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**Babylon Pump & Power Limited**

**ACN 009 436 908**

**and its controlled entities**

**2022 Annual Report**

**Year ended 30 June 2022**

## Corporate Directory

### Directors

Mr James Cullen  
Non-Executive Chairman

Mr Michael Shelby  
Managing Director

Mr Patrick Maingard  
Non-Executive Director

Ms Louise Bower  
Non-Executive Director

Mr Michael Kenyon  
Non-Executive Director

### Company Secretary

Mr Michael Kenyon

### Registered & Principal Office

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FORRESTFIELD WA 6309  
AUSTRALIA

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Email: [admin@babylonpumpandpower.com](mailto:admin@babylonpumpandpower.com)  
Website: [www.babylonpumpandpower.com](http://www.babylonpumpandpower.com)

### Postal Address

PO Box 31  
COMO WA 6952  
AUSTRALIA

### 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  
Level 9  
Mia Yellagonga Tower 2  
5 Spring Street  
PERTH WA 6000  
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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# Directors' report

For the year ended 30 June 2022



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 2022 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 James Cullen

*Non-Executive Chairman*

Mr Cullen is a highly experienced executive who has served as CEO of three successful ASX listed mining service companies over the past 27 years. He is currently the Chief Executive Officer of Pacific Energy Ltd, a large Australian power station and renewable energy developer, owner and operator. Mr Cullen is also a Board member of Guide Dogs WA and Ear Science Institute Australia.

Prior to joining Pacific Energy Ltd in 2015 Mr Cullen served as Chief Executive Officer of Resource Equipment Ltd (2008-2014) and PCH Group Ltd (1995-2007). All three companies commenced as ASX-listed micro-cap mining service companies before growing significantly and ultimately being acquired under takeover offers.

In addition to his board-level experience, Mr Cullen is a qualified Chartered Accountant with strong financial and governance background and formal qualifications.

Mr Cullen was appointed Non-Executive Chairman on 18th May 2022.

### Mr Michael Shelby

*Managing Director*

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 15 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 Managing Director and Executive Chairman on 18 December 2017 and resigned from his position as Executive Chairman on the appointment of James Cullen as Non-Executive Chairman.

### 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.

Mr Maingard holds a MSc Management from Oxford University.

# Directors' report

## For the year ended 30 June 2022



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.

Mr Kenyon was appointed as a Non-Executive Director and Company Secretary on 18 December 2017.

### Ms Louise Bower

*Non-Executive Director*

Ms Bower has accumulated over 30 years' experience in senior executive roles across varied industry sectors and jurisdictions including Australia, South Africa and the United Kingdom.

Ms Bower is currently Non-Executive Director at Perth-based DUG Technology Ltd (ASX:DUG) – a technology company providing high-performance computing with a strong foundation in applied physics. Prior to this, Ms Bower held the positions of Executive Director and Chief Financial Officer at DUG where she was responsible for global commercial operations including financial planning, management and financial risks and governance.

Ms Bower holds an Honours Degree in Accounting Science from the University of South Africa and is a Chartered Accountant.

Ms Bower was appointed Non-Executive Director on 1st November 2021.

### 1. Interests in Performance Rights, Convertible Notes and Shares in 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	30 June 2022 Performance Rights	30 June 2022 Convertible Notes	30 June 2022 Ordinary Shares	As at Report Date Ordinary Shares
James Cullen <sup>(1)</sup>	-	300,000	25,000,000	61,345,000
Michael Shelby <sup>(2)</sup>	22,995,000	-	14,296,827	15,963,493
Patrick Maingard <sup>(2)</sup>	13,383,332	-	6,289,446	10,456,112
Michael Kenyon <sup>(2)</sup>	3,345,813	-	1,329,816	2,393,668
Louise Bower	-	-	-	-
	<b>39,724,145</b>	<b>300,000</b>	<b>46,916,089</b>	<b>84,108,273</b>

(1) Mr Cullen indirectly held 300,000 Convertible Notes and 25,000,000 Ordinary Shares in the Company as at the 30<sup>th</sup> June 2022. Following the uptake of the non-renounceable pro-rata offer of New Shares to Eligible Shareholders on the basis of four (4) New Shares for every five (5) Share held at an issue price of \$0.006 on the 6<sup>th</sup> July 2022 and the conversion/settlement of convertible notes, the number of Ordinary Shares indirectly held in the Company at the date of this report was 55,295,000.

(2) The increase in the number of Ordinary Shares held at the date of this report represents the Director's participation in the non-renounceable pro-rata offer to Eligible Shareholders which was announced on the 9<sup>th</sup> June 2022 and concluded on 6<sup>th</sup> July 2022.

### Directors' meetings

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

<b>Director</b>	<b>Board Meetings</b>		<b>Audit and Risk Committee</b>	
	<b>Held</b>	<b>Attended</b>	<b>Held</b>	<b>Attended</b>
James Cullen <sup>(1)</sup>	2	2	-	-
Michael Shelby	12	12	2	2
Patrick Maingard	12	12	2	2
Michael Kenyon	12	12	2	2
Louise Bower <sup>(2)</sup>	8	8	2	2

(1) James Cullen appointed 18th May 2022  
 (2) Louise Bower appointed 1 November 2021

The Audit and Risk Committee was formed in December 2021 and is comprised of Ms Louise Bower as Chairperson, Mr Michael Kenyon and Mr Patrick Maingard with Mr Michael Selby and Mr James Cullen being standard invitees.

### 2. Principal activities

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

Group business operations comprise:

- 2.1) A rental and maintenance business; Babylon Operations Pty Ltd ("Babylon Operations"), which includes (i) heavy diesel maintenance, (ii) pumping and dewatering, and (iii) equipment rental and servicing located at a number of mine sites across WA.
- 2.2) Primepower Queensland based in Mackay, Queensland provides engine rebuilding, service and spare parts to the mining, oil and gas and other industries with a modern fully equipped workshop.
- 2.3) Pilbara Trucks Pty Ltd, trading as Ausblast business provides high-pressure water blasting and ancillary services to the resources sector.

### 3. Dividends

No dividends have been paid or declared by the Group since the end of the current and previous financial year.

### 4. 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.

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

The following significant events took place during the financial year.

On the 9<sup>th</sup> June 2022, the Company announced a fully underwritten non-renounceable pro-rata offer of New Shares to Eligible Shareholders on the basis of four (4) New Shares for every five (5) Share held at an issue price of \$0.006 to raise \$6.36 million before costs and the placement of 172.69 million New Shares to professional and sophisticated investors to raise \$1.04 million before costs

On the 14<sup>th</sup> June 2022, Placement shares of 172,691,600 were issued raising \$1,036,150 before costs.

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

On completion of the capital raise on the 6<sup>th</sup> July 2022, Non-Renounceable shares of 1,059,175,323 were issued raising \$5,004,000 in cash, before costs and converting \$1,351,051 in convertible notes.

# Directors' report

For the year ended 30 June 2022



On the 7<sup>th</sup> July 2022, convertible notes amounting to \$4,475,000 were settled using cash of \$3,123,949 and through the issue of 225,175,211 shares.

The remainder of the funds raised will be used to grow the specialist equipment rental fleet and rental capabilities of the Company.

The Company executed a business asset acquisition agreement on 3<sup>rd</sup> August 2022 to acquire the operational assets of Resource Water Group ("RWG") for \$3.0 million structured as follows:

- Cash due on Completion: \$0.5 million
- Shares issued on Completion: \$0.5 million (issue price of \$0.0067; escrowed for 12 months)
- Deferred cash: \$2.0 million

The deferred cash component will be partially funded by financing RWG's underlying fixed asset base by 30 November 2022, with interest payable at 10% until settlement. The balance of the cash consideration will be funded using proceeds from the recent placement and rights issue.

Under the business acquisition agreement, Babylon will acquire the operational assets (independently valued at over \$2.0 million), goodwill, contracts, and intellectual property of RWG. RWG's founder, Mr Frank Ashe, has entered a services contract and will become a member of the Group's senior executive. Three other RWG employees will also commence employment with Babylon. Babylon estimates that the purchase price represents a multiple of 3 times the expected net EBITDA contribution from the RWG assets.

The Company also advises that with effect from 31 August 2022, Mr Patrick Maingard will transition from executive director to non-executive director and Mr Michael Kenyon will retire from his role as non-executive director but will continue in his role as company secretary on a part-time basis.

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.

## 7. Likely developments and expected results of operations

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.

## 8. Environmental regulation

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

## 9. 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 the financial year ended 30<sup>th</sup> June 2022, so it is a significant achievement by staff and management to report annual revenue of \$27.5 million representing an increase of 29% over the previous year and improving EBITDA loss by 60%.

The Company has made investments in assets, people and facilities during the year, while restructuring the business and improving profitability.

The Company reported a loss before interest, taxation, depreciation and amortisation (EBITDA) of \$1.1 million (FY21 loss \$2.8 million) and a net loss after tax of \$5.2 million (FY21 net loss \$6.4 million).

The table below provides a comparison of the key results for the year ended 30 June 2022 to the preceding year ended 30 June 2021:

<b>Statement of Profit or Loss</b>	<b>Change %</b>	<b>30 June 2022 \$</b>	<b>30 June 2021 \$</b>
Revenue from Operations	29%	27,517,238	21,331,973
EBITDA (a non-IFRS measure)	60%	(1,123,922)	(2,816,725)
Reported loss after tax attributable to members	18%	(5,209,881)	(6,357,777)

### **Review of operations**

The Company's trading entities include Babylon Operations, Primepower Queensland and Pilbara Trucks (Ausblast).

