Annual Report 2019

MPower Group Limited
ABN 73 009 485 625

Contents

mpower

www.mpower.com.au

Chairman's report

During the first part of the year, the Group was known as Tag Pacific Limited and operated as an investment company, its primary investment in recent times being in MPower. On 31 January 2019, the group commenced trading on the Australian Securities Exchange as MPower Group Limited (ASX: MPR).

MPower's new 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 customers is taking shape. The focus is now on activities and markets that allow for attractive margins and that exhibit strong growth prospects, in particular:

- Renewable energy, battery storage and hybrid off-grid and microgrid systems
- Grid connected renewable systems
- High-reliability power systems

Also underway is the planned move towards the origination of debt/equity solutions for Build Own Operate opportunities. The benefits to MPower envisaged in this strategy include:

- The ability to obtain a carried interest / development margin
- Integrated end-to-end solution
- Consistent stream of low risk revenue
- Increased overall project contribution
- Long term asset management
- Ongoing operations and maintenance income

The Group has developed an enviable capability to design and deliver high specification power systems in its niche markets. Some notable projects involving either significant technical challenges or consolidating MPower's core capability that were worked on during the year include the following:

- 5.6MWh battery energy storage system for the Cook Islands Government
- 6.1MWDC grid connected solar farm at Pirie, South Australia
- 6.8MWDC grid connected solar farm at Mannum, South Australia for Canadian Solar
- 6MVA standalone power plan for Kogan Creek Power Station for CS Energy
- 1.5MWh battery energy storage system in New South Wales for Endeavour Energy

These projects are significant as they demonstrate MPower's technical prowess and its ability to manage projects that are both complex in nature and technically innovative.

Building the Group's core capability has come at a high cost, particularly those activities that involve pilot projects where there is a degree of learning and integrating different technologies for the first time. These costs have been expensed as and when they have been incurred, notwithstanding that the experience gained is expected to bring benefits in future periods. The reward for the path taken is the recognition of MPower's ability and experience in this arena.

A revitalised senior management team is now in place and motivated to take great strides towards a more nimble and flexible design and delivery capability. This envisages the integration of complex systems continuing to be performed in-house and leveraging variable resources on a project-by-project basis. Ensuring the cost base of the business is sized correctly to the level of activity is essential to future profitability and there is more work to be done in that regard.

A large number of potential projects are either in the planning or submission stages and market updates will be provided when appropriate. Time management of the project pipeline is one of the key areas receiving consideration and is a major driver in moving towards a more flexible operating model.

Gradual advances have been made in the distribution of products which service the battery, renewable energy and emergency lighting sectors. The Group's distribution activities in both Australia and New Zealand have, in general terms, enjoyed better results in the last quarter, coinciding with the commencement of a strategic review, which is continuing into FY2020. To date the review has seen the centralisation of Australian distribution activities in Victoria and the closure of physical facilities in Queensland; a reduction in head count in certain areas; and a greater focus on products with higher technical specifications servicing the renewable off-grid arena. Further moves include the re-sizing of branch facilities and the greater use of third party facilities, together with consideration of potential corporate transactions that could enhance the Group's core business imperatives.

For the full year ended 30 June 2019, the Group's revenue increased by 18% from $40.8 million to $48.0 million. Of note in the period was the growth in revenue from projects and installations at $19.0 million, 54% higher than the previous year.

The net loss for the period attributable to members was $6.2 million compared to a loss of $2.9 million in the previous year. This unsatisfactory result has driven some of the changes during the year which can be seen in the financial improvements in the second half. An analysis of the 2019 result is as follows:

FY2019	1st half	2nd half	Full year
Revenue	22.3	25.7	48.0
Net loss	(3.6)	(2.6)	(6.2)
Specific items	1.7	0.9	2.6

All figures are in $ million

The specific items referred to in the table above impacting the result include the following:

- 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 Company's battery energy storage capability;
- head office and corporate costs that are reducing as MPower becomes more integrated; and
- costs associated with the Group's rebranding during the year.

Although there were a large number of successful milestones and achievements during the year, they have been overshadowed by some legacy projects which were commenced in earlier periods in which there have been delays and costly overruns. The new and improved operating structure that the Company is moving towards is designed to mitigate the risk of similar future occurrences.

Net cash outflows from operating activities were $3.9 million during the year, of which $2.3 million was in the first half. The opening and closing cash balances saw little change, but that was after net cash of $4.1 million was generated by financing activities, including $1.7 million in proceeds from share issues.

In line with the Group's efforts to streamline and focus its activities, the Group is looking to dispose of the property in Rowville, Victoria in which the Group has a 54% ownership interest.

Peter Wise
Chairman

30 September 2019

Directors' report

The directors present their report on the company (MPower Parent) and its controlled entities (MPower Group) for the financial year ended 30 June 2019 in accordance with the provisions of the Corporations Act 2001 (Cth). The Chairman's Report (pages 1 to 2) contains a review of the operations of the MPower Group during the financial year and the results of those operations and details of significant changes in the MPower Group. The Chairman's Report is incorporated into and forms part of this Directors' Report.

Principal activity

The MPower Group is a technology-led company specialising in the delivery of on-grid and off-grid power solutions and innovative products for blue chip customers.

Review of operations

The operating result of the MPower Group for the financial year ended 30 June 2019 after eliminating non-controlling interests and providing for income tax was a loss of $6,163,000 (2018: $2,929,000). Reference should be made to the Chairman's Report for a more detailed review of operations.

Changes in the state of affairs

During the year the Company transitioned from being an investment company strategically invested in power known as Tag Pacific Limited.

Subsequent events

There are no other matters or circumstances which have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the MPower Group, the results of those operations, or the state of affairs of the MPower Group in future financial years.

Future developments

Details of the future developments of the MPower Group are contained in the Chairman's Report. To the extent that the disclosure of information regarding likely developments in the activities of the MPower Group in future financial years and the expected results of those activities is likely to result in unreasonable prejudice to the MPower Group, it has not been disclosed in this report.

Dividends

No dividends have been paid or declared during the current or previous financial years.

Indemnification of directors, officers and auditor

During the financial year, the company paid a premium to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a wilful breach of duty in relation to the company.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify a director, officer or auditor of the company or any related body corporate against a liability incurred as an officer or auditor.

Non-audit services

Details of amounts paid or payable to Deloitte Touche Tohmatsu for non-audit services provided during the year by the auditor are outlined in note 29 to the financial statements. The directors are satisfied the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth). The directors are of the opinion the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence, based on advice received from the audit committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks or rewards.

Proceedings on behalf of the company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Options on issue

At the date of this report, the options on issue over unissued ordinary shares in MPower Group Limited were as follows:

Unlisted options (ESOP)

Grant date	Expiry date	Exercise price	Number of options
02 Dec 2016	31 May 2020	$0.07	459,000
02 Dec 2016	31 May 2021	$0.07	612,000
31 Jan 2018	31 May 2020	$0.10	330,000
31 Jan 2018	31 May 2021	$0.10	440,000
Total			**1,841,000**

No unlisted options granted under the MPower Group Limited Executive Share Option Plan (ESOP) were exercised during the year.

No person entitled to exercise an option had or has any right, by virtue of the option, to participate in any share issue of any other body corporate.

Environmental regulations

There are no particular or significant environmental regulations under a law of the Commonwealth or of a state or territory affecting the MPower Group.

The MPower Group's operations do not pose a high risk for breach of environmental legislation and in the directors' opinion there is no known breach of regulatory requirements that may:

- potentially result in financial penalties;
- result in the governing authority having the ability to suspend an operation;
- have a major impact on surrounding ecosystems; or
- have a financial impact on the operations and results of the MPower Group.

Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 (Cth) for the year ended 30 June 2019 has been received and a copy can be found on page 46 of this report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2017/191, and in accordance with the Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Corporate governance

A copy of the company's 2019 corporate governance statement can be found at https://www.mpower.com.au/investors/.

Information on directors

The names and particulars of the current directors of the company during or since the end of the financial year are as follows. References to directors' relevant interest in shares are current at the date of this report.

Peter Wise	**Chairman**	
Qualifications	Dip ID	
Experience	Appointed Chairman and board member in 1986. Chairman of MPower Holdings Pty Limited and other subsidiaries within the MPower Group.	
Interest in shares	77,071,518 ordinary shares in MPower Group Limited held by Tag Private Pty Limited.	
Nathan Wise	**Chief Executive Officer and Managing Director**	
Qualifications	BCom, LLM (UNSW)	
Experience	Appointed Chief Executive Officer and Managing Director in 2012 after serving as Head of Corporate Development from 2003. Company Secretary from 2006 until 2012. Director of MPower and a number of controlled entities within the MPower Group. Practiced as a corporate and commercial lawyer before joining the MPower Group.	
Interest in shares	77,071,518 ordinary shares in MPower Group Limited held by Tag Private Pty Limited. 1,050,000 unlisted options over unissued ordinary shares in MPower Group Limited held by Investment Associates Pty Limited.	
Gary Cohen	**Director** (non-executive)	
Qualifications	B Comm, LLB, LLM (Hons)	
Experience	Director since 1999. Executive Chairman of Invigor Group Limited.	
Interest in shares	Holds a relevant interest in 619,766 ordinary shares in MPower Group Limited.	
Special responsibilities	Member of the remuneration committee.	
Directorships held in other listed entities in the previous 3 years	Listed entity Invigor Group Limited	Relevant dates since 18 July 2012
Robert Constable	**Director** (non-executive)	
Qualifications	MA (Cantab.)	
Experience	Director since 1986. Former positions include secretary of the Beecham Group, director of Sime Darby Holdings Limited and deputy chief executive of Bousteadco Singapore Limited.	
Interest in shares	434,000 ordinary shares in MPower Group Limited.	
Special responsibilities	Chairman of the audit committee and a member of the remuneration committee.	
Robert Moran	**Director** (non-executive)	
Qualifications	BEc LLB (Hons)	
Experience	Director since 2002. Chairman of Oceania Capital Partners. Has extensive experience in principal investing and previously practiced as a corporate and commercial lawyer.	
Interest in shares	1,854,546 ordinary shares in MPower Group Limited.	
Special responsibilities	Member of the audit committee.	
Directorships held in other listed entities in the previous 3 years	Listed entity Oceania Capital Partners Limited	Relevant dates since 25 July 2007
Darrell Godin	**Company Secretary**	
Qualifications	BCom, BAcc, CA	
Experience	Appointed Company Secretary and Chief Financial Officer of MPower Group Limited in 2012. Secretary of a number of controlled entities within the MPower Group. Prior to joining MPower, worked at Investec Bank Australia Limited for approximately 12 years after having practised as a Chartered Accountant for 12 years. Resigned on 6 August 2019.	
Interest in shares	280,000 ordinary shares in MPower Group Limited.	
Neil Langridge	**Company Secretary**	
Qualifications	BBS, CA, ACIS, GAICD	
Experience	Appointed Company Secretary and Interim Chief Financial Officer of MPower Group Limited on 6 August 2019. Prior to joining MPower, worked as a CFO in GFG Liberty Steel, UGL Rail and Defence, Pentair Flow Control and Downer Rail. Held various directorships and secretarial positions in these companies and related joint ventures over the past 14 years.	
Interest in shares	None.	

Changes to directors and company secretary

There were no changes to the directors of MPower Group Limited during the year and up to the date of this report.
On 6 August 2019 Darrell Godin resigned as company secretary and Neil Langridge was appointed as company secretary.

Remuneration of directors

Information about the remuneration of directors and senior management is set out in the remuneration report on pages 6 to 11.

Directors' meetings

The following table outlines the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, eleven board meetings, two audit committee meetings and two remuneration committee meetings were held.

	Board meetings		**Audit committee meetings**		**Remuneration committee meetings**	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Peter Wise	12	12	–	–	–	–
Nathan Wise	12	12	–	–	–	–
Gary Cohen	12	11	–	–	1	1
Robert Constable	12	11	3	3	1	1
Robert Moran	12	11	3	3	–	–

Remuneration report

This report details the remuneration arrangements in respect of each director of MPower Group Limited and the key management personnel.

Remuneration policy

MPower's remuneration policy has been designed to align director and senior manager objectives with shareholder and business objectives by providing a fixed remuneration component and, where applicable, offering specific short-term and long-term incentives based on key performance areas affecting MPower's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best senior managers and directors to run and manage MPower, as well as create goal congruence between directors, senior managers and shareholders.

The board's policy for determining the nature and amount of remuneration for executive board members and key management personnel of MPower is as follows:

- The remuneration policy, setting the terms and conditions for executive directors and other senior managers, was developed by the remuneration committee and approved by the board.
- Senior managers may receive base remuneration (which is based on factors such as length of service and experience), superannuation, fringe benefits, short-term incentives or long-term incentives.
- The remuneration committee reviews certain senior manager packages annually by reference to MPower's performance, senior manager performance and comparable information from industry sectors.

The performance of MPower's senior managers is measured against criteria agreed regularly with each senior manager and is based predominantly on the forecast growth of the MPower Group's profits and shareholder value. Short-term incentives, where applicable, are linked to predetermined performance indicators where possible. The board may exercise its discretion in relation to approving short-term and long-term incentives and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance indicators. The policy is designed to attract the highest calibre of senior managers and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to directors and senior managers is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board's policy is to remunerate non-executive directors for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors based on market practice, duties and accountability. Independent external advice may be sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders. Fees for non-executive directors are not linked to MPower's performance. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold shares in the company.

Performance based remuneration

MPower has a policy which sets out the framework for awarding performance based remuneration to MPower senior managers. Performance based remuneration may comprise both a short-term incentive ("STI") and a long-term incentive ("LTI") component. The STI takes the form of a cash bonus and the LTI comprises the issue of options under the MPower Group Limited Executive Share Option Plan. The remuneration committee has the discretion to determine the STI and LTI for eligible senior managers.

Short-term incentives

The remuneration package for an eligible senior manager may comprise a STI in the form of a performance based cash bonus. The maximum STI component of a remuneration package is expressed as a percentage of the relevant senior manager's base remuneration. A senior manager may be awarded a STI depending on performance against a set of performance indicators. The performance indicators may differ for each senior manager and are determined by the remuneration committee from time to time. A weighting is given to each performance indicator at the time the performance indicators are set.

Details of the STI's awarded in respect of the year to 30 June 2019 are as follows:

Nathan Wise
No cash bonus in respect of the year to 30 June 2019 has been awarded to Nathan Wise. The total STI that is available (subject to performance against set criteria) is in the range of 0% to 40% of his base remuneration of $335,000 per annum ($0 to $134,000).

The performance criteria against which the STI was assessed were improvement in group profitability; shareholder value; long term strategy and people management.

Darrell Godin
No cash bonus in respect of the year to 30 June 2019 has been awarded to Darrell Godin. The total STI that was available (subject to performance against set criteria) is in the range of 0% to 25% of his base remuneration of $276,000 for the year ($0 to $69,000).

The performance criteria against which the STI was assessed were group profitability and contribution to it, contribution to the enhancement of operational performance of group companies, including improvements to systems, processes and efficiencies, and contribution to the strategic direction and growth of the group and enhancement of shareholder value.

The remuneration committee has the discretion to award super cash bonus payments in excess of the above STI formula in the event of exceptional circumstances or performance by a senior manager.

Long-term incentives

Options over unissued shares in MPower Group Limited may be awarded to eligible senior managers in accordance with the MPower Group Limited Executive Share Option Plan. The award of options is considered appropriate as it contains an element of reward for individual achievement together with an incentive aligned to the group's longer term performance. The approach also aligns management's interests with those of shareholders.

The maximum number of options that can be on issue under the Executive Share Option Plan at any time is 5% of the shares on issue at that time. In addition, the maximum number of options that can be issued to any one senior manager is 2,350,000 (2018: 2,350,000). The remuneration committee must make reference to these and other rules of the Executive Share Option Plan when deciding on long-term incentive components.

There were no executive share options issued to directors and key management personnel during the year ended 30 June 2019 (2018: 1,000,000).

Option holdings

(i) Unlisted Executive Share Option holdings

2019	Balance 1 July 2018 No.	Granted as compensation No.	Lapsed/ exercised No.	Balance 30 June 2019 No.	Unvested No.	Vested and exercisable No.
Nathan Wise [1]	1,500,000	–	(450,000)	1,050,000	1,050,000	–
Darrell Godin	475,000	–	(142,500)	332,500	332,500	–
Anthony Csillag	475,000	–	(142,500)	332,500	332,500	–
Total	**2,450,000**	**–**	**(735,000)**	**1,715,000**	**1,715,000**	**–**

2018	Balance 1 July 2017 No.	Granted as compensation No.	Lapsed/ exercised No.	Balance 30 June 2018 No.	Unvested No.	Vested and exercisable No.
Nathan Wise [1]	900,000	600,000	–	1,500,000	1,500,000	–
Darrell Godin	327,000	200,000	(52,000)	475,000	475,000	–
Anthony Csillag	335,000	200,000	(60,000)	475,000	475,000	–
Total	**1,562,000**	**1,000,000**	**(112,000)**	**2,450,000**	**2,450,000**	**–**

1. Under the terms of the Executive Share Option Plan, options may be issued to and held by an executive or their nominee.

Refer to note 30 for the factors and assumptions used in determining share-based payments.

At 30 June 2019, the following share-based payment arrangements were in existence under the MPower Group Limited Executive Share Option Plan:

Option series	Grant date	Expiry date	Fair value at grant date (cents)	Vesting date
1. Issued 2 December 2016	2 Dec 2016	31 May 2021	0.02	01 Mar 2020 to 01 May 2021
2. Issued 31 January 2018	31 Jan 2018	31 May 2021	0.02	01 Mar 2020 to 01 May 2021

There are no performance criteria that need to be met in relation to executive share options granted, however, the options lapse if the relevant senior manager no longer provides services to or is no longer employed by the Group.

The following executive share options previously held by directors and key management personnel lapsed during the year:

	No. of options	Grant date
Nathan Wise	270,000	2 Dec 2016
Nathan Wise	180,000	31 Jan 2018
Darrell Godin	82,500	2 Dec 2016
Darrell Godin	60,000	31 Jan 2018
Anthony Csillag	82,500	2 Dec 2016
Anthony Csillag	60,000	31 Jan 2018
Total	735,000	

Shareholdings

Key management personnel and key management personnel-related entities hold directly, indirectly or beneficially as at 30 June 2019 the following interests in ordinary shares in MPower Group Limited:

2019	Balance at 1 July 2018 No.	Net other change No.	Balance at 30 June 2019 No.
Directors			
Peter Wise [1] / Nathan Wise [1]	56,946,518	20,125,000	77,071,518
Gary Cohen	619,766	–	619,766
Robert Constable	310,000	124,000	434,000
Robert Moran	1,708,911	145,635	1,854,546
Key management personnel			
Darrell Godin	200,000	80,000	280,000
Anthony Csillag	1,610,184	10,000	1,620,184
Total	61,395,379	20,484,635	81,880,014

2018	Balance at 1 July 2017 No.	Net other change No.	Balance at 30 June 2018 No.
Directors			
Peter Wise [1] / Nathan Wise [1]	56,902,518	44,000	56,946,518
Gary Cohen	1,519,766	(900,000)	619,766
Robert Constable	310,000	–	310,000
Robert Moran	1,708,911	–	1,708,911
Key management personnel			
Darrell Godin	200,000	–	200,000
Anthony Csillag	1,574,747	35,437	1,610,184
Total	62,215,942	(820,563)	61,395,379

1. Peter Wise and Nathan Wise are directors of Tag Private Pty Limited which had an interest in 77,071,518 ordinary shares in MPower Group Limited at 30 June 2019.

Company performance, shareholder wealth and director and senior management remuneration

The MPower remuneration policy has been tailored to increase goal congruence between shareholders, directors and senior managers. The main method applied in achieving this aim has been the issue of options to select senior managers to encourage the alignment of personal and shareholder interests.

The following table shows the gross revenue, profits and dividends for the last five years for MPower Group Limited, as well as the share price at the end of the respective financial years.

	2015	2016	2017	2018	2019
Revenue ($'000)	54,326	56,530	40,123	40,802	48,047
Other gains/(losses) ($'000)	82	89	120	4	7
Net loss before non-controlling interests ($'000)	(12,101)	(1,060)	(3,855)	(2,895)	(6,129)
Dividends paid ($'000)	–	–	–	–	–
Share price at year end (cents per share)	10.0	3.9	4.3	7.9	3.0
Loss per share					
Basic (cents per share)	(12.9)	(1.0)	(3.1)	(2.4)	(4.4)
Diluted (cents per share)	(12.9)	(1.0)	(3.1)	(2.4)	(4.4)

Details of remuneration

The remuneration for each director and the key management personnel in respect of the year to 30 June 2019 was as follows:

2019 $	Salary, fees and allowances	Superannuation contributions	Cash bonus	Non-cash benefits	Options	Total	Performance related %
Directors							
Peter Wise Chairman [1]	124,500	–	–	–	–	124,500	–
Nathan Wise Chief Executive Officer	335,000	–	–	–	5,861	340,861	1.7
Gary Cohen Non-executive director	20,000	–	–	–	–	20,000	–
Robert Constable Non-executive director	20,000	–	–	–	–	20,000	–
Robert Moran Non-executive director	20,000	–	–	–	–	20,000	–
Total directors	519,500	–	–	–	5,861	525,361	
Key management personnel							
Darrell Godin Chief Financial Officer [2]	255,951	20,049	–	2,579	1,678	280,257	0.6
Anthony Csillag Managing Director MPower Projects [2]	318,768	22,100	–	30,946	1,678	373,492	0.4
Total key management personnel	574,720	42,149	–	33,525	3,356	653,749	
Total	**1,094,219**	**42,149**	**–**	**33,525**	**9,217**	**1,179,110**	

1. Management fees and other expenses of $670,014 are provided for or are accrued and payable at 30 June 2019 (excl. GST).
2. Anthony Csillag resigned on 25 July 2019 and Darrell Godin resigned on 6 August 2019.

All directors held their positions for the whole year.

The remuneration for each director and the key management personnel in respect of the year to 30 June 2018 was as follows:

2018 $	Salary, fees and allowances	Superannuation contributions	Cash bonus	Non-cash benefits	Options	Total	Performance related %
Directors							
Peter Wise Chairman [1]	312,000	–	–	–	–	312,000	–
Nathan Wise Chief Executive Officer	335,000	–	–	–	2,792	337,792	0.8
Gary Cohen Non-executive director	20,000	–	–	–	–	20,000	–
Robert Constable Non-executive director	20,000	–	–	–	–	20,000	–
Robert Moran Non-executive director	20,000	–	–	–	–	20,000	–
Total directors	707,000	–	–	–	2,792	709,792	
Key management personnel							
Darrell Godin Chief Financial Officer [2]	255,951	20,049	–	3,029	801	279,830	0.3
Anthony Csillag Managing Director MPower Projects	316,217	22,658	–	31,652	801	371,328	0.2
Total key management personnel	572,168	42,707	–	34,681	1,602	651,158	
Total	**1,279,168**	**42,707**	**–**	**34,681**	**4,394**	**1,360,950**	

1. Management fees and other expenses of $542,313 were provided for and payable at 30 June 2018 (excl. GST).

All directors and key management personnel held their positions for the whole year other than Gary Weiss who resigned as a director with effect from 31 August 2017.

Contract details

There were no written contracts in place with directors or key management personnel other than the following:

1. A written contract was in place in respect of the services provided by Nathan Wise to MPower Group Limited. The contract has no specified duration and requires three months' notice of termination (equating to a termination payment of $83,750).
2. A written contract was in place in respect of the services provided by Darrell Godin to MPower Group Limited. The contract has no specified duration and requires one months' notice of termination (equating to a termination payment of $23,000).
3. A written contract was in place in respect of the services provided by Anthony Csillag to MPower Projects Pty Limited. The contract has no specified duration and requires six months' notice of termination (equating to a termination payment of $169,178).

Performance income as a proportion of total remuneration

In some circumstances, senior managers are paid performance bonuses based on set monetary figures and not as a proportion of their salary. These bonuses have been set to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the MPower Group. The payment of bonuses and other incentive payments for specified senior managers are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put forward to the board for approval. Bonuses, options and incentives are linked to predetermined performance criteria. The board can exercise its discretion in relation to approving incentives, bonuses and options and can make changes to the committee's recommendations.
Signed in accordance with a resolution of the directors.

Peter Wise
Chairman

30 September 2019

Consolidated statement of profit or loss and other comprehensive income

	Note	**2019 $'000**	2018 $'000
Continuing operations			
Revenue	3	48,011	40,770
Other revenue	4	36	32
Other income	5	7	4
Raw materials and consumables used		(35,505)	(26,557)
Advertising and marketing expense		(142)	(153)
Depreciation and amortisation expense	7	(258)	(288)
Employee benefits expense	7	(12,483)	(11,440)
Finance costs	6	(432)	(329)
Freight and transport		(825)	(770)
Occupancy expense		(562)	(329)
Other expenses		(3,976)	(3,835)
Loss before income tax		(6,129)	(2,895)
Income tax expense	8	–	–
LOSS FOR THE YEAR		(6,129)	(2,895)
Attributable to:			
Owners of the company		(6,163)	(2,929)
Non-controlling interest		34	34
		(6,129)	(2,895)
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss:			
(Loss) / Gain on cash flow hedges taken to equity		(106)	347
Exchange gain / (loss) on translating foreign operations		10	(54)
Other comprehensive (loss) / income net of tax		(96)	293
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(6,225)	(2,602)
Total comprehensive loss attributable to:			
Owners of the company		(6,259)	(2,636)
Non-controlling interest		34	34
		(6,255)	(2,602)
Earnings per share			
Basic (cents per share)	32	(4.4)	(2.4)
Diluted (cents per share)	32	(4.4)	(2.4)

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

	Note	**2019 $'000**	2018 $'000
Assets			
Current assets			
Cash and cash equivalents	9	2,655	2,438
Trade receivables and contract assets	10	9,130	8,184
Inventories	11	6,845	6,454
Other current assets	12	1,438	943
Other financial assets	14	36	129
		20,104	18,148
Non-current assets classified as held for sale	15	1,839	–
Total current assets		21,943	18,148
Non-current assets			
Property, plant & equipment	16	1,018	2,936
Total non-current assets		1,018	2,936
Total assets		22,961	21,084
Liabilities			
Current liabilities			
Trade and other payables	18	12,045	8,049
Borrowings	19	6,975	4,428
Liabilities associated with assets classified as held for sale	20	1,030	–
Provisions	21	1,423	1,430
Other liabilities	22	403	45
Total current liabilities		21,876	13,952
Non-current liabilities			
Borrowings	19	32	1,122
Provisions	21	8	44
Other liabilities	22	3	82
Total non-current liabilities		43	1,248
Total liabilities		21,919	15,200
Net assets		1,042	5,884
Equity			
Issued capital	23	25,121	23,410
Reserves	24	533	617
Accumulated losses		(25,058)	(18,589)
Equity attributable to owners of the company		596	5,438
Non-controlling interest	25	446	446
Total equity		1,042	5,884

The accompanying notes form part of these financial statements

Consolidated statement of changes in equity

	Issued capital	Reserves	Accumulated losses	Attributable to owners of parent entity	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017	23,410	266	(15,660)	8,016	401	8,417
Loss for the period	–	–	(2,929)	(2,929)	34	(2,895)
Other comprehensive income/(loss) net of tax						
Exchange differences arising on translation of foreign operations	–	(54)	–	(54)	–	(54)
Loss on cash flow hedge taken to equity	–	347	–	347	–	347
Total comprehensive income/(loss) for the period	–	293	(2,929)	(2,636)	34	(2,602)
Recognition of revaluation of property	–	52	–	52	43	95
Recognition of share-based payments	–	6	–	6	–	6
Payment of distributions	–	–	–	–	(32)	(32)
Balance at 30 June 2018	**23,410**	**617**	**(18,589)**	**5,438**	**446**	**5,884**
Opening balance adjustment on application of AASB 15	–	–	(306)	–	–	(306)
Balance at 1 July 2018	**23,410**	**617**	**(18,895)**	**5,132**	**446**	**5,578**
Loss for the period	–	–	(6,163)	(6,163)	34	(6,129)
Other comprehensive income/(loss) net of tax						
Exchange differences arising on translation of foreign operations	–	10	–	10	–	10
Gain on cash flow hedge taken to equity	–	(106)	–	(106)	–	(106)
Total comprehensive income/(loss) for the period	–	(96)	(6,163)	(6,259)	34	(6,225)
Issue of shares	1,711	–	–	1,711	–	1,711
Recognition of share-based payments	–	12	–	12	–	12
Payment of distributions	–	–	–	–	(34)	(34)
Balance at 30 June 2019	**25,121**	**533**	**(25,058)**	**596**	**446**	**1,042**

The accompanying notes form part of these financial statements

Consolidated statement of cash flows

	Note	**2019 $'000**	2018 $'000
Cash flows from operating activities			
Receipts from customers		52,366	45,234
Payments to suppliers and employees		(55,819)	(46,098)
Cash used in operations		(3,453)	(864)
Interest received		2	5
Interest and other costs of finance paid		(432)	(328)
Net cash used by operating activities	9	(3,883)	(1,187)
Cash flows from investing activities			
Proceeds on sale of property, plant & equipment		17	20
Payments for property, plant & equipment		(70)	(288)
Net cash used in investing activities		(53)	(268)
Cash flows from financing activities			
Proceeds from borrowings		6,733	4,262
Repayment of borrowings		(4,253)	(4,158)
Distributions paid by controlled entities to non-controlling interests		(34)	(32)
Proceeds from share issue		1,795	–
Share issue costs		(83)	–
Net cash generated by financing activities		4,158	72
Net (decrease) / increase in cash and cash equivalents		222	(1,383)
Cash and cash equivalents at the beginning of the financial year		2,438	3,855
Effects of exchange rate changes on the balance of cash held in foreign currencies		(5)	(34)
Cash and cash equivalents at the end of the financial year	9	2,655	2,438

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the financial year ended 30 June 2019

1. General information

MPower Group Limited is a strategic investor and is a listed public company, incorporated and domiciled in Australia. MPower Group Limited is also the ultimate parent of the MPower Group (MPower Group Limited and its controlled entities).

The registered office and principal place of business of the company is:
MPower Group Limited
Level 32, Australia Square
264 George Street
Sydney NSW 2000
Australia

2. Statement of significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards (‘IFRS’).

The financial statements were authorised for issue by the directors on 26 September 2019.

The following is a summary of the material accounting policies adopted by the MPower Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

The accounting policies set out below have been consistently applied to all years presented.

The consolidated financial statements have been prepared on the basis of historical costs, except for certain properties and financial instruments that are measured at revalued amounts or fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and the measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

The MPower Parent has applied the relief available to it in ASIC Corporations (Rounding in Financial / Directors’ Reports) Instrument 2016/191. Accordingly, amounts in the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the MPower Group’s accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimates – Construction contracts
Construction revenue is recognised by management after assessing all factors relevant to each contract. Significant management estimation is required in assessing the following:

- Estimation of total contract revenue, including determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims;
- Estimation of total contract costs, including revisions to total forecast costs for events or conditions that occur during the performance of the contract, or are expected to occur to complete the contract;
- Estimation of project contingencies; and
- Estimation of stage of completion including determination of project complete date.

(a) Basis of consolidation
The consolidated financial statements incorporate the financial statements of MPower Group Limited and entities controlled by MPower Group Limited (its subsidiaries).

Control is achieved when MPower Group Limited:

- has the power over the investee;
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect the returns.

MPower Group Limited reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. A list of subsidiaries is contained in note 13. All controlled entities have a 30 June financial year-end.

The results of the subsidiaries acquired or disposed of during the year are included in consolidated profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the MPower Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the parent entity disclosures in note 34 for MPower Group Limited, intra-group transactions ('common controlled transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the MPower Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interests' interest in the subsidiary's equity are allocated against the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as required.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payments of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 July 2009 were accounted for in accordance with the previous version of AASB3.

(b) Income tax

Current tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is recognised on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in profit or loss except where it relates to items that may be recognised directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Capitalised losses are only brought to account when it is probable they will be recouped through future taxable gains.

(c) Construction Contracts
The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the amount invoiced exceeds the revenue recognised to date then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue and the receipt of payment is always expected to be less than one year.

(d) Inventories
Inventories are stated at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Refer to note 2(p) for the policy in relation to work in progress and construction contracts.

(e) Property, plant and equipment
Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment.

Plant and equipment
Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets, employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the MPower Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the MPower Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Land and buildings
Freehold land and buildings are shown at their fair value being the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date, based on a valuation by external independent valuers, less subsequent depreciation for buildings. Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity, all other decreases are charged to profit or loss.

Depreciation
Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

The depreciable amount of all fixed assets including capitalised lease assets are depreciated on a straight-line and diminishing value basis over their useful lives to the MPower Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Leasehold improvements	6-33%
Plant and equipment	5-40%
Buildings	2.5%
Leased plant and equipment	20-23%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. 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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(f) Leased assets
Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the MPower Group are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the life of the lease term. Lease incentives under operating leases are recognised as a liability and amortised over the life of the lease term.

(g) Financial assets
Recognition
Financial assets are initially measured at fair value on trade date, which includes transaction costs (other than financial assets at fair value through profit/loss), when the related contractual rights or obligations exist. Subsequent to initial recognition these financial assets are measured as set out below.

Financial assets at fair value through profit or loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Specifically, the financial asset forms part of a group of financial assets which is managed and its performance is evaluated on a fair value basis, in accordance with the MPower Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in profit or loss in the period in which they arise.

Loans and receivables
Trade receivables, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method less impairment. Interest income is recognised by applying the effective interest rate.

Fair value
For all quoted investments fair value is determined by reference to observable prices of market transactions for identical assets at or near the measurement date whenever that information is available. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(h) Impairment of assets
At each reporting date, the MPower Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the MPower Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Investments in associates
An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment.

Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss. Where a group transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

(j) Intangible assets
Goodwill
Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisition of controlled entities is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purposes of impairment testing.

If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to reduce the other assets of the cash-generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

Patents and trademarks
Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

Research and development
Expenditure during the research phase of a project is recognised as an expense as incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs are amortised on a straight line basis over the period during which the related benefits are expected to be realised, once commercial production has commenced.

(k) Foreign currency transactions and balances
Functional and presentation currency
The functional currency of each of the MPower Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the MPower Group's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow hedge.

MPower Group companies
The financial results and position of foreign operations whose functional currency is different from the MPower Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the historical exchange rates.

Exchange differences arising on translation of foreign operations are transferred directly to the MPower Group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated profit or loss in the period in which the operation is disposed.

(l) Employee benefits
A liability is recognised at balance date for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the MPower Group to employee superannuation funds and are charged as an expense when employees have rendered service entitling them to the contributions.

(m) Provisions
Provisions are recognised when the MPower Group has a present obligation (legal or constructive), as a result of a past event, for which it is probable that the MPower Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) Provision for warranties
Provision is made in respect of the MPower Group's estimated liability on all products and services under warranty at balance date. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the MPower Group's history of warranty claims.

(o) Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

(p) Revenue
Sale of goods
Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances. Revenue from sale of goods is recognised upon delivery of goods to customers.

Services revenue
Fixed price contracts
For fixed price services contracts, revenue arises from maintenance and other services supplied to infrastructure assets and facilities which may involve a range of services and processes. The Group has assessed the services provided to be one performance obligation. The transaction price typically contains a fixed lump sum amount. The total transaction price may include variable consideration.

Performance obligations are fulfilled over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, and the Group enhances assets which the customer controls as the Group performs. Thus control of the goods and services is transferred to the customer over time. Revenue is recognised as the services are provided using cost as the measure of progress. Customers are in general invoiced on a monthly basis for an amount that is in line with costs incurred. Payment is received following invoicing on normal commercial terms. Where payment is received prior to or post recognition of revenue using the percentage cost of completion method, revenue is deferred or accrued for on the balance sheet.

Projects and installation revenue
Design and construction revenue arises from contracts maintained by the Group to design and construct power related infrastructure.

The transaction price is typically a fixed price broken down into various milestone payments. The total transaction price is allocated across each performance obligation based on stand-alone selling prices.

Each performance obligation is fulfilled over time as the Group enhances assets which the customer controls, for which the Group does not have alternative use and for which the Group has right to payment for performance to date. Revenue is recognised as the services are provided using cost as the measure of progress.

Customers are in general invoiced as milestones are achieved which is generally in line with costs incurred. Payment is received following invoice on normal commercial terms. Where payment is received prior to or post recognition of revenue using the percentage cost of completion method, revenue is deferred or accrued for on the balance sheet.

Variable consideration
Where consideration in respect of a contract is variable, the expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved, known as "constraint" requirements. The Group assesses the constraint requirements on a periodic basis when estimating the variable consideration to be included in the transaction price. When calculating the estimates of variable consideration, the Group considers available information including historic performance on similar contracts and other information regarding events that affect the variability that are out of the control of the Group.

Where modifications in design or contract requirements are entered into, these are treated as a continuation of the original contract in accordance with the contract modification guidance in AASB 15, and the transaction price and measure of progress is updated to reflect these. Where the price of the modification has not been confirmed, this is treated as variable consideration and an estimate is made of the amount of revenue to recognise whilst also considering the constraint requirement.

Tender and contract costs
Costs incurred prior to the commencement of a contract that give rise to resources that will be used in the anticipated delivery of the contract and are expected to be recovered are capitalised. Typically, these are design costs. Where these contract assets are capitalised, they are amortised over the course of the contract consistent with the transfer of service to the customer. Tenders costs which are capitalised are only costs incremental in the winning of a contract.

Dividend, distribution and interest revenue
Dividend and distribution revenue from investments is recognised when the MPower Group's right to receive payment has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

All revenue is stated net of the amount of goods and services tax (GST).

(q) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(r) Goods and services tax (GST)
Revenues, 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, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(s) Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(t) Derivative financial instruments
The MPower Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts. Note 33 contains details of the fair values of the derivative instruments used for hedging purposes.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting
The Group designates certain hedging instruments, which include derivatives as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(u) Share-based payments
Share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of the Black-Scholes model. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest.

At each reporting date, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

(v) Non-current assets held for sale
Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of the subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

(w) Adoption of new and revised Accounting Standards
In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. There has been no material impact of these changes on the Group's accounting policies.

Impact on application of 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).

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 Group's 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.

Impact on application of AASB-15 – Revenue from Contracts with Customers
In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers which has come into effect from 1 July 2018. Details of the new requirements of AASB 15 as well as their impact on the Group's consolidated financial statements are described below. AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 Revenue and AASB 111 Construction Contracts and related interpretations. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer. Significant judgements and estimates are used in determining the impact of AASB 15, such as the assessment of the probability of customer approval of variations and acceptance of claims, estimation of project completion date and assumed levels of project productivity.

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statements of financial position. The Group has adopted the terminology used in AASB 15 to describe such balances. The Group's accounting policies for its revenue streams are disclosed in detail in Note 2(p).

The Group has applied AASB 15 retrospectively in accordance with the modified retrospective approach, with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of equity and comparative figures therefore not restated. The adjustment has arisen from the change in the accounting treatment of capitalised tender costs.

The opening equity adjustment due to the application of the higher thresholds is analysed by financial statement line item below. The impact of applying AASB 15 on opening retained earnings was $306,000 (after tax).

Impact on assets and equity at 1 July 2018:

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

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.

Contracts where revenue is recognised over time is based on the actual progress of the construction provided over time to the end of the reporting period. This is determined using the input cost method by considering the percentage completed of the project in relation to the costs incurred over total expected costs.

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.

As at 30 June 2019, revenue by stream is summarised below:

Revenue Stream	Revenue Recognition	2019 $'000	2018 $'000
Sale of goods	Point in time	26,252	25,864
Rendering of services	Over time	2,789	2,561
Projects and installations	Over time	18,970	12,345
Total revenue		48,011	40,770

(w.1) Standards and Interpretations in issue not yet adopted
At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The impact of some of these standards has not been assessed yet.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2017-4 Amendments to Australian accounting standards – IFRIC 23 'Uncertainty over Income Tax Treatments'	1 January 2019	30 June 2020

Impact of adoption of AASB-16 – Leases
AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 July 2019. The Group has chosen the modified retrospective application of AASB 16 in accordance with AASB 16:C5(b).

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease
The Group will make use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and IFRIC 4 will continue to apply to those leases entered or modified before 1 July 2019. The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:
- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting
Operating leases
AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

On initial application of AASB 16, for all leases (except as noted below), the Group will:
(a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
(b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit and loss;
(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of $266,000. A preliminary assessment indicates that $266,000 of these arrangements relate to leases other than short-term leases and leases of low-value assets, and hence the Group estimates it will recognise a right-of-use asset of approximately $250,000 and a corresponding lease liability of approximately $250,000 in respect of all these leases. The impact on profit or loss is estimated to decrease occupancy and operating lease expenses, to increase depreciation and to increase interest expense by an immaterial amount.

Finance leases
The main differences between IFRS 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. On initial application the Group will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Group's finance leases as at 30 June 2019 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have a material impact on the amounts recognised in the Group's consolidated financial statements.

AASB 16 Leases specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for almost all leases. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. AASB 16 applies to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 Leases and the related interpretations.

(x) Going concern
The financial statements have been prepared on the going concern basis, which assumes the Group will be able to realise its assets and discharge its liabilities in the normal course of business.

The consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019 reflects a total comprehensive loss after tax of $6.225 million and the consolidated statement of cash flows reflects net cash outflows from operations of $3.883 million.

The Directors have reviewed the cash flow forecast prepared by management for the period through to 30 September 2020. The cash flow forecast, which is predicated on continuing support from the Group's bankers and the renegotiation of the Group's banking facilities as well as certain other key assumptions noted below, 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.

Key Assumptions
The cashflow forecast includes certain key assumptions including the following:

- continuing support from the Group's bankers and a successful renegotiation of the Group's at call banking facilities. The Group is in discussions with its bankers in relation to changes to the Group's finance facilities.
- successful implementation of the Group's business plan, including exiting from non-strategic areas of the business, streamlining of the core business operations and achieving operational cost saving synergies included in the forecast cash flows;
- successful completion of the sale of property classified as 'held for sale' as at 30 June 2019; and
- the Group achieving its anticipated level of cash flows, and in particular, the conversion and delivery of pipeline opportunities over the forecast period.

The Directors believe that the actions identified in the Group's business plan to re-align the focus of the core business operations will support achieving the forecast cash flows.

If the Group:

- ceases to receive continuing support from the Group's bankers and is unable to satisfactorily renegotiate its banking facilities by the end of the calendar year, and
- is unable to meet the other 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.

	2019 $'000	2018 $'000

3. Revenue

The following is an analysis of the group's revenue for the year from continuing operations (excluding other revenue – refer note 4):

– Revenue from sale of goods	26,252	25,864
– Revenue from the rendering of services	2,789	2,561
– Revenue from projects and installations	18,970	12,345
Total revenue	48,011	40,770

4. Other revenue

Interest revenue	2	5
Other	34	27
Total other revenue	36	32

The following is an analysis of other revenue earned on financial assets by category of asset:

Loans and receivables (including cash and bank balances)	2	5
Total interest income for financial assets not designated at fair value through profit or loss	2	5
Rental Income	–	–
Other income earned on non-financial assets	34	27
Total other revenue	36	32

	2019 $'000	2018 $'000

5. Other income

Gain on disposal of assets	7	4

6. Finance costs

Finance costs		
– banks/financial institutions	424	316
– finance lease charges	8	13
Total finance costs	432	329

7. Loss for the year

The loss before income tax has been determined after:

Depreciation of property plant & equipment	258	288
Employee benefits expense		
– Post-employment benefits	756	445
– Short-term employee benefits	11,715	10,989
– Share-based payments	12	6
Total employee benefits expense	12,483	11,440
Provision for doubtful debts raised	(30)	21
Operating lease rentals – minimum lease payments net of lease surrender benefit	509	215
Net foreign exchange (gain) / loss	(42)	125

8. Income tax expense

(a) The components of income tax expense comprise:

Current tax		
In respect of the current year	–	–
Deferred tax		
In respect of the current year	–	–
Total income tax expense recognised in the current year	–	–

(b) The prima facie tax on loss before income tax is reconciled to income tax as follows:

Prima facie tax benefit on loss before income tax at 30%	(1,839)	(869)
Add tax effect of:		
– unused tax losses not brought to account	1,839	869
Income tax expense attributable to the entity	–	–
The applicable weighted average effective tax rates are as follows:	–	–

The tax rate used for the reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

	2019 $'000	2018 $'000

9. Cash & cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2019 $'000	2018 $'000
Cash and bank balances	2,655	2,426
Short-term bank deposits	–	12
	2,655	2,438

The weighted average effective interest rate on cash and cash equivalents for the financial year ended 30 June 2019 was 0.08% (2018: 0.16%).

Reconciliation of loss for the year to net cash flow from operating activities

	2019 $'000	2018 $'000
Loss from operating activities after income tax	(6,129)	(2,895)
Non-cash flows		
– depreciation	258	288
– share based payments	12	6
– unrealised currency (gain) / losses	(42)	125
– gain on sale of property, plant and equipment	(7)	(4)
Changes in assets and liabilities		
– (Increase) / decrease in receivables, prepayments and other assets	(1,891)	1,709
– (Increase) / decrease in inventories	(391)	990
– Increase / (decrease) in trade creditors & accruals	3,996	(1,141)
– Increase / (decrease) in provisions	311	(265)
Net cash used by operating activities	(3,883)	(1,187)

Liquidity risk management

	2019 $'000	2018 $'000
Financing facilities [1]		
Credit facilities	12,982	13,026
Amounts utilised	(11,804)	(7,233)
Unused credit facilities	1,178	5,793

1. Finance facilities include bank guarantees and surety bonds.

Loan and non-financial facilities
Loan and non-financial facilities are arranged with a number of Australian and New Zealand institutions with the general terms and conditions being set and agreed to annually. Interest rates are variable and subject to adjustment.

Non-cash financing and investment activities
During the year the MPower Group did not acquire any plant and equipment by means of finance leases and hire purchases (2018: nil).

10. Trade receivables and contract assets

	2019 $'000	2018 $'000
Trade receivables	5,930	4,503
Less: Credit loss allowance	(45)	(111)
	5,885	4,392
Contract assets – Accrued revenue receivable	3,245	3,792
Total trade receivables and contract assets	9,130	8,184
Ageing of past due but not impaired		
60-90 days	175	82
Over 90 days	391	530
Total	566	612
Average age of trade receivables (days)	45	40
Movement in credit loss allowance		
Balance at the beginning of the year	111	141
Impairment losses recognised on receivables	(30)	21
Amounts written off during the year as uncollectible	(36)	(49)
Balance at the end of the year	45	111

The average credit period on sales of goods and rendering of services ranges from 30 to 60 days. The MPower Group has provided for receivables based on estimated unrecoverable amounts from sales of goods and rendering of services, determined by reference to the particular circumstances in relation to the debt and past default experience.

In determining the recoverability of a trade receivable, the MPower Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. There is no security held in relation to these balances.

A provision matrix is determined based on historic credit loss rates for each group of customers, adjusted for any material expected changes to the customer's future credit risk. On that basis, the credit loss allowance as at 30 June 2019 was determined as follows:

	Receivables **$'000**	**Provision matrix** **%**
Current	4,365	0
30-60 days	999	2
60-90 days	175	3
90-120 days	116	4
Over 120 days	275	5
Total receivable	5,930	

Trade receivables and contract assets are written off when there has been a significant change in the risk characteristics of a debtor and 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 Group utilises credit insurance to reduce the risk of loss for a large proportion of the trade receivables balances.

The Group has applied the exception under AASB 9 to not restate comparatives as the credit loss allowance under AASB 139 and AASB 9 did not result in material changes to the amounts previously reported.

Contract assets
Contract assets are balances due from customers under long term contracts as work is performed and therefore a contract asset is recognised over the period in which the performance obligation is fulfilled. This represents the Group's right to consideration for the services transferred to date. Amounts are generally reclassified to accounts receivable when these have been invoiced to a customer.

The directors of the Group always measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry. None of the amounts due from customers at the end of the reporting period is past due. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under construction contracts. Refer to Note 2(p), where the effects of the initial application of AASB 15 have been detailed.

	2019 $'000	2018 $'000

11. Inventories

At lower of cost and net realisable value:

	2019 $'000	2018 $'000
Raw materials	297	321
Goods-in-transit	713	520
Finished goods	5,835	5,613
Total inventories	6,845	6,454

The cost of inventory recognised as an expense during the year was $41 million (2018: $31.2 million).

12. Other current assets

	2019 $'000	2018 $'000
Current		
Prepayments	736	603
Other debtors	197	340
GST Receivable	505	–
Total other assets	1,438	943

13. Subsidiaries

Details of the Group's subsidiaries at 30 June 2019 are as follows:

Entity	Place of incorporation	Class of share	% Owned 2019	% Owned 2018
ACN 071 129 738 Pty Limited	Australia	ord	100	100
Electro Securities Pty Limited	Australia	ord	100	100
MPower Business Services Pty Limited	Australia	ord	100	100
MPower Capital Pty Limited	Australia	ord	100	100
MPower Nominees Pty Limited	Australia	ord	100	100
MPower Products Pty Limited	Australia	ord	100	100
MPower Projects Pty Limited	Australia	ord	100	100
Power Property Nominees Pty Ltd (i)	Australia	ord	75	75
Power Property Unit Trust (i)	Australia	units	55	55
ShareCover Pty Limited (iii)	Australia	ord	–	100
ShareCover Services Pty Limited (iii)	Australia	ord	–	100
Flatbat Ltd (ii)	New Zealand	ord	100	100
MPower Pacific Limited (ii)	New Zealand	ord	100	100
PISL Limited (ii)	New Zealand	ord	100	100
Spedding Ltd (ii)	New Zealand	ord	100	100
MPower Samoa Limited (ii)	Samoa	ord	100	100

(i) The MPower Group has majority ownership and board representation of all non-wholly owned subsidiaries. Percentages have been rounded.
(ii) Companies incorporated in New Zealand and Samoa carry on business primarily in their respective countries.
(iii) Company was deregistered on 9 January 2019.

	2019 $'000	2018 $'000

14. Other financial assets

	2019 $'000	2018 $'000
Current		
Derivatives designated and effective as hedging instruments carried at fair value		
Forward exchange contracts	36	129

The financial assets have been classified in this manner as this group of assets is managed and its performance is evaluated monthly on a fair value basis in accordance with an investment strategy.

15. Non-current assets held for sale

	2019 $'000	2018 $'000
Land and Buildings	1,839	–

A process to dispose of the Group's Rowville property was commenced in June 2019. The property is expected to be sold within 12 months and has been classified as non-current assets held for sale and presented separately in the statement of financial position. The proceeds from disposal is expected to exceed the carrying value of the related asset and accordingly no impairment loss has been recognised on the classification of the asset as held for sale.

Borrowings secured over the property are disclosed in Note 20.

Assets pledged as security
Land and buildings classified as held for sale have been pledged as security for bank loans under a mortgage that was used to acquire the land and buildings. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

16. Property, plant & equipment

	2019 $'000	2018 $'000
Cost or valuation	4,839	6,738
Accumulated depreciation	(3,821)	(3,802)
Total property, plant & equipment	1,018	2,936
Plant & equipment	816	845
Leasehold improvements	–	–
Capitalised leased assets	202	242
Land & buildings	–	1,849
Total property, plant & equipment	1,018	2,936

Cost	**Plant & equipment at cost** $'000	**Leasehold improvements at cost** $'000	**Capitalised leased assets at cost** $'000	**Land & buildings at fair value** $'000	**Total** $'000
Balance at 30 June 2017	3,921	188	634	1,948	6,691
Additions	293	–	–	–	293
Revaluation of assets	–	–	–	95	95
Other disposals	(328)	–	–	–	(328)
Effect of foreign currency exchange differences	(13)	–	–	–	(13)
Balance at 30 June 2018	3,873	188	634	2,043	6,738
Additions	159	–	–	15	174
Transfer to non-current assets held for sale	–	–	–	(2,058)	(2,058)
Other disposals	(28)	–	–	–	(28)
Effect of foreign currency exchange differences	13	–	–	–	13
Balance at 30 June 2019	4,017	188	634	–	4,839

Accumulated depreciation	**Plant & equipment** $'000	**Leasehold improvements** $'000	**Capitalised leased assets** $'000	**Land & buildings** $'000	**Total** $'000
Balance at 30 June 2017	(3,136)	(188)	(344)	(168)	(3,836)
Eliminated on disposals of assets	314	–	–	–	314
Depreciation expense	(214)	–	(48)	(26)	(288)
Effect of foreign currency exchange differences	8	–	–	–	8
Balance at 30 June 2018	(3,028)	(188)	(392)	(194)	(3,802)
Eliminated on disposals of assets	29	–	–	–	29
Depreciation expense	(192)	–	(40)	(26)	(258)
Transfer to non-current assets held for sale	–	–	–	220	220
Effect of foreign currency exchange differences	(10)	–	–	–	(10)
Balance at 30 June 2019	(3,201)	(188)	(432)	–	(3,821)
Net Balance at 30 June 2019	816	–	202	–	1,018
Net Balance at 30 June 2018	845	–	242	1,849	2,936

	2019 **$'000**	2018 $'000

17. Taxation

Current tax liabilities	–	–
Deferred tax balances	–	–

Deferred tax assets not brought to account which will only be realised if the conditions for deductibility set out in note 2(b) occur comprise:

– timing differences	849	745
– revenue losses	10,920	9,151
– capital losses	4,201	4,201

The recoverability of the deferred tax assets has been determined by reference to forecast future taxable profits of the group. As a result of the uncertainty as to the timing of utilisation of tax losses and timing differences, deferred tax assets of $11.769 million have not been raised (2018: $9.896 million). This position is reassessed on an ongoing basis. The losses will remain available indefinitely to offset against future taxable profits, subject to continuing to meet the statutory tax tests of continuity of ownership or failing that, the same business test.

Tax consolidation
The company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is MPower Group Limited. The wholly-owned Australian resident entities that are members of the tax-consolidated group are included in the list of subsidiaries in note 13. MPower Holdings Pty Limited and its Australian resident subsidiaries joined the MPower Group Limited tax consolidated group on 28 September 2012 on acquisition by MPower of the minority interest.

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 in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

18. Trade & other payables

Current unsecured liabilities		
– trade payables	8,056	4,527
– sundry payables and accrued expenses	3,989	3,522
	12,045	8,049

The general policy for subsidiaries within the MPower Group with foreign currency exposure arising from cross border trading is to hedge between 50% and 100% of the exposure.

The credit period on purchases from overseas suppliers generally ranges from 30 to 90 days. No interest is charged on trade payables paid within the relevant supplier term. Average credit periods for local purchases range from 7 to 30 days.

19. Borrowings

	2019 $'000	2018 $'000
Current		
– Bank facilities (secured)	6,692	4,172
– Other interest bearing liabilities	224	183
– Asset finance liabilities (secured) (refer note 27)	59	73
	6,975	4,428
Non-current		
– Bank facilities (secured)	–	1,030
– Asset finance liabilities (secured) (refer note 27)	32	92
	32	1,122

Bank facilities are fully secured by registered mortgage debentures given by controlled entities over their assets. The total carrying amounts of assets pledged as security are $22,436,343 (2018: $21,313,645).

Summary of borrowing and financial facility arrangements
MPower Holdings Pty Ltd (and subsidiaries) has $6.7 million of borrowings from St George Bank Limited charged at a weighted average interest rate of 5.86%. There were no covenant reporting requirements at 30 June 2019 (2018: nil).

The lease liabilities are secured by the leased assets as disclosed in note 16.

20. Liabilities associated with assets classified as held for sale

	2019 $'000	2018 $'000
Current		
Bank facilities (secured)	1,030	–

The Power Property Unit Trust has $1.03 million of the bank borrowings from National Australia Bank Limited charged at an interest rate of 5.56%. The facility has no financial covenants for the year ending 30 June 2019.

21. Provisions

	2019 $'000	2018 $'000
Employee benefits (a)	1,349	1,353
Warranties (b)	82	121
Total provisions	1,431	1,474
Current	1,423	1,430
Non-current	8	44
Total provisions	1,431	1,474
Warranties		
Opening balance at beginning of year	121	105
Provisions (reversed) / raised during year	(39)	40
Amounts used	–	(24)
Balance at end of year	82	121

(a) The provision for employee benefits represents annual leave and long service leave entitlements accrued by employees. A provision has been recognised for employee entitlements relