

ASX LISTING RULES APPENDIX 4D FOR THE PERIOD ENDED 31 DECEMBER 2018

Sydney – 28 February 2019 – MPower Group Limited (ASX: MPR)

MPower Group Limited announces the following results for the Company and its controlled entities for the half year ended 31 December 2018. The results have been subject to review by the Company's external auditor.

Results for Announcement to the Market

| | Six months to 31 Dec 2018 | Six months to 31 Dec 2017 | Change |
|---|------------------------------|------------------------------|--------|
| | \$'000 | \$'000 | % |
| Revenue from ordinary activities | 22,280 | 21,705 | 3 |
| Net loss for the period attributable to members | (3,604) | (983) | 267 |

Dividends

No dividends were declared or paid during the current or previous financial periods.

Net Tangible Assets per Share

The net tangible assets per share as at 31 December 2018 was 1.6 cents (30 June 2018: 4.4 cents per share).

Details of entities over which control has been gained or lost during the period

There were no changes in control of entities during the current period.

For further information, please see the attached Half Year Financial Report.

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MPower Group Limited

ABN 73 009 485 625

**Half Year Financial Report
31 December 2018**

DIRECTORS' REPORT

The directors submit the financial report of MPower Group Limited and its controlled entities (the Group) for the half year ended 31 December 2018. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of directors who held office during the half year and until the date of this report are as follows. Directors were in office during and since the end of the half year unless otherwise stated:

Peter Wise
Nathan Wise
Gary Cohen
Robert Constable
Robert Moran

Change of Company name

The Company changed its name from Tag Pacific Limited to MPower Group Limited on 13 December 2018.

Review of Operations

The first half of the year was a transitional period for the Company, and this is reflected in the financial performance. During the period under review, the group was known as Tag Pacific Limited and operated as an investment company, its primary investment being in MPower. On 31 January 2019, the group commenced trading on the Australian Securities Exchange as MPower Group Limited (ASX: MPR).

The key objective has been to unshackle the group's activities that have the highest potential and eliminate trading losses in the short term. As part of the transition, the Company is streamlining group operations and structures to more appropriately reflect the Company's future activities.

The Company has embarked on a new strategic direction as a technology-led company specialising in the delivery of reliable on-grid and off-grid power solutions and innovative products for blue chip corporate and government customers. The Company is taking a revitalised approach to the markets in which it operates. Moving forward the focus will be on identified activities and markets that allow for attractive margins and exhibit strong growth prospects, including:

- Renewable energy, battery storage and hybrid microgrid opportunities.
- High specification conventional power systems.
- Structured debt/equity solutions for Build Own Operate opportunities.

The Company's pipeline of identified opportunities has grown strongly on the back of focused business development initiatives that are well underway.

The Group recorded a net loss of \$3,604,000 for the half year ended 31 December 2018 (31 December 2017: \$983,000 loss) after providing for income tax and eliminating non-controlling interests. Revenue for the period was \$22.3 million, an increase of 3% on the prior comparative period (2017: \$21.7 million).

The result includes the following items that total approximately \$1.7 million:

- Non-recurring, one-off costs incurred in relation to the proposed acquisition of Energy Made Clean that was terminated in November 2018.
- Costs associated with the Company's capital raising activities.
- Impact of changes to the accounting standard relating to contract revenue.
- All development costs associated with the development of the Company's battery energy storage capability that have been expensed.
- Head office and corporate costs of approximately \$0.9 million which are expected to reduce as MPower becomes more integrated.

Net cash outflows from operating activities were \$2.3 million during the half year and the net decrease in cash during the half year was \$0.7 million. Since then, the Company has received proceeds of \$0.8 million from its non-renounceable rights issue.

Dividends Paid or Recommended

No interim dividend has been declared or paid in respect of the half year ended 31 December 2018 (2017: nil).

Rounding off of Amounts

The company is a company of the kind referred to in Australian Securities and Investments Commission Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, and in accordance with that Corporations Instrument amounts in the Directors' Report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor's Independence Declaration

We have received an independence declaration from our auditors, Deloitte Touche Tohmatsu, under section 307C of the *Corporations Act 2001* a copy of which is attached on page 3 of the half year financial report.