#### **(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 pumping and power generation equipment, and (ii) maintenance and engine rebuild services for large equipment. Babylon Operations continues to receive strong and growing demand from major mining and oil & gas service companies.

#### **(ii) Primepower Queensland**

Primepower Queensland's core activity comprises maintenance and engine rebuild services for large equipment. The business has been significantly restructured to focus on core capabilities to position it for sustainable profitable growth in future periods. Initiatives during the year have resulted in lowering overhead costs, gaining efficiencies, and moving the business towards EBITDA profit.

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

Pilbara Trucks Pty Ltd was acquired in March 2021 and this is the first full 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 business was restructured, and management was changed during the year. Focus on equipment utilisation via smaller projects has returned the business to positive EBITDA whilst growing capability and positioning the business for profitable growth in future periods.

#### **10. Non-Executive Chairman and Managing Director Report**

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

Babylon via its executive team is focused on the following core business revenue streams:

- Equipment rental supporting water management and industrial services
- Asset maintenance services

Babylon has experienced rapid growth since inception. Whilst COVID-19 has created challenges on both supply and client sides of the Group, staff and management have achieved continued growth in the financial year ended 30<sup>th</sup> June 2022 while restructuring to improve profitability and refocusing on higher margin rental services. Babylon continues to execute in a rapid growth phase of its business cycle as the Company invests in people and facilities as it and acquires assets and other companies for sustained growth.

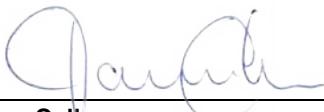
Babylon has a strong operational foundation in key geographical hubs in Western Australia and Queensland. The Company has strengthened the Board during the financial year ended 30<sup>th</sup> June 2022, welcoming two new Board members to support growth in the higher margin water management and rental sectors while repurposing capability in asset maintenance services.

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 19 and forms part of the directors' report for the twelve months ended 30 June 2022.

Signed in accordance with a resolution of the directors.



**James Cullen**  
Non-Executive Chairman

Dated at Perth this 31<sup>st</sup> day of August  
2022



**Michael Shelby**  
Managing Director

Dated at Perth this 31<sup>st</sup> day of August 2022

## 11. 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 (KMP) of the Group. Remuneration is referred to as compensation throughout this report.

## 12.1 Key management personnel included in this report

Name of KMP	Position held	Term as KMP to 30 June 2022
James Cullen	Non-Executive Chairman	Appointed 18 May 2022
Michael Shelby <sup>(1)</sup>	Managing Director	Full Financial Year
Patrick Maingard	Executive Director	Full Financial Year
Michael Kenyon	Non-Executive Director and Company Secretary	Full Financial Year
Louise Bower	Non-Executive Director	Appointed 1 November 2021
Craig Batterham	National General Manager	Appointed 28 June 2021
Gary Credaro	Chief Financial Officer	Appointed 1 January 2022
Barry Kingsley	General Manager - Ausblast	Appointed 31 January 2022
Alan Ings	Chief Financial Officer	Ceased as at 31 December 2021

1. Michael Shelby was appointed Managing Director and Executive Chairman on 18 Dec 2017 and resigned from his position as Executive Chairman on the appointment of James Cullen as Non-Executive Chairman.

## 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. Directors' fees cover all main Board activities.

For the year ended 30 June 2022, exclusive of superannuation guarantee, the annual cash remuneration for non-executives was \$91,419 (30 June 2021 \$47,500). The total remuneration paid to the Group's non-executive directors 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 2022. 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**

<b>Consolidated</b>	<b>2022</b> \$	<b>2021</b> \$	<b>2020</b> \$	<b>2019</b> \$	<b>2018</b> \$
Revenue	27,517,238	21,331,973	17,199,633	11,509,158	1,628,357
Net Loss before tax	(5,209,881)	(6,357,777)	(1,777,623)	(2,209,222)	(1,122,333)
Net loss after tax	(5,209,881)	(6,357,777)	(1,777,623)	(2,209,222)	(1,122,333)
Share price at start of year	0.017	0.018	0.017	0.016	0.001
Share price at end of year	0.005	0.017	0.018	0.017	0.016
Interim and final dividend	-	-	-	-	-
Basic loss per share	(0.0045)	(0.0068)	(0.0025)	(0.0059)	(0.0013)

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

**Employment contracts of executive key management personnel**

Executive key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. A summary of the agreements are set out below:

Michael Shelby, *Managing Director*

- (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.

Patrick 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 \$150,000 per annum exclusive of superannuation;
- (c) Eligible for annual cash bonus payment upon the achievement of key performance criteria to be agreed with the Board;
- (d) Is capable of termination by both parties on four weeks notice;
- (e) The agreement may be terminated for serious misconduct, in which case the Group is not required to pay any compensation;
- (f) Implied performance condition performance rights will be granted at discretion of the board upon termination.

Gary Credaro, *Chief Financial Officer*

- (a) Terms of agreement – commencing 1<sup>st</sup> January 2022;
- (b) Base salary \$200,000 per annum exclusive of superannuation;
- (c) Eligible for quarterly Board authorised discretionary bonus payments;
- (d) Is capable of termination by either party on a six 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.

Craig Batterham, *National General Manager (NGM)*

- (a) Terms of agreement – commenced in position from 28<sup>th</sup> June 2021;
- (b) Base salary \$280,000 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 six 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.

Barry Kingsley, *General Manager – Pilbara Trucks Pty Ltd trading as Ausblast*

- (a) Terms of agreement – commenced in position from 31<sup>st</sup> January 2022;
- (b) Base salary \$175,000 per annum exclusive of superannuation;
- (c) Provided with motor vehicle allowance of \$20,000 per annum;
- (d) Eligible for quarterly Board authorised discretionary bonus payments;
- (e) Is capable of termination by either party on a three 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.

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**Directors' report**  
For the year ended 30 June 2022



**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 2022 are as follows:

	Year	Salary & fees	Salary non-cash	Employee Performance / Bonus	Employee allowances	Post-employment superannuation	Share-based payments (shares)	Performance rights expense	Total	Performance Related % of remuneration
		\$	\$	\$	\$	\$	\$	\$	\$	
<b>Directors</b>										
James Cullen	2022	-	-	-	-	-	-	-	-	0%
	2021	-	-	-	-	-	-	-	-	0%
Michael Shelby	2022	270,000	-	-	-	27,000	-	123,425	1	420,425
	2021	262,500	-	-	-	24,938	-	54,127	1	341,564
Patrick Maingard	2022	150,000	-	-	-	15,000	-	81,056	1	246,056
	2021	187,500	-	-	-	17,812	-	27,725	1	233,037
Michael Kenyon	2022	54,750	-	-	-	-	-	14,243	1	68,993
	2021	47,500	-	-	-	4,513	-	6,931	1	58,944
Louise Bower	2022	36,667	-	-	-	-	-	-	36,667	0%
	2021	-	-	-	-	-	-	-	-	0%
<b>Other key management personnel</b>										
Alan Ings	2022	126,051	-	-	360	10,500	-	(10,545)	1,3	126,366
	2021	206,667	-	-	-	19,633	20,000	27,960	1,6	274,260
Gary Credaro	2022	100,000	-	-	-	10,000	-	-	2	110,000
	2021	-	-	-	-	-	-	-	-	0%
Craig Batterham	2022	249,308	33,782	52,628	960	30,076	-	58,055	1,4	424,809
	2021	127,769	-	-	553	12,138	-	-	-	140,460
Barry Kingsley	2022	73,590	-	-	8,333	8,192	-	-	-	90,115
	2021	-	-	-	-	-	-	-	-	0%
Mark Lagemann	2022	62,580	-	-	-	-	-	-	5	62,580
	2021	226,769	23,585	10,000	952	22,493	-	-	4,5	283,799
	<b>2022</b>	<b>1,122,946</b>	<b>33,782</b>	<b>52,628</b>	<b>9,653</b>	<b>100,768</b>	<b>-</b>	<b>266,234</b>	<b>1,586,011</b>	
	<b>2021</b>	<b>1,058,705</b>	<b>23,585</b>	<b>10,000</b>	<b>1,505</b>	<b>101,528</b>	<b>20,000</b>	<b>116,743</b>	<b>1,332,065</b>	

Note 1: Expense relates to performance rights issued. Refer to notes 12.4(b) and 14 in the Remuneration Report.

Note 2: Mr. Credaro commenced employment as CFO on 1<sup>st</sup> January 2022.

Note 3: Mr Ings ceased as CFO on 31 December 2021.

Note 4: Commission / bonus paid for sales achievements

Note 5: Mr Lagemann ceased on 25 June 2021 with final payment in July 2021.

Note 6: 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

# Directors' report

For the year ended 30 June 2022



## 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 held in the Company either directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

Key Management Personnel (KMP)	Opening balance 1 July 2021	Purchases	Received on vesting of performance rights	Received as a component of remuneration	Sales	Becoming/(ceasing) to be a KMP	Closing balance 30 June 2022
James Cullen	-	-	-	-	-	25,000,000	25,000,000
Michael Shelby	14,296,827	-	-	-	-	-	14,296,827
Patrick Maingard	6,289,446	-	-	-	-	-	6,289,446
Michael Kenyon	1,329,816	-	-	-	-	-	1,329,816
Louise Bower	-	-	-	-	-	-	-
Alan Ings <sup>(1)</sup>	833,333	-	-	-	-	(833,333)	-
Craig Batterham	-	498,515	-	-	-	-	498,515
Gary Credaro	-	-	-	-	-	-	-
Barry Kingsley	-	-	-	-	-	-	-
	<b>22,749,422</b>	<b>498,515</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,166,667</b>	<b>47,414,604</b>

(1) Mr Ings ceased on 31 December 2021

Following the uptake of the non-renounceable pro-rata offer of New Shares to Eligible Shareholders on the basis of four (4) New Shares for every five (5) Share held at an issue price of \$0.006 on the 6<sup>th</sup> July 2022 and the conversion of convertible notes, the number of ordinary shares held in the Company either, directly, indirectly or beneficially, by Directors, including their related parties, is as follows:

Director	30 June 2022 Ordinary Shares	Report Date Ordinary Shares
James Cullen	25,000,000	61,345,000
Michael Shelby	14,296,827	15,963,493
Patrick Maingard	6,289,446	10,456,112
Michael Kenyon	1,329,816	2,393,668
Louise Bower	-	-
	<b>46,916,089</b>	<b>84,108,273</b>

#### (b) Movements in performance rights

The movement during the reporting period in the number of performance rights in the Company 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 compensation	Cancelled	Leaver	Closing balance	Vested and exerciseable at the end of the year
Michael Shelby	22,995,000	-	-	-	22,995,000	-
Patrick Maingard	13,383,332	-	-	-	13,383,332	-
Michael Kenyon	3,345,813	-	-	-	3,345,813	-
Louise Bower	-	-	-	-	-	-
Alan Ings (1)	13,497,064	-	-	(13,497,064)	-	-
Craig Batterham	-	14,204,345	-	-	14,204,345	-
Gary Credaro	-	-	-	-	-	-
	<b>53,221,209</b>	<b>14,204,345</b>	<b>-</b>	<b>(13,497,064)</b>	<b>53,928,490</b>	<b>-</b>

(1) Mr Ings ceased on 31 December 2021, but continues to hold 4,499,021 performance rights.

# Directors' report

For the year ended 30 June 2022



## 12 Remuneration report – audited (continued)

### Performance Rights

At 30 June 2022, the unissued ordinary shares of the Group under performance rights are as follows:

Class	Grant Date	Number Under Performance Rights	Value at Grant Date \$	Vesting Date	Management Probability Assessment on grant date	Management Probability Assessment 30 June 2022
A1	28 Jan 2021	11,497,500	344,925	30 Sep 2023	100%	30%
A1	1 Feb 2021	8,364,573	225,843	30 Sep 2023	100%	30%
A1	1 Jul 2021	7,102,173	134,941	30 Sep 2023	100%	30%
B1	28 Jan 2021	5,748,750	172,463	30 Sep 2023	0%	50%
B1	1 Feb 2021	4,182,286	112,922	30 Sep 2023	0%	47%
B1	1 Jul 2021	3,551,086	67,471	30 Sep 2023	0%	50%
C1	28 Jan 2021	5,748,750	172,463	30 Sep 2023	0%	83%
C1	1 Feb 2021	4,182,286	112,922	30 Sep 2023	0%	83%
C1	1 Jul 2021	3,551,086	67,471	30 Sep 2023	0%	83%
		<b>53,928,490</b>	<b>1,411,419</b>			

#### 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. On achievement of vesting conditions, the Performance Rights convert to ordinary shares on a 1 for 1 basis.

Class	Performance Condition	Vesting Date
Class A1	The Group achieving certain targets: FY21 FY22 FY23 Revenue \$24m \$30m \$40m Return on capital 11% 12% 14% EBITDA 8% 10% 12%	30-Sep-23
Class B1	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	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

# Directors' report

For the year ended 30 June 2022



## 12 Remuneration report – audited (continued)

### 13. 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.

### 14. Other transactions with key management personnel

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

Director Loans	Opening balance 1 July 2021	Issued	Repaid	Closing Balance 30 June 2022
	\$	\$	\$	\$
Patrick Maingard	-	100,000	(100,000)	-

Terms of the loan from a director are outlined below:

- Security: unsecured;
- Term: from 3<sup>rd</sup> February 2022 to 31 March 2022; and
- Annual interest rate: 8%.

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

The Company received 86.63% of "yes" votes on its remuneration report for the 2021 financial year (2020: 81.9%). The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

### 16. Use of remuneration consultants

There were no remuneration consultants used by the Group during the year ended 30 June 2022.

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

### 17. Non-audit services

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

Non-Audit Services	30 June 2022	30 June 2021
	\$	\$
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
	-	<b>9,615</b>

**18. Proceedings on behalf of The Company**

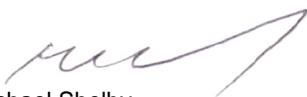
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

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*.

**19. 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 2022.

This report is made with a resolution of the directors:



Michael Shelby  
Managing Director

Dated this 31<sup>st</sup> day of August 2022

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## DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF BABYLON PUMP & POWER LIMITED

As lead auditor of Babylon Pump & Power Limited for the year ended 30 June 2022, 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.



Ashleigh Woodley

Director

BDO Audit (WA) Pty Ltd

Perth

31 August 2022

# Consolidated statement of profit or loss and other comprehensive income



For the year ended 30 June 2022

	Notes	30 June 2022 \$	30 June 2021 \$
Revenue from contracts with customers	4 & 5	27,517,238	21,331,973
Other income	10	170,437	330,976
Changes in inventories of finished goods and work in progress		(1,425,290)	2,575,232
Raw materials and consumables used		(18,480,380)	(17,976,918)
Employee benefits expense	6	(6,839,673)	(5,182,649)
Administration and corporate expense	7	(2,019,825)	(2,846,106)
Impairment of goodwill	13	-	(1,049,233)
Depreciation and amortisation	12	(2,784,596)	(2,330,862)
Other expense	11	(46,429)	-
Finance income		109	360
Finance expense	9	(1,301,472)	(1,522,164)
<b>Loss before tax from continuing operations</b>		<b>(5,209,881)</b>	<b>(6,669,391)</b>
Income tax benefit / (expense)	8	-	311,614
<b>Loss after income tax for the period</b>		<b>(5,209,881)</b>	<b>(6,357,777)</b>
Other comprehensive Income		-	-
<b>Total comprehensive loss for the year attributable to the members of Babylon Pump &amp; Power Limited</b>		<b>(5,209,881)</b>	<b>(6,357,777)</b>
<b>Loss attributable to:</b>			
Equity holders of the company		(5,209,881)	(6,357,777)
<b>Loss for the period</b>		<b>(5,209,881)</b>	<b>(6,357,777)</b>
<b>Loss per share for loss attributable to the members of Babylon Pump &amp; Power Limited:</b>			
Basic loss per share	22	(0.0045)	(0.0068)

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 2022

	Notes	30 June 2022 \$	30 June 2021 \$
<b>Current Assets</b>			
Cash and cash equivalents	17	2,241,422	1,031,903
Trade receivables	16	4,360,351	3,998,596
Inventories	15	7,654,963	9,080,252
Current tax assets		78,814	-
Prepayments and other assets		163,754	181,104
<b>Total Current Assets</b>		<b>14,499,304</b>	<b>14,291,855</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	12	10,708,673	11,167,172
Deposits		55,917	218,023
Goodwill	13	2,982,572	2,982,572
Right-of-use assets	14	774,866	1,095,739
<b>Total Non-Current assets</b>		<b>14,522,028</b>	<b>15,463,506</b>
<b>Total Assets</b>		<b>29,021,332</b>	<b>29,755,361</b>
<b>Current Liabilities</b>			
Trade and other payables	26	6,029,664	3,858,659
Employee liabilities	25	391,079	573,134
Provisions	27	-	45,000
Borrowings	23	12,196,619	9,170,715
Deferred consideration	24	1,152,932	627,632
Lease liabilities	28	570,422	512,901
<b>Total Current Liabilities</b>		<b>20,340,716</b>	<b>14,788,041</b>
<b>Non-Current Liabilities</b>			
Borrowings	23	3,364,093	4,307,215
Deferred consideration	24	-	1,000,000
Employee liabilities	25	85,304	53,820
Lease liabilities	28	243,792	618,427
<b>Total Non-Current Liabilities</b>		<b>3,693,189</b>	<b>5,979,462</b>
<b>Total Liabilities</b>		<b>24,033,905</b>	<b>20,767,503</b>
<b>Net Assets</b>		<b>4,987,427</b>	<b>8,987,858</b>
<b>Equity</b>			
Share capital	19	44,004,297	43,037,272
Reserves	20	430,474	188,049
Accumulated losses		(39,447,344)	(34,237,463)
<b>Total Equity</b>		<b>4,987,427</b>	<b>8,987,858</b>

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 2022

## Attributable to equity holders of the Group

Consolidated Statement of Changes in Equity	Notes	Share Capital	Share Based Payment Reserve	Accumulated Losses	Total Equity
		\$	\$	\$	\$
<b>Balance as at 1 July 2020</b>		<b>35,577,677</b>	<b>140,000</b>	<b>(27,879,686)</b>	<b>7,837,991</b>
<b>Total comprehensive loss for the period</b>					
Loss for the period		-	-	(6,357,777)	(6,357,777)
Other comprehensive loss		-	-	-	-
<b>Total comprehensive loss for the period</b>		<b>-</b>	<b>-</b>	<b>(6,357,777)</b>	<b>(6,357,777)</b>
Issue of ordinary shares		7,650,800	-	-	7,650,800
Transaction costs		(351,205)	-	-	(351,205)
Share based payments		20,000	188,049		208,049
Vesting performance rights		140,000	(140,000)	-	-
<b>Total transactions with owners</b>		<b>7,459,595</b>	<b>48,049</b>	<b>-</b>	<b>7,507,644</b>
<b>Balance as at 30 June 2021</b>		<b>43,037,272</b>	<b>188,049</b>	<b>(34,237,463)</b>	<b>8,987,858</b>
<b>Balance as at 1 July 2021</b>		<b>43,037,272</b>	<b>188,049</b>	<b>(34,237,463)</b>	<b>8,987,858</b>
<b>Total comprehensive loss for the period</b>					
Loss for the period		-	-	(5,209,881)	(5,209,881)
Other comprehensive loss		-	-	-	-
<b>Total comprehensive loss for the period</b>		<b>-</b>	<b>-</b>	<b>(5,209,881)</b>	<b>(5,209,881)</b>
Issue of ordinary shares		1,036,150	-	-	1,036,150
Transaction costs		(69,125)	-	-	(69,125)
Share based payments		-	242,425	-	242,425
<b>Total transactions with owners</b>		<b>967,025</b>	<b>242,425</b>	<b>-</b>	<b>1,209,450</b>
<b>Balance as at 30 June 2022</b>		<b>44,004,297</b>	<b>430,474</b>	<b>(39,447,344)</b>	<b>4,987,427</b>

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 2022



	Notes	30 June 2022	30 June 2021
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		29,956,404	20,528,449
Payments to suppliers and employees		(28,671,431)	(25,084,905)
<b>Cash generated from / (utilised in) operations</b>		<b>1,284,973</b>	<b>(4,556,456)</b>
Other Income		4,520	38,480
Other Expense		(21,408)	-
Interest received		109	360
Interest and other costs of finance paid		(1,000,124)	(1,522,164)
Government grants and tax incentives		-	197,500
<b>Net cash provided by / (used in) operating activities</b>	<b>18</b>	<b>268,070</b>	<b>(5,842,280)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(1,285,426)	(2,083,341)
Purchase of business		(474,700)	(5,407,558)
Proceeds from the sale of fixed assets		256,753	692,149
<b>Net cash used in investing activities</b>		<b>(1,503,373)</b>	<b>(6,798,750)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issue		1,036,150	7,450,000
Costs associated with issue of shares		(69,125)	(351,205)
Payment of lease liabilities		(583,017)	(424,445)
Borrowings - New		14,733,540	4,562,695
Borrowings - Repayments		(12,672,726)	(1,127,713)
<b>Net cash provided by financing activities</b>		<b>2,444,822</b>	<b>10,109,332</b>
<b>Net increase/(decrease) in cash held</b>		<b>1,209,519</b>	<b>(2,531,698)</b>
Cash at the beginning of the financial year		1,031,903	3,563,601
Effects of exchange rate changes on balance of cash held in foreign currency		-	-
<b>Cash at the end of the financial year</b>	<b>17</b>	<b>2,241,422</b>	<b>1,031,903</b>

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

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 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 2022 comprise The Company and its subsidiaries (together referred to as the "Group"). The Group is primarily focused on three areas being rental of specialty pumping and power generation equipment, rebuild and maintenance services for large equipment and high pressure blasting and ancillary services to the resource sector.

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 31<sup>st</sup> August 2022 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.

### (d) Going Concern

During the year the Group recorded a net loss after tax of \$5,209,881 (2021: loss of \$6,357,777) and had net cash inflows from operating activities of \$268,070 (2021: cash outflow \$5,842,280). At 30<sup>th</sup> June 2022 the Group had a working capital deficit of \$5,841,412 (2021: deficiency \$496,186).

On the 7<sup>th</sup> July 2022, post the capital raise and settlement of the convertible notes, the proforma financial position was as follows:

Financial Position	30 June 2022	Proforma 7 July 2022
	\$	\$
Current assets	14,499,304	15,976,437
Current liabilities	(20,340,716)	(15,865,716)
<b>Working capital (deficit)/surplus</b>	<b>(5,841,412)</b>	<b>110,721</b>

Following this successful capital raising and improved working capital position, the Directors are of the view there are sufficient funds to meet the consolidated entity's working capital requirements as at the date of this report.

This determination is based on the restructuring of operations in the second half of financial year 2022 which resulted in significant cost savings. The full year benefit will be recognised in financial year 2023. Further cost saving and consolidation initiative have been identified and factored into forward looking profitability and cashflow.

Recently the Company announced a refocus on, higher margin, specialty equipment rental and services. In addition to organic growth serviced by increasing utilisation of existing rental assets, investment has been made in new rental assets with the acquisition of the operational assets of Resource Water Group.

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 2. Basis of preparation (continued)

Accordingly 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.

### (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.

#### *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.

Certain inventory items are obtained as part of a non-cash revenue transaction. Determination of the fair value of the non-cash consideration and therefore the 'cost' amount for the inventory requires significant judgement.

#### *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.

No adjustments to provisional amounts were recognised in the current year.

#### *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 13.

#### *Comparatives*

The classification of comparative figures has been changed where the change improves the understandability of the financial information.

# Notes to the consolidated financial statements

For the year ended 30 June 2022

## 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. 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 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: 5 – 30 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: 2 - 5 years
- Motor Vehicles 5 - 8 years

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

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 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.

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.

### (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.

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 3. Significant accounting policies (continued)

### (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 one year from reporting date. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

### (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.

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 3. Significant accounting policies (continued)

### (n) Income tax (continued)

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.

### (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').

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 3. Significant accounting policies (continued)

### (r) Financial instruments (Continued)

The 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.

#### *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.

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.

### (s) Convertible loans

No 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 2022.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 4. Reporting Segment

Babylon has three operating segments, being 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 pumping and power generation equipment, rebuild and maintenance services for large 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.

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;	<b>Service and Repair</b>	<b>Sale of Goods</b>	<b>Equipment Rental</b>	<b>Labour Hire</b>	<b>Total</b>
<b>Revenue From External Customers</b>					
<b>30 June 2022</b>					
Segment Revenue	\$ 13,941,923	\$ 7,385,405	\$ 4,645,340	\$ 1,544,570	\$ 27,517,238
<b>Timing of revenue recognition</b>					
At a point in time	13,941,923	7,385,405		-	21,327,328
Overtime	-	-	4,645,340	1,544,570	6,189,910
<b>Revenue From External Customers</b>					
<b>30 June 2021</b>					
Segment Revenue	\$ 7,807,202	\$ 9,581,310	\$ 3,099,898	\$ 843,563	\$ 21,331,973
<b>Timing of revenue recognition</b>					
At a point in time	7,807,202	9,581,310	-	-	17,388,512
Overtime	-	-	3,099,898	843,563	3,943,461

- *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.

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 4. Reporting Segment (Continued)

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

Revenue by state	30 June 2022	30 June 2021
	\$	\$
Western Australia	18,721,038	12,216,267
Queensland	8,796,201	9,115,706
	<b>27,517,238</b>	<b>21,331,973</b>

## 5. Operating Segments

	30 June 2022	30 June 2021
	\$	\$
<b>(a) Segmented External Revenues</b>		
BOP	16,359,947	11,640,024
PPQ	8,796,201	9,115,706
AUB	2,361,090	576,243
	<b>27,517,238</b>	<b>21,331,973</b>
<b>(b) Loss before interest, tax, depreciation and amortisation</b>		
BPP	(2,434,261)	(2,990,281)
BOP	1,515,364	1,527,845
PPQ	(245,240)	(1,269,967)
AUB	40,215	(84,322)
<b>Total</b>	<b>(1,123,922)</b>	<b>(2,816,725)</b>
Depreciation and Amortisation	(2,784,596)	(2,330,862)
Finance Income	109	360
Finance Expense	(1,301,472)	(1,522,164)
<b>Net Loss Before Tax</b>	<b>(5,209,881)</b>	<b>(6,669,391)</b>

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 5. Operating Segments (Continued)

	30 June 2022	30 June 2021
	\$	\$
<b>(c) Segment assets and liabilities</b>		
<b>Assets</b>		
BPP	4,116,407	3,424,100
BOP	12,743,354	12,152,197
PPQ	7,283,708	9,237,150
AUB	4,877,863	4,941,914
<b>Total</b>	<b>29,021,332</b>	<b>29,755,361</b>
<b>Liabilities</b>		
BPP	6,280,985	6,609,265
BOP	9,651,886	4,843,606
PPQ	4,470,563	5,760,711
AUB	3,630,471	3,553,921
<b>Total</b>	<b>24,033,905</b>	<b>20,767,503</b>
<b>Net Assets</b>	<b>4,987,427</b>	<b>8,987,858</b>
<b>(d) Capital Expenditure</b>		
BOP	1,217,056	1,717,996
BPP	16,749	-
PPQ	46,005	365,346
AUB	683,616	-
<b>Total</b>	<b>1,963,426</b>	<b>2,083,341</b>

## 6. Employee benefits expense

<i>Employee Benefits Expense</i>	30 June 2022	30 June 2021
	\$	\$
Wages and salaries	5,846,201	4,371,942
Employment related taxes	664,556	472,738
Share-based payment expense	242,425	208,049
Other employment related expenses	86,491	129,920
	<b>6,839,673</b>	<b>5,182,649</b>

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 7. Administration and corporate expense

<b>Administration and Corporate Expense</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
	\$	\$
Office expenses	458,244	417,611
Corporate costs and compliance	1,110,718	755,856
Other expenses	400	51,807
Consumables and operational costs	442,963	1,402,123
Business acquisition expense	7,500	218,709
	<b>2,019,825</b>	<b>2,846,106</b>

## 8. Income tax expense

<b>Income Tax Benefit</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
	\$	\$
<b>Reconciliation of income tax benefit and tax at the statutory rate</b>		
Loss before income tax benefit	(5,209,881)	(6,357,777)
Tax at the statutory rate of 26% (2021: 26%)	(1,354,570)	(1,653,022)
<b>Tax effect amounts which are not deductible in calculating taxable income</b>		
Entertainment	1,530	2,466
Share based payments	60,607	54,093
Non-assessable income - cash flow boost	-	(39,000)
Capital expenditure	-	56,864
Ausblast - prior year closing provisions	-	(10,905)
Unused tax losses and temporary differences not recognised as deferred tax assets	<b>1,292,433</b>	<b>1,277,890</b>
<b>Income tax benefit</b>	<b>-</b>	<b>311,614</b>

### Deferred tax assets not recognised attributable to:

Tax losses - revenue	5,973,973	4,352,455
Temporary differences	(1,719,838)	(1,069,822)
	<b>4,254,135</b>	<b>3,282,633</b>

### Unrecognised Temporary differences

30 June 2022      30 June 2021  
\$                      \$

### Deferred tax liability comprises temporary differences attributable to:

#### Assets

Inventories	11,230	11,680
Prepayments and other assets	(7,271)	-
Property, plant & equipment	(1,947,399)	(1,456,856)
Right of use assets	(193,717)	(284,892)
	<b>(2,137,157)</b>	<b>(1,730,068)</b>

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 8. Income Tax (Continued)

<i>Temporary differences</i>	30 June 2022 \$	30 June 2021 \$
<b>Liabilities</b>		
Employee provisions - current	97,770	149,015
Superannuation payable	39,881	37,200
Employee provisions - non-current	21,326	13,993
Accruals	-	13,302
Lease liabilities	203,554	294,145
	<b>362,531</b>	<b>507,655</b>
<b>Equity</b>		
Charged to equity	54,788	152,591
	<b>54,788</b>	<b>152,591</b>
<b>Closing Balances</b>		
	<b>(1,719,838)</b>	<b>(1,069,822)</b>

## 9. Finance expense

<i>Finance expense</i>	30 June 2022 \$	30 June 2021 \$
Bank and other finance charges	182,430	144,681
Convertible loan interest expense	537,000	553,634
Convertible loan conversion to equity	-	1,330
Convertible loan fees	-	278,659
Foreign exchange loss	-	(31,378)
Interest expense	582,042	435,238
Loan establishment fee	-	140,000
	<b>1,301,472</b>	<b>1,522,164</b>

## 10. Other Operating Income

<i>Other operating Income</i>	30 June 2022 \$	30 June 2021 \$
Government grants	-	197,500
Other income	29,541	38,480
Net gain on disposal of property, plant and equipment	140,896	94,996
	<b>170,437</b>	<b>330,976</b>

## 11. Other Operating Expense

<i>Other operating Expenses</i>	30 June 2022 \$	30 June 2021 \$
Net foreign exchange loss	25,020	-
Other expenses	21,409	-
	<b>46,429</b>	<b>-</b>

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 12. Property, plant and equipment

<b>Property, Plant and Equipment Summary</b>		<b>30 June 2022</b>	<b>30 June 2021</b>
		\$	\$
Cost		19,439,755	15,682,062
Accumulated depreciation		(8,731,082)	(4,514,890)
		<b>10,708,673</b>	<b>11,167,172</b>

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

<b>Property, Plant and Equipment</b>	<b>Leasehold Improvements</b>	<b>Plant &amp; Equipment</b>	<b>Office Equipment</b>	<b>IT Equipment</b>	<b>Motor Vehicles</b>	<b>Capital Work in Progress</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b>Carrying amount at 30 June 2021</b>	<b>53,652</b>	<b>8,917,051</b>	<b>15,785</b>	<b>18,466</b>	<b>1,861,500</b>	<b>300,719</b>	<b>11,167,172</b>
Additions	6,580	1,836,984	3,140	27,731	266,537	(177,546)	1,963,426
Disposals	-	(71,054)	-	-	(44,802)	(106,423)	(222,279)
Business acquisition	-	-	-	-	-	-	-
Depreciation expense	(4,097)	(1,784,254)	(5,618)	(15,864)	(389,813)	-	(2,199,646)
<b>Balance at 30 June 2022</b>	<b>56,134</b>	<b>8,898,727</b>	<b>13,307</b>	<b>30,333</b>	<b>1,693,422</b>	<b>16,750</b>	<b>10,708,673</b>

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

<b>Property, Plant and Equipment</b>	<b>Leasehold Improvements</b>	<b>Plant &amp; Equipment</b>	<b>Office Equipment</b>	<b>IT Equipment</b>	<b>Motor Vehicles</b>	<b>Capital Work in Progress</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b>Carrying amount at 30 June 2020</b>	<b>29,854</b>	<b>6,917,113</b>	<b>571</b>	<b>10,137</b>	<b>218,624</b>	<b>146,297</b>	<b>7,322,596</b>
Additions	6,221	1,830,281	9,060	19,551	63,807	154,422	2,083,341
Disposals	-	(593,188)	-	(1,976)	(1,989)	-	(597,153)
Business acquisition	19,577	2,474,142	7,736	-	1,751,858	-	4,253,313
Depreciation expense	(2,000)	(1,711,297)	(1,582)	(9,246)	(170,800)	-	(1,894,925)
<b>Balance at 30 June 2021</b>	<b>53,652</b>	<b>8,917,051</b>	<b>15,785</b>	<b>18,466</b>	<b>1,861,500</b>	<b>300,719</b>	<b>11,167,172</b>

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 13. Goodwill

Impairment of intangible assets is recognised in impairment expense on the statement of profit or loss.

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

Intangible Assets	Note	30 June 2022	30 June 2021
		\$	\$
Goodwill	3(e)	2,982,572	2,982,572

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 during the financial year ended 30 June 2022.

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

Intangible Assets (cash generating units)	30 June 2022	30 June 2021
	\$	\$
Babylon Operations Pty Ltd	817,885	817,885
Pilbara Trucks Pty Ltd	2,164,687	2,164,687
	<b>2,982,572</b>	<b>2,982,572</b>

- 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 assessment	Babylon Operations	Pilbara Trucks
EBITDA – FY 23	\$2,981,801	\$2,091,228
EBITDA % FY 23	16.7%	34.5%
Pre-tax discount rate	10.0%	10.0%
Inflation rate	2.5%	2.5%
Short-term growth rate	2.0%	2.0%
Long-term growth rate	2.0%	2.0%
Capital expenditure outlay (% of EBITA)	20.0%	20.0%

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

- EBITDA % - sourced from the budget for year ended 30 June 2023 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 2% to 6%. Use of the mid-point of the range is in management's view supported by Australian Bureau of Statistics forecast inflation rates.
- Growth rate – this rate has been set at two percent following Australian Bureau of Statistics forecast.

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 13. Goodwill (continued)

- 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 Operation Pty Ltd	Sensitivity based upon reasonable possible change	Positive Impact	Negative Impact	Observed impact on impairment
EBITDA %	+ / - 10%	2,623,042	(2,623,042)	Yes
Pre-tax discount rate	+ / - 10%	2,258,452	(1,837,272)	Yes
inflation rate	+ / - 10%	149,568	(148,562)	No
Growth rate	+ / - 10%	143,677	(142,661)	No
Capital expenditure outlay (% of EBITA)	+ / - 10%	655,760	(655,760)	No

Pilbara Trucks Pty Ltd	Sensitivity based upon reasonable possible change	Positive Impact	Negative Impact	Observed impact on impairment
EBITDA %	+ / - 10%	1,839,619	(1,839,619)	No
Pre-tax discount rate	+ / - 10%	1,882,183	(1,531,174)	No
inflation rate	+ / - 10%	124,649	(123,811)	No
Growth rate	+ / - 10%	119,740	(118,893)	No
Capital expenditure outlay (% of EBITA)	+ / - 10%	459,905	(459,905)	No

### Babylon Operation Pty Ltd

All else being equal, if budgeted EBITDA used in the value-in-use calculation had been 10.9% instead of 16.7% or if capital expenditure outlay had been 50.06% of EBITDA instead of 20.0% the recoverable amount of this CGU would have equalled its carrying amount.

### Pilbara Trucks Pty Ltd

All else being equal, if budgeted EBITDA used in the value-in-use calculation had been 27.5% instead of 37.6% or if capital expenditure outlay had been 41.36% of EBITDA instead of 20.0% the recoverable amount of this CGU would have equalled its carrying amount.

The Company has considered and assessed reasonable possible changes to key assumptions and believe these two assumptions have the greatest impact on the CGU recoverable values.

## 14. Right-of-use assets

Right of Use Asset	30 June 2022	30 June 2021
	\$	\$
Right of Use Asset at cost	1,542,131	1,628,093
Accumulated amortisation	(767,265)	(532,354)
	<b>774,866</b>	<b>1,095,739</b>

The entities lease land and buildings for its offices and warehouses under agreements of between one to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 14. Right-of-use assets (continued)

For impairment testing, the right-of-use assets have been allocated to their respective cash-generating units. Refer to note 13 for further information on the impairment testing key assumptions and sensitivity analysis.

## 15. Inventories

<i>Inventories</i>	30 June 2022 \$	30 June 2021 \$
Consumables and spare parts	2,029,141	4,311,438
Engine trading stock	2,430,231	2,006,835
Work in progress	3,195,591	2,761,979
	<b>7,654,963</b>	<b>9,080,252</b>

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

## 16. Trade and other receivables

<i>Trade Receivables</i>	30 June 2022 \$	30 June 2021 \$
Trade Debtors	4,360,351	3,998,596

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

### *Impairment and risk exposure*

Details about the group's impairment policies and the calculation of the loss allowance are provided in Note 29. No loss allowance has been recorded at 30 June 2022 (2021: \$24,360) 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 29.

Trade receivables are factored utilising an 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 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.

## 17. Cash and cash equivalents

<i>Cash and Cash Equivalents</i>	30 June 2022 \$	30 June 2021 \$
Bank balances	2,241,422	1,031,903

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.

# Notes to the consolidated financial statements

For the year ended 30 June 2022

## 18. Reconciliation of cash flows from operations



<i>Reconciliation of net profit/(loss) after tax to net cash flows from operations</i>	30 June 2022	30 June 2021
	\$	\$
Net Loss After Tax	(5,209,881)	(6,357,777)
<b>Non-cash items</b>		
(Profit) loss on sale of fixed assets	(140,896)	(94,996)
Depreciation expense	2,199,646	1,894,846
Share based payments expense	242,425	208,049
Impairment loss on goodwill	-	1,049,233
Amortisation expense	584,950	436,016
Accrued interest on convertible note	134,250	-
<b>Changes in assets and liabilities</b>		
Inventories - (increase) / decrease	1,425,287	(2,771,716)
Receivables - (increase) / decrease	2,414,329	(697,395)
Other operating assets - (increase) / decrease	179,456	-
Trade and other creditors - increase / (decrease)	(3,010,360)	(309,956)
Provisions - increase / (decrease)	-	162,121
Other operating liabilities - increase / (decrease)	1,448,864	639,295
<b>Net cash flow from operating activities</b>	<b>268,070</b>	<b>(5,842,280)</b>

## 19. Share Capital

### a) Ordinary shares

During the twelve-month period ended 30 June 2022, the Group issued 172,691,600 Ordinary Shares (30 June 2021: 313,900,634).

All issued shares are fully paid.

<i>Ordinary Shares</i>	30 June 2022 No.	30 June 2022 \$	30 June 2021 No.	30 June 2021 \$
At the beginning of the reporting period	1,151,277,554	43,037,272	837,376,920	35,577,677
Issue of shares	172,691,600	1,036,150	250,000,000	6,250,000
Issued for business acquisition	-	-	40,000,000	1,000,000
Vesting performance rights	-	-	7,000,000	140,000
Issue of shares to convertible loan holders	-	-	8,924,445	200,800
Issued to acquire assets	-	-	7,142,856	200,000
Issued to an employee as remuneration	-	-	833,333	20,000
Transactions costs	-	(69,125)	-	(351,205)
At the end of the reporting period	<b>1,323,969,154</b>	<b>44,004,297</b>	<b>1,151,277,554</b>	<b>43,037,272</b>

# Notes to the consolidated financial statements

For the year ended 30 June 2022

## 20. Reserves



### a) Share Based Payment Reserve

The share-based payments reserve is used to recognise the grant date fair value of performance rights granted to employees but not yet vested.

Management has assessed the probability of the Class A1 performance rights vesting as 28%, Class B1 performance rights vesting as 48%, Class C1 performance rights vesting as 83%, and has recognised a share-based payment expense of \$242,425 for the year ended 30 June 2022 (\$188,049: 30 June 2021). The maximum yet to vest based on the assumption that 100% of performance right vest in financial year 2023, is \$719,165.

Share Based Payment Reserve	30 June 2022 No.	30 June 2022 \$	30 June 2021 No.	30 June 2021 \$
At the beginning of the reporting period	115,995,224	188,049	26,000,000	140,000
Performance rights issued as ordinary shares	-	-	(7,000,000)	(140,000)
Issued to an employee as remuneration	-	-	(833,333)	(20,000)
Share based payments	-	-	833,333	20,000
Performance rights lapsed	(71,772,058)		(19,000,000)	-
Issue of performance rights to employees	25,826,082	242,425	115,995,224	188,049
	<b>70,049,248</b>	<b>430,474</b>	<b>115,995,224</b>	<b>188,049</b>

The weighted average remaining contractual life of the performance rights outstanding at the end of the year is 1.25 years (2021: 2.25 years)

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 vesting period. 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 21. Performance Rights

The fair value of the rights at grant date \$1,753,706; (2021 - \$3,160,140) was estimated by taking the market price of the company's shares on that date less the present value of expected dividends that will not be received by the executives on their rights during the vesting period.

At 30 June 2022, the unissued ordinary shares of the Company under performance rights are as follows:

Class	Grant Date	Number Under Performance Rights	Value at Grant Date \$	Date of Vesting	Management Probability Assessment on grant date	Management Probability Assessment 30-June-22
A1	28 Jan 2021	11,497,500	344,925	30 Sep 2023	100%	30%
A1	1 Feb 2021	10,614,084	286,580	30 Sep 2023	100%	24%
A1	1 Jul 2021	12,913,042	245,348	30 Sep 2023	100%	30%
B1	28 Jan 2021	5,748,750	172,463	30 Sep 2023	0%	50%
B1	1 Feb 2021	5,307,041	143,290	30 Sep 2023	0%	44%
B1	1 Jul 2021	6,456,520	122,674	30 Sep 2023	0%	50%
C1	28 Jan 2021	5,748,750	172,463	30 Sep 2023	0%	83%
C1	1 Feb 2021	5,307,041	143,290	30 Sep 2023	0%	82%
C1	1 Jul 2021	6,456,520	122,674	30 Sep 2023	0%	83%
		<b>70,049,248</b>	<b>1,753,706</b>			

### 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 Date
Class A1	35,024,626	The Group achieving certain targets: FY21 FY22 FY23 Revenue \$24m \$30m \$40m Return on capital 11% 12% 14% EBITDA 8% 10% 12%	30-Sep-23
Class B1	17,512,311	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	17,512,311	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	30 June 2022	30 June 2021
	\$	\$
Share based payments	-	20,000
Performance rights	242,425	188,049
	<b>242,425</b>	<b>208,049</b>

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 22. Earnings per share

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

<b>Consolidated Group</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
	\$	\$
Reconciliation of earnings to net loss	(5,209,881)	(6,357,777)
Net loss from continuing operations attributable to ordinary shareholders	<b>(5,209,881)</b>	<b>(6,357,777)</b>

## Weighted average number of ordinary shares

<b>Weighted average number of ordinary shares</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
	\$	\$
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	1,158,374,469	934,710,494
Basic earnings per share	(0.0045)	(0.0068)

## 23. 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.

<b>Borrowings</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
	\$	\$
<b>Current Liability</b>		
Invoice finance facility	3,093,745	909,496
Trade finance facility	2,987,660	2,264,072
Insurance premium funding	123,525	103,699
Asset finance facilities	1,516,689	1,418,448
Convertible loans <sup>(1)</sup>	4,475,000	4,475,000
	<b>12,196,619</b>	<b>9,170,715</b>
<b>Non-Current Liability</b>		
Asset finance facilities	3,364,093	4,307,215
<b>Total</b>	<b>15,560,712</b>	<b>13,477,930</b>

(1) \$4,675,000 comprise Loans received by the Company on 30 June 2020 which were approved as Convertible Loans by Shareholders on 1<sup>st</sup> 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 23. Borrowings (continued)

<i>Movements in Borrowings</i>	<i>Opening balance</i> 1 July 2021 \$	<i>Cash flows</i> \$	<i>Closing balance</i> 30 June 2022 \$	<i>Facility Limit</i> \$
<b>Short term borrowings</b>				
Invoice finance facility	909,496	2,184,249	3,093,745	4,100,000
Trade finance facility	2,264,071	723,588	2,987,659	3,000,000
Insurance premium funding	103,699	19,826	123,525	123,525
Asset finance facilities	1,418,449	98,241	1,516,690	1,516,690
Convertible loans	4,475,000	-	4,475,000	4,475,000
<b>Long term borrowings</b>				
Asset finance facilities	4,307,215	(943,122)	3,364,093	4,297,520
<b>Total liabilities arising from financing activities</b>	<b>13,477,930</b>	<b>2,082,782</b>	<b>15,560,712</b>	<b>17,512,735</b>

### 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 security interest and charge over all the present and future rights, property and undertaking of Babylon Pump and Power, Babylon Operations, Prime Power Queensland and Pilbara Trucks, and a letter of subordination by the Directors of Babylon Operations. This 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 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 security interest and charge 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 23. 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 2022 is \$4,475,000.

On 7<sup>th</sup> July 2022 \$3,123,949 was paid to convertible note holders with \$1,351,051 converted into ordinary shares.

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

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 24. Deferred consideration

<i>Deferred consideration</i>	30 June 2022	30 June 2021
	\$	\$
<b>Current</b>		
Payable on acquisition of Primepower Queensland Pty Ltd	152,638	305,570
Payable on acquisition of Pilbara Trucks Pty Ltd	1,000,000	322,062
	<b>1,152,638</b>	<b>627,632</b>
<b>Non-Current</b>		
Payable on acquisition of Pilbara Trucks Pty Ltd	-	1,000,000
	<b>1,152,638</b>	<b>1,627,632</b>
<b>Total</b>		

Deferred consideration of \$1,000,000 is dependent on the achievement by Pilbara Trucks Pty Ltd 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.

## 25. Employee liabilities

<i>Employee liabilities</i>	30 June 2022	30 June 2021
	\$	\$
<b>Current</b>		
Liability for annual leave	372,034	508,183
Liability for long service leave	19,045	64,951
	<b>391,079</b>	<b>573,134</b>
<b>Non-Current</b>		
Liability for long service leave	85,304	53,820
	<b>476,383</b>	<b>626,954</b>
<b>Total</b>		

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The annual leave liability is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

## 26. Trade and other payables

<i>Trade and Other Payables</i>	30 June 2022	30 June 2021
	\$	\$
<b>Trade payables</b>		
Trade payables	3,753,831	3,431,510
GST and PAYG Withholdings Payable	1,289,664	273,988
Superannuation liability	159,525	143,078
Other payables	826,644	10,083
	<b>6,029,664</b>	<b>3,858,659</b>

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 29 (c).

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 27. Provisions

Provisions	30 June 2022	30 June 2021
	\$	\$
Warranty provision	-	45,000

## 28. Lease liability

Lease liability	30 June 2022	30 June 2021
	\$	\$
<b>Current</b>		
Lease liability	570,422	512,901
<b>Non-Current</b>		
Lease liability	243,792	618,427
<b>Total</b>	<b>814,214</b>	<b>1,131,328</b>

### 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.

Refer to note 29 for further information on financial instruments.

## 29. 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.

The Audit and Risk Committee was formed in December 2021 and is comprised of Louise Bower as Chairperson, Michael Kenyon and Patrick Maingard with Michael Selby and James Cullen being standard invitees. A risk register is reviewed and maintained by the Audit and Risk Committee.

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.

# Notes to the consolidated financial statements

## For the year ended 30 June 2022



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

### 29. Financial risk (continued)

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.

On that basis, the loss allowance as at 30 June 2022 and 1 July 2021 was determined as follows for trade receivables:

1 July 2021	Current	30 Days	60 Days	90 days	> 90 days	Total
						\$
Expected loss rate	0%	0%	0%	0%	0%	48%
Gross carrying amount - trade receivables	2,138,978	1,402,319	22,718	409,006	49,935	4,022,955
Loss allowance	-	-	-	-	-	(24,360)
<b>Net carrying amount - trade receivables</b>	<b>2,138,978</b>	<b>1,402,319</b>	<b>22,718</b>	<b>409,006</b>	<b>25,575</b>	<b>3,998,596</b>

30 June 2022	Current	30 Days	60 Days	90 days	> 90 days	Total
						\$
Expected loss rate	0%	0%	0%	0%	0%	0%
Gross carrying amount - trade receivables	2,539,350	1,337,474	356,431	114,938	12,158	4,360,351
Loss allowance	-	-	-	-	-	-
<b>Net carrying amount - trade receivables</b>	<b>2,539,350</b>	<b>1,337,474</b>	<b>356,431</b>	<b>114,938</b>	<b>12,158</b>	<b>4,360,351</b>

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 29. Financial risk (continued)

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. No impairment provision has been recorded at 30 June 2022 (2021: \$24,360).

### (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	30 June 2022 \$	30 June 2021 \$
Cash and cash equivalents	2,241,422	1,031,903
Trade receivables	4,360,351	3,998,596
Deposits	55,917	218,023
	<b>6,657,690</b>	<b>5,248,522</b>

### (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.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
<b>Consolidated - 2022</b>	%	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
<b>Non-interest bearing</b>						
Trade payables	0.0%	3,753,831	-	-	-	3,753,831
Other payables	0.0%	2,275,833	-	-	-	2,275,833
<b>Interest-bearing - variable</b>						
Invoice finance facility	6.6%	3,093,745	-	-	-	3,093,745
Trade finance facility	5.6%	2,987,660	-	-	-	2,987,660
<b>Interest-bearing - fixed rate</b>						
Insurance premium funding	2.3%	123,525	-	-	-	123,525
Asset finance facilities	5.0%	1,516,689	1,336,455	2,027,638	-	4,880,782
Convertible loans	8.0%	4,475,000	-	-	-	4,475,000
Lease liability		570,422	243,792	-	-	814,214
<b>Total non-derivatives</b>		<b>18,796,705</b>	<b>1,580,247</b>	<b>2,027,638</b>	-	<b>22,404,590</b>

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## (e) Liquidity risk (continued)

	<i>Weighted average interest rate</i>	<i>1 year or less</i>	<i>Between 1 and 2 years</i>	<i>Between 2 and 5 years</i>	<i>Over 5 years</i>	<i>Remaining contractual maturities</i>
<b>Consolidated - 2021</b>	%	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	3,431,510	-	-	-	3,431,510
Other payables	-	427,148	-	-	-	427,148
<i>Interest-bearing - variable</i>						
Invoice finance facility	6.6%	909,496	-	-	-	909,496
Trade finance facility	4.3%	2,264,072	-	-	-	2,264,072
<i>Interest-bearing - fixed rate</i>						
Insurance premium funding	2.1%	103,699	-	-	-	103,699
Asset finance facilities	5.0%	1,418,448	1,592,097	2,715,119	-	5,725,663
Convertible loans	8.0%	4,475,000	-	-	-	4,475,000
Lease liability		512,901	618,427	-	-	1,131,328
<b>Total non-derivatives</b>		<b>13,542,274</b>	<b>2,210,524</b>	<b>2,715,119</b>	-	<b>18,467,916</b>

## (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.

## (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.

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 29. Financial risk (continued)

### (i) Profile

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

Variable rate instruments	30 June 2022	30 June 2021
	\$	\$
Financial assets	2,241,422	1,031,903
Financial liabilities	-	-
	<b>2,241,422</b>	<b>1,031,903</b>

### 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	30 June 2022	30 June 2021
	\$	\$
Total liabilities	24,033,906	20,767,504
Less: cash and cash equivalents	(2,241,422)	(1,031,903)
Net debt	<b>21,792,484</b>	<b>19,735,601</b>
Total capital	4,987,425	8,987,858
<b>Debt-to-capital ratio at the end of the period</b>	<b>4.37</b>	<b>2.20</b>

### (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) 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:

# Notes to the consolidated financial statements

For the year ended 30 June 2022

## 29. Financial risk (continued)

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.

## 30. Related parties

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

Remuneration	30 June 2022	30 June 2021
	\$	\$
Key management personnel	1,586,011	1,332,065

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 1 July 2021	Issued \$	Repaid \$	Closing Balance 30 June 2022
Patrick Maingard	-	100,000	(100,000)	-
	-	100,000	(100,000)	-

Terms of the loan from a director are outlined below:

- Security: unsecured;
- Term: from 3<sup>rd</sup> February 2022 to 31 March 2022; and
- Annual interest rate: 8%.

### (c) Subsidiaries

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

## 31. Group entities

Name of entity	Country of incorporation	Ownership Interests	
		30 June 2022	30 June 2021
<b>Parent entity</b>			
Babylon Pump & Power Limited	Australia		
<b>Significant subsidiaries</b>			
Babylon Operations Pty Ltd	Australia	100%	100%
Primepower Queensland Pty Ltd	Australia	100%	100%
Pilbara Trucks Pty Ltd	Australia	100%	100%

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 32. 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 2022.

## 33. Subsequent events

On completion of the capital raise on the 6<sup>th</sup> July 2022, Non-Renounceable shares of 1,059,175,323 were issued at \$0.006 per share raising \$5,004.000 in cash, before costs and converting \$1,351,051 in convertible notes.

On the 7<sup>th</sup> July 2022, convertible notes amounting to \$4,475,000 were settled using cash of \$3,123,949 and share conversion of \$1,351,051.

The remainder of the funds raised will be used to grow the specialist equipment rental fleet and rental capabilities of the Company.

The Company executed a business asset acquisition agreement on 3<sup>rd</sup> August 2022 to acquire the operational assets of Resource Water Group ("RWG") for \$3.0 m million structured as follows:

- Cash due on Completion: \$0.5 million
- Shares issued on Completion: \$0.5 million (issue price of \$0.0067; escrowed for 12 months)
- Deferred cash: \$2.0 million

The deferred cash component will be partially funded by financing RWG's underlying fixed asset base by 30 November 2022, with interest payable at 10% until settlement. The balance of the cash consideration will be funded using proceeds from the recent placement and rights issue.

Under the business acquisition agreement, Babylon will acquire the operational assets (independently valued at over \$2 million), goodwill, contracts, and intellectual property of RWG. RWG's founder, Mr Frank Ashe, has entered a services contract and will become a member of the Group's senior executive. Three other RWG employees will also commence employment with Babylon. Babylon estimates that the purchase price represents a multiple of 3 times the expected net EBITDA contribution from the RWG assets.

The Company also advises that with effect from 31 August 2022, Mr Patrick Maingard will transition from executive director to non-executive director and Mr Michael Kenyon will retire from his role as non-executive director but will continue in his role as company secretary on a part-time basis.

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.

## 34. Auditors' remuneration

<b>Auditors' Remuneration</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
	\$	\$
<b>Audit services</b>		
Audit and review of financial reports	117,765	87,578

# Notes to the consolidated financial statements

For the year ended 30 June 2022



## 36. Parent entity disclosures

<i>Financial Position</i>	30 June 2022	30 June 2021
	\$	\$
<b>Current Assets</b>		
Current Assets	1,117,085	441,527
Non-Current Assets	10,151,330	15,155,596
<b>Total Assets</b>	<b>11,268,415</b>	<b>15,597,123</b>
<b>Liabilities</b>		
Current Liabilities	6,245,895	5,599,055
Non-Current Liabilities	35,092	1,010,210
<b>Total Liabilities</b>	<b>6,280,987</b>	<b>6,609,265</b>
<b>Net Assets</b>	<b>4,987,427</b>	<b>8,987,858</b>
<b>Equity</b>		
Share capital	44,004,296	43,037,271
Reserves	430,474	188,049
Accumulated losses	(39,447,343)	(34,237,462)
<b>Total Equity</b>	<b>4,987,427</b>	<b>8,987,858</b>
<i>Financial Performance</i>	30 June 2022	30 June 2021
	\$	\$
Loss for the year	(5,209,881)	(6,357,777)
Other comprehensive income	-	-
<b>Total Comprehensive Loss</b>	<b>(5,209,881)</b>	<b>(6,357,777)</b>

### (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 23).

### (ii) Subsidiaries

The Parent entity disclosures includes transactions with subsidiaries.

## 37. Contingencies and capital commitments

Babylon Operations Pty Ltd has entered into a new lease agreement for new premises commencing on 3 November 2022. The future lease payments for this non-cancellable lease contract are \$805,849 within one year, \$4,406,714 within five years and \$2,035,910 thereafter.

There are no other contingencies or capital commitments on 30 June 2022 (30 June 2021: Nil).

## 38. 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 2022



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 2022 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 2022.

Signed in accordance with a resolution of the directors:

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

Michael Shelby  
Managing Director

Dated at Perth this 31<sup>st</sup> day of August 2022.

## 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 2022, 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 2022 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.

## 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

### Impairment assessment of goodwill

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Note 13 of the financial report discloses the carrying value of goodwill and the assumptions which have been used by the Group in testing for impairment. As required by Australian Accounting Standards, the Group has performed an annual impairment test for each cash generating unit ("CGU") to which goodwill has been allocated to determine whether the recoverable amount exceeds or is below the carrying amount.</p> <p>Impairment testing of goodwill was assessed as being a key audit matter as management's assessment of the recoverable amount is based on value in use ("VIU") cash flow forecasts which requires estimates and judgements about future financial performance.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• Challenging key inputs used in the value in use calculations including the following:<ul style="list-style-type: none"><li>• In conjunction with our valuation specialist, assessing the appropriateness of the discount rate utilised by management;</li><li>• Assessing the Group's forecast cash flows is consistent with our knowledge of the business, board approved budget and corroborating our work with external information where possible;</li><li>• Comparing growth rates with historical rates and industry data; and</li><li>• Performing sensitivity analysis on the key assumptions.</li></ul></li><li>• Assessing the adequacy of the Group's disclosures and impairment assessment methodology as disclosed in Notes 2(e) and Note 13 to the financial report.</li></ul>

## Revenue recognition

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 4 of the financial report, the Group has multiple revenue streams, there is a risk that revenue relating to each revenue stream may be recognised inaccurately or in the incorrect period and revenue recognition does not comply with AASB 15 Revenue from customers with contracts.</p> <p>Further there is a presumed risk of fraud in revenue recognition in all revenue generating entities.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>Understanding processes and controls put in place by the management in relation to recognition of revenue for each revenue stream;</li> <li>Checking a sample of revenue transactions to evaluate whether they were appropriately recorded as revenue ensuring the amounts recorded agrees to supporting evidence;</li> <li>Performing analytical procedures to understand movements and trends in revenue for comparisons against expectations;</li> <li>Performing cut-off testing to ensure that revenue transactions around year end have been recorded in the correct reporting period; and</li> <li>Considered the adequacy of accounting policies and disclosures in the financial report.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information contained in Directors' report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date.

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](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 10 to 16 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Babylon Pump & Power Limited, for the year ended 30 June 2022, 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



Ashleigh Woodley

Director

Perth

31 August 2022

# Corporate Governance Statement

For the year ended 30 June 2022



Babylon Pump and Power Limited has established a strong governance framework and continues to be committed to a high level of integrity and ethical standards in all its business practices.

Effective and transparent corporate governance is of critical importance to Babylon Pump and Power Limited and its Board of Directors. The Board fully supports the intent of the Australian Securities Exchange (ASX) Corporate Governance Council's new 4<sup>th</sup> edition of Corporate Governance Principles and Recommendations.

The Corporate Governance Framework continues to evolve as it seeks continual improvement in the way it conducts its business. Further details on Babylon Pump and Power Limited's governance principles can be found in the Company's Corporate Governance Statement which is available at [www.babylonpumpandpower.com](http://www.babylonpumpandpower.com)

# ASX Additional Information

For the year ended 30 June 2022



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 31<sup>st</sup> August 2022.

## Twenty largest holders of quoted equity securities.

Position	Holder Name	Holding	% IC
1	BELGRAVIA STRATEGIC EQUITIES PTY LTD	378,885,963	15.90%
2	G & N LORD SUPERANNUATION PTY LTD <GNR SUPERANNUATION FUND A/C>	157,507,454	6.61%
3	RETZOS EXECUTIVE PTY LTD <RETZOS EXECUTIVE S/FUND A/C>	67,404,400	2.83%
4	MR GEOFFREY FREDERICK LORD	60,949,868	2.56%
5	CHESAPEAKE CAPITAL LTD	55,295,000	2.32%
6	FGI HOLDINGS PTY LTD <RNH INVESTMENT A/C>	43,200,000	1.81%
7	ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	35,295,000	1.48%
8	HAYES SUPERANNUATION INVESTMENTS PTY LTD <ALLAN HAYES S/FUND NO 2 A/C>	35,059,000	1.47%
9	T T NICHOLLS PTY LTD <SUPERANNUATION ACCOUNT>	34,452,297	1.45%
10	CHEMCO SUPERANNUATION FUND PTY LTD <CHEMCO SUPER FUND NO 2 A/C>	33,767,952	1.42%
11	CMC INDUSTRIES PTY LTD	28,494,548	1.20%
12	JASPER HILL RESOURCES PTY LTD <SUPERANNUATION ACCOUNT>	25,268,392	1.06%
13	PASIAS TRADING PTY LTD	25,000,000	1.05%
14	OODACHI PTY LTD <P & M KERR FAMILY A/C>	21,200,000	0.89%
15	MR TIMOTHY GRANTHAM SIMPSON HOSKING	21,188,361	0.89%
16	MCNEIL NOMINEES PTY LIMITED	20,000,000	0.84%
17	RETZOS FAMILY PTY LTD <RETZOS FAMILY S/FUND A/C>	19,380,480	0.81%
18	LOQUELA PTY LTD	18,918,000	0.79%
19	DONEGAN SUPERANNUATION NOMINEES PTY LTD <DONEGAN MACKAY S/F A/C>	18,757,919	0.79%
20	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	18,525,236	0.78%
	<b>Total</b>	<b>1,118,549,870</b>	<b>46.94%</b>
	<b>Total issued capital - selected security class(es)</b>	<b>2,383,144,477</b>	<b>100.00%</b>

# ASX Additional Information

For the year ended 30 June 2022



## Distribution of equity security holders

### Ordinary Share Capital

2,383,144,477 fully paid ordinary shares are held by 928 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	95	13,322	0.00%
above 1,000 up to and including 5,000	21	56,141	0.00%
above 5,000 up to and including 10,000	6	43,039	0.00%
above 10,000 up to and including 100,000	193	10,332,707	0.43%
above 100,000	613	2,372,699,268	99.56%
<b>Totals</b>	<b>928</b>	<b>2,383,144,477</b>	<b>100.00%</b>

The number of shareholders holding less than a marketable parcel of ordinary shares is 261.

### Substantial shareholders

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

Holder Name	Holding Balance	% IC
BELGRAVIA STRATEGIC EQUITIES PTY LTD	378,885,963	15.90%
G & N LORD SUPERANNUATION PTY LTD <GNR SUPERANNUATION FUND A/C>	157,507,454	6.61%