cash Generating Units ("CGUs") and the allocation of assets to the carrying value of CGUs based on our understanding of the Group's business and the Group's internal reporting;<br><br>• Challenging key inputs used in the value in use calculations including the following:<br><br>- In conjunction with our valuation specialist, assessing the appropriateness of the discount rate utilised by management;<br><br>- Comparing growth rates with historical data and knowledge of the business; and<br><br>- Performing sensitivity analysis on the revenue, growth rates, gross profit margins and discount rates;<br><br>• Assessing the adequacy of the Group's disclosures and impairment assessment methodology as disclosed in Notes 2(e) and Note 11 to the financial report |

## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the Financial Report**

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 11 to 17 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Babylon Pump & Power Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit (WA) Pty Ltd**

BDO

**Jarrad Prue**

Director

Perth, 24 September 2021

# ASX Additional Information

## For the year ended 30 June 2021

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is current as at 24th September 2021.

**Twenty largest holders of quoted equity securities.**

| Position | Shareholder / Group Name | Number of fully paid shares | Percentage of fully paid shares |
|---|---|---|---|
| 1 | G & N LORD SUPERANNUATION PTY LTD<br><GNR SUPERANNUATION FUND A/C> | 157,507,454 | 13.68% |
| 2 | CHESAPEAKE CAPITAL LTD | 44,169,514 | 3.84% |
| 3 | FGI HOLDINGS PTY LTD<br><RNH INVESTMENT A/C> | 40,015,650 | 3.48% |
| 4 | CMC INDUSTRIES PTY LTD | 40,000,000 | 3.47% |
| 5 | MR GEOFFREY FREDERICK LORD | 33,861,038 | 2.94% |
| 6 | HAYES SUPERANNUATION INVESTMENTS PTY LTD<br><ALLAN HAYES S/FUND NO 2 A/C> | 29,000,000 | 2.52% |
| 7 | CHEMCO SUPERANNUATION FUND PTY LTD<br><CHEMCO SUPER FUND NO 2 A/C> | 22,080,000 | 1.92% |
| 8 | OODACHI PTY LTD<br><P & M KERR FAMILY A/C> | 21,200,000 | 1.84% |
| 9 | MCNEIL NOMINEES PTY LIMITED | 20,000,000 | 1.74% |
| 10 | T T NICHOLLS PTY LTD<br><SUPERANNUATION ACCOUNT> | 19,304,797 | 1.68% |
| 11 | BNP PARIBAS NOMINEES PTY LTD<br><IB AU NOMS RETAILCLIENT DRP> | 19,169,069 | 1.67% |
| 12 | DONEGAN SUPERANNUATION NOMINEES PTY LTD<br><DONEGAN MACKAY S/F A/C> | 18,757,919 | 1.63% |
| 13 | MR RICHARD THOMAS HAYWARD DALY &<br>MRS SARAH KAY DALY<br><DALY FAMILY S/F TOM A/C> | 16,018,030 | 1.39% |
| 14 | MR ANDREW LENOX HEWITT | 12,992,745 | 1.13% |
| 15 | RUSSELL HOWARD PTY LTD<br><RUSSELL HOWARD S/F A/C> | 12,683,541 | 1.10% |
| 16 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 12,000,002 | 1.04% |
| 17 | MR CHARLES FARQUHARSON &<br>MRS JAYNE FRANKLIN FARQUHARSON<br><C & J FARQUHARSON S/F A/C> | 12,000,000 | 1.04% |
| 18 | SCOTCH INVESTMENTS PTY LTD<br><SCOTCH INVESTMENTS A/C> | 10,000,000 | 0.87% |
| 19 | MRS JILLIAN MARIA NOEL TAYLOR | 9,200,000 | 0.80% |
| 20 | MR TIMOTHY GRANTHAM SIMPSON HOSKING | 9,070,361 | 0.79% |
| | **Total** | **559,030,120** | **48.56%** |
| | **Total Issued Capital - Selected Security Class(es)** | **1,151,277,554** | **100.00%** |

### Distribution of equity security holders

*Ordinary Share Capital*

1,151,277,554 fully paid ordinary shares are held by 941 individual shareholders. All issued ordinary shares carry one vote each.

*Options*

There are currently no unlisted options.

Following is a distribution schedule of the number of holders in each class of equity securities:

| *Holding Ranges* | *Holders* | *Total Units* | *% Issued Share Capital* |
|---|---|---|---|
| above 0 up to and including 1,000 | 91 | 12,558 | 0.00% |
| above 1,000 up to and including 5,000 | 23 | 58,997 | 0.01% |
| above 5,000 up to and including 10,000 | 5 | 28,867 | 0.00% |
| above 10,000 up to and including 100,000 | 241 | 13,544,879 | 1.18% |
| above 100,000 | 581 | 1,137,632,253 | 98.81% |
| **Totals** | **941** | **1,151,277,554** | **100.00%** |

The number of shareholders holding less than a marketable parcel of ordinary shares is 198.

### Substantial shareholders

The names of the substantial shareholders who have notified the Company in accordance with section 671B of the Corporation Act 2001 are:

| *Position* | *Shareholder / Group Name* | *Number of fully paid shares* | *Percentage of fully paid shares* |
|---|---|---|---|
| 1 | G & N LORD SUPERANNUATION PTY LTD <GNR SUPERANNUATION FUND A/C> | 157,507,454 | 13.68% |