Signed in accordance with a resolution of directors made pursuant to section 306(3) of the *Corporations Act 2001*.

On behalf of the directors



Peter Wise
Chairman

Sydney, 28 February 2019

28 February 2019

The Board of Directors
MPower Group Limited
Suite 3204
Level 32, Australia Square
264 George Street
SYDNEY NSW 2000

Dear Board Members,


MPower Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of MPower Group Limited.

As lead audit partner for the review of the financial statements of MPower Group Limited for the half year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely


DELOITTE TOUCHE TOHMATSU



Alfie Nehama
Partner
Chartered Accountants

MPOWER GROUP LIMITED

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2018

| | | Half Year Ended | |
|--|-------------|------------------------|--------------------|
| | Note | 31 Dec 2018 | 31 Dec 2017 |
| | | \$'000 | \$'000 |
| Revenue | 2 | 22,280 | 21,705 |
| Other revenue | | 33 | 22 |
| Other income | | - | 2 |
| Materials and consumables used | | (16,639) | (14,296) |
| Depreciation and amortisation expense | | (128) | (147) |
| Employee benefits expense | | (6,125) | (5,642) |
| Finance costs | | (206) | (161) |
| Freight and transport expense | | (410) | (378) |
| Occupancy expense | | (363) | (461) |
| Other expenses | | (2,029) | (1,610) |
| Loss before income tax | | (3,587) | (966) |
| Income tax expense | | - | - |
| Loss for the period | | (3,587) | (966) |
| Loss attributable to: | | | |
| Owners of the company | | (3,604) | (983) |
| Non-controlling interest | | 17 | 17 |
| | | (3,587) | (966) |
| Other comprehensive income/(loss) | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences arising on translation of foreign operations | | 35 | (46) |
| Gain on cash flow hedges taken to equity | | 6 | 191 |
| Other comprehensive income for the period net of tax | | 41 | 145 |
| Total comprehensive loss for the period | | (3,546) | (821) |
| Total comprehensive loss attributable to: | | | |
| Owners of the company | | (3,563) | (838) |
| Non-controlling interest | | 17 | 17 |
| | | (3,546) | (821) |
| Loss per share | | | |
| Basic (cents per share) | | (2.6) | (0.8) |
| Diluted (cents per share) | | (2.6) | (0.8) |

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the attached notes.

MPOWER GROUP LIMITED
Condensed Consolidated Statement of Financial Position
As at 31 December 2018

| | | As At |
|--|--------------------|--------------------|
| | 31 Dec 2018 | 30 Jun 2018 |
| | \$'000 | \$'000 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 1,725 | 2,438 |
| Trade receivables and contract assets | 9,944 | 8,184 |
| Inventories | 7,785 | 6,454 |
| Other current assets | 953 | 943 |
| Other financial assets | 142 | 129 |
| TOTAL CURRENT ASSETS | 20,549 | 18,148 |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 2,925 | 2,936 |
| TOTAL NON-CURRENT ASSETS | 2,925 | 2,936 |
| TOTAL ASSETS | 23,474 | 21,084 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 12,562 | 8,049 |
| Borrowings | 5,554 | 4,428 |
| Provisions | 1,531 | 1,430 |
| Other liabilities | 79 | 45 |
| TOTAL CURRENT LIABILITIES | 19,726 | 13,952 |
| NON-CURRENT LIABILITIES | | |
| Borrowings | 1,091 | 1,122 |
| Provisions | 25 | 44 |
| Other liabilities | 22 | 82 |
| TOTAL NON-CURRENT LIABILITIES | 1,138 | 1,248 |
| TOTAL LIABILITIES | 20,864 | 15,200 |
| NET ASSETS | 2,610 | 5,884 |
| EQUITY | | |
| Issued capital | 24,016 | 23,410 |
| Reserves | 664 | 617 |
| Accumulated losses | (22,499) | (18,589) |
| Equity attributable to owners of the company | 2,181 | 5,438 |
| Non-controlling interest | 429 | 446 |
| TOTAL EQUITY | 2,610 | 5,884 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the attached notes.

MPOWER GROUP LIMITED
Condensed Consolidated Statement of Changes in Equity
For the half year ended 31 December 2018

| | Issued Capital (Note 4) \$'000 | Reserves (Note 5) \$'000 | Accumu- lated Losses \$'000 | Attributable to owners of the company \$'000 | Non- Controlling Interest \$'000 | Total \$'000 |
|--|---|--------------------------------|--------------------------------------|--|---|-----------------|
| Balance at 1 July 2017 | 23,410 | 266 | (15,660) | 8,016 | 401 | 8,417 |
| Loss for the period | - | - | (983) | (983) | 17 | (966) |
| <i>Other comprehensive income/(loss) net of tax</i> | | | | | | |
| Exchange differences arising on translation of foreign operations | - | (46) | - | (46) | - | (46) |
| Gain on cash flow hedge taken to equity | - | 191 | - | 191 | - | 191 |
| Total comprehensive income/(loss) for the period | - | 145 | (983) | (838) | 17 | (821) |
| Payment of distributions | - | - | - | - | (32) | (32) |
| Balance at 31 December 2017 | 23,410 | 411 | (16,643) | 7,178 | 386 | 7,564 |
| Balance at 30 June 2018 | 23,410 | 617 | (18,589) | 5,438 | 446 | 5,884 |
| Opening balance adjustment on application of AASB 15 (note 1) | - | - | (306) | (306) | - | (306) |
| Balance at 1 July 2018 | 23,410 | 617 | (18,895) | 5,132 | 446 | 5,578 |
| Loss for the period | - | - | (3,604) | (3,604) | 17 | (3,587) |
| <i>Other comprehensive income/(loss) net of tax</i> | | | | | | |
| Exchange differences arising on translation of foreign operations | - | 35 | - | 35 | - | 35 |
| Gain on cash flow hedge taken to equity | - | 6 | - | 6 | - | 6 |
| Total comprehensive income/(loss) for the period | - | 41 | (3,604) | (3,563) | 17 | (3,546) |
| Issue of shares (note 4) | 606 | - | - | 606 | - | 606 |
| Recognition of share-based payments | - | 6 | - | 6 | - | 6 |
| Payment of distributions | - | - | - | - | (34) | (34) |
| Balance at 31 December 2018 | 24,016 | 664 | (22,499) | 2,181 | 429 | 2,610 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the attached notes.

MPOWER GROUP LIMITED
Condensed Consolidated Statement of Cash Flows
For the half year ended 31 December 2018

| | Half Year Ended | |
|--|------------------------|--------------------|
| | 31 Dec 2018 | 31 Dec 2017 |
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Receipts from customers | 22,681 | 23,881 |
| Payments to suppliers and employees | (24,748) | (22,119) |
| Interest received | 1 | 4 |
| Interest and other costs of finance paid | (205) | (161) |
| Net cash (utilised by) / generated by operating activities | <u>(2,271)</u> | <u>1,605</u> |
| Cash flows from investing activities | | |
| Payment for property, plant and equipment | (111) | (88) |
| Proceeds from sale of property, plant and equipment | - | 5 |
| Net cash utilised in investing activities | <u>(111)</u> | <u>(83)</u> |
| Cash flows from financing activities | | |
| Distributions paid to non-controlling interests | (34) | (32) |
| Proceeds from borrowings | 5,304 | 4,164 |
| Proceeds from share issue | 654 | - |
| Share issue costs | (48) | - |
| Repayment of borrowings | (4,211) | (4,078) |
| Net cash generated by financing activities | <u>1,665</u> | <u>54</u> |
| Net (decrease) / increase in cash and cash equivalents | (717) | 1,576 |
| Cash and cash equivalents at the beginning of the period | 2,438 | 3,855 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | 4 | (4) |
| Cash and cash equivalents at the end of the period | <u>1,725</u> | <u>5,427</u> |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the attached notes.

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Effective from 13 December 2018, the Company changed its name from Tag Pacific Limited to MPower Group Limited.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of selected non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that Corporations Instrument amounts in the Directors' Report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2018 annual financial report for the financial year ended 30 June 2018, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Changes in accounting standards

New, revised or amending Accounting Standards and Interpretations adopted

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

Since 1 July 2018, the following Standards are effective and applicable for the Group:

- (i) AASB 15 'Revenue from Contracts with Customers'
- (ii) AASB 9 'Financial Instruments'

(i) AASB 15: 'Revenue from Contracts with Customers'

Impact on application

The Group has applied AASB 15 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening balance of equity and comparatives figures are therefore not restated. The opening equity adjustment due to the application of AASB 15 is analysed by financial statement line item below.

Impact on assets and equity at 1 July 2018:

| | As reported at | AASB 15 | Opening |
|-----------------------------|----------------|-------------|-------------|
| | 30 June 2018 | Transition | balance |
| | \$'000 | Adjustments | 1 July 2018 |
| | \$'000 | \$'000 | \$'000 |
| Other current assets | 1,249 | (306) | 943 |
| Accumulated losses | (18,589) | (306) | (18,895) |

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has applied AASB 15 'Revenue from Contracts with Customers' for the first time in the current period. AASB introduces a 5-step approach to revenue recognition. Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying a particular performance obligation is transferred to the customer.

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what was previously classified as 'accrued revenue receivable' and 'deferred revenue'. The Group has adopted the terminology used in AASB 15 to describe such balances.

The Group recognises revenue from the following major sources:

- Sale of goods;
- Rendering of services; and
- Projects and installations.

Under AASB 15, the revenue recognition for each of the above is as follows:

| Revenue stream | Performance Obligation | Timing of Recognition |
|----------------------------|---|--|
| Sale of goods | Sale of spares & parts | At a point of time on delivery of the goods. |
| Rendering of services | Provision of support and maintenance service | Over time as the customer receives support and maintenance service for the duration of the contract. |
| Projects and installations | Revenue is recognised when it is highly probable that a significant reversal of revenue will not occur. | Over time as the project and installation service is provided. |

Revenue from provision of projects and installation is recognised over time based on the stage of completion of the contract, which is determined with reference to the ratio of project hours to date relative to total estimated project hours. The Group has assessed that this is an appropriate measure of progress towards the satisfaction of the performance obligation under AASB 15.

Revenue from support and maintenance service is based on a fixed-price contract and the customer pays the fixed amount based on an agreed payment schedule. If the services rendered by the Group exceed the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

During the half year, revenue by stream is summarised below:

| Revenue Stream | Revenue Recognition | \$'000 |
|----------------------------|---------------------|---------------|
| Sale of goods | Point in time | 12,213 |
| Rendering of services | Over time | 1,421 |
| Projects and installations | Over time | 8,646 |
| Total revenue | | 22,280 |

(ii) AASB 9 'Financial Instruments'

Impact on application

The Group has applied AASB 9 'Financial Instruments' which replaces AASB 139 Financial Instruments: Recognition and Measurement. Based on management's assessment the application of AASB 9 did not have a material impact at the date of initial application (1 July 2018).

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 9 includes revised guidance on the classification and measurement of complex financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139.

MPower Group Limited has no complex financial instruments apart from hedge accounting. The application of AASB 9 does not have any major impact on the groups hedge accounting policy.

The calculation of impairment losses impacts the way the Group calculates the bad debts provision, now termed the credit loss allowance. The Group applies the AASB 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

A provision matrix is determined based on historic credit loss rate for each group of customers, adjusted for any material expected changes to the customers' future credit risk.

Trade receivables and contract assets 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. The total credit loss allowance on trade receivables and contract assets include certain specific customers which the Group assessed as non-recoverable in the prior periods.

Going concern

The condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2018 reflects a loss after tax of \$3.604 million and the condensed consolidated statement of cash flows reflects net cash outflows from operations of \$2.271 million. The Directors have reviewed the cash flow forecast prepared by management for the period through to 29 February 2020. The cash flow forecast indicates that the Group will have sufficient funding to operate as a going concern during the forecast period, and on this basis the Directors have prepared the financial statements on the going concern basis.

The cash flow forecast is predicated on the following key assumptions:

- successful capital raising from the shortfall shares under the rights issue announced on 29 November 2018 amounting to \$1.8 million (refer note 10 for further details);
- continued support of the Group's debt financiers; and
- the Group achieving its anticipated level of cash flows, and in particular, the conversion and delivery of sale pipeline opportunities over the forecast period. The Directors believe that the actions undertaken over the past year to re-align the core business operations will support achieving the forecast cash flows.

If the Group is unable to meet the key assumptions noted above, then a material uncertainty would exist that may cast significant doubt as to whether the Group will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

NOTE 2: REVENUE AND OTHER INCOME

| | Half Year Ended | |
|--------------------------------|------------------------|--------------------|
| | 31 Dec 2018 | 31 Dec 2017 |
| | \$'000 | \$'000 |
| <i>Sales revenue</i> | | |
| Sale of goods | 12,213 | 12,921 |
| Rendering of services | 1,421 | 1,326 |
| Projects and installations | 8,646 | 7,458 |
| Sale of goods and services | 22,280 | 21,705 |
| <i>Other revenue</i> | | |
| Interest revenue | - | 4 |
| Other revenue | 33 | 18 |
| Total other revenue | 33 | 22 |
| <i>Other income</i> | - | 2 |
| Total revenue and other income | 22,313 | 21,729 |

NOTE 3: TRADE RECEIVABLES AND CONTRACT ASSETS

| | 31 Dec 2018 | 30 Jun 2018 |
|--|--------------------|--------------------|
| | \$'000 | \$'000 |
| Trade receivables | 4,832 | 4,503 |
| Less: Credit loss allowance | (115) | (111) |
| | 4,717 | 4,392 |
| Contract assets - Accrued revenue receivable | 5,227 | 3,792 |
| Total trade receivables and contract assets | 9,944 | 8,184 |

NOTE 4: ISSUED CAPITAL

| | Half Year Ended | | Half Year Ended | |
|--|------------------------|---------------|------------------------|---------------|
| | 31 Dec 2018 | | 31 Dec 2017 | |
| | No.'000 | \$'000 | No.'000 | \$'000 |
| Fully paid ordinary shares | | | | |
| Balance at beginning of financial period | 124,328 | 23,410 | 124,328 | 23,410 |
| Shares issued | 12,567 | 606 | - | - |
| Balance at end of financial period | 136,895 | 24,016 | 124,328 | 23,410 |

12,567,308 ordinary shares were issued during the period (2017: nil). No unlisted share options over ordinary shares under the Executive Share Option plan were issued during the period (2017: nil).

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

NOTE 5: RESERVES

| | 31 Dec 2018 | 30 Jun 2018 |
|--------------------------------------|--------------------|--------------------|
| | \$'000 | \$'000 |
| Share option reserve | 268 | 262 |
| Foreign exchange translation reserve | (195) | (230) |
| Cash flow hedge reserve | 166 | 160 |
| Revaluation reserve | 425 | 425 |
| Total reserves | <u>664</u> | <u>617</u> |

NOTE 6: DIVIDENDS

No dividends were declared or paid during the current or previous financial period.

NOTE 7: SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The MPower Group's reportable segments are organised into 2 major sectors – power investments and property investments. These sectors are the basis on which the MPower Group reports its reportable segment information. The principal products and services of each of those sectors are as follows:

- Power investments – consists of MPower Holdings Pty Limited, MPower Business Services Pty Limited, MPower Products Pty Limited, MPower Pacific Limited, MPower Projects Pty Limited and MPower Samoa Limited. At 31 December 2018 these entities were wholly owned by the Company. This group is a leading provider of innovative and dependable power solutions for use in all manner of emergency, back-up, generated and renewable power situations in Australia, New Zealand and the Pacific islands.
- Property investments – consists principally of the Company's investment in the Power Property Unit Trust which owns a property occupied by of MPower Products Pty Limited in Melbourne, Victoria.

The following is an analysis of the group's revenue and results by reportable segment:

| | Revenue | | Segment profit | |
|---|------------------------|--------------------|------------------------|--------------------|
| | Half Year Ended | | Half Year Ended | |
| | 31 Dec 2018 | 31 Dec 2017 | 31 Dec 2018 | 31 Dec 2017 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Power investments | 22,280 | 21,727 | (2,142) | 18 |
| Property investments | 85 | 85 | 81 | 81 |
| Other | (52) | (83) | (52) | (83) |
| Total revenue and segment profit / (loss) | 22,313 | 21,729 | (2,113) | 16 |
| Depreciation and amortisation expense | | | (128) | (147) |
| Finance costs | | | (206) | (161) |
| Unallocated costs | | | <u>(1,140)</u> | <u>(674)</u> |
| Loss before income tax | | | (3,587) | (966) |
| Income tax expense | | | - | - |
| Consolidated segment loss for the period | | | <u>(3,587)</u> | <u>(966)</u> |

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

NOTE 7: SEGMENT INFORMATION (CONTINUED)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, depreciation and amortisation costs, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by reportable operating segment:

| | 31 Dec 2018 | 30 Jun 2018 |
|------------------------------|--------------------|--------------------|
| | \$'000 | \$'000 |
| Continuing operations | | |
| Power investments | 24,006 | 19,271 |
| Property investments | 2,070 | 2,118 |
| Total segment assets | 26,076 | 21,389 |
| Unallocated assets | (2,602) | (305) |
| Total consolidated assets | 23,474 | 21,084 |

All assets are allocated to reportable segments. There are no assets used jointly by reportable segments.

NOTE 8: FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

8.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

| Financial assets/financial liabilities | Fair value as at | | Fair value hierarchy | Valuation technique and key inputs | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|-------------------------|--------------------|-----------------------------|---|--|--|
| | 31 Dec 2018 | 30 Jun 2018 | | | | |
| | \$'000 | \$'000 | | | | |
| Foreign currency forward contracts: | | | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. | N/A | N/A |
| Assets | 142 | 129 | | | | |
| Liabilities | 9 | 2 | | | | |

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

NOTE 8: FINANCIAL INSTRUMENTS (CONTINUED)

8.2 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of the following financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values:

| | 31 Dec 2018 | 30 Jun 2018 |
|---------------------------------------|--------------------|--------------------|
| | \$'000 | \$'000 |
| Financial assets | | |
| Trade receivables and contract assets | 9,944 | 8,184 |
| Cash and cash equivalents | 1,725 | 2,438 |
| Total financial assets | <u>11,669</u> | <u>10,622</u> |
| Financial liabilities | | |
| Trade and other payables | 12,562 | 8,049 |
| Borrowings | 6,645 | 5,550 |
| Total financial liabilities | <u>19,207</u> | <u>13,599</u> |

NOTE 9: CONTINGENCIES AND COMMITMENTS

There are no material contingent liabilities or contingent assets at balance date.

NOTE 10: SUBSEQUENT EVENTS

On 29 November 2018, the Company announced a 2 for 5 non-renounceable rights issue at 5.2 cents per share to raise up to approximately \$2.6 million before costs. The Rights Issue closed on 18 January 2019 with eligible shareholders subscribing approximately \$0.8 million for 15,287,472 of the 49,731,270 new shares offered to eligible shareholders. The new shares were issued on 25 January 2019. The Company's board of directors have the right to place the 34,443,798 shortfall shares within the period up to 18 April 2019 at 5.2 cents per share, equivalent to \$1.8 million. The placement of a further 6,663,461 shares at 5.2 cents per share (\$0.346 million) is subject to shareholder approval as detailed in the Company's announcement dated 13 December 2018.

Other than as noted above, there are no other matters or circumstances which have arisen since the end of the financial period which significantly affected or may significantly affect the operation of the Group, the results of its operations, or the state of affairs of the Group in future financial periods.

DIRECTORS' DECLARATION

The directors declare that:

- (a) based on the matters set out in Note 1, in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Peter Wise', written in a cursive style.

Peter Wise
Chairman

Sydney, 28 February 2019

Independent Auditor's Review Report to the Members of MPower Group Limited

We have reviewed the accompanying half-year financial report of MPower Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit and loss and comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of MPower Group Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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


Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Material Uncertainty Regarding Going Concern

We draw attention to Note 1 'Going Concern' in the half year financial report, which indicates that the consolidated entity incurred a loss after tax of \$3.604 million and had net cash outflows from operations of \$2.271 million during the half year ended 31 December 2018. As stated in Note 1 'Going concern', these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in this respect.


DELOITTE TOUCHE TOHMATSU



Alfred Nehama
Partner
Chartered Accountants
Sydney, 28 February 2019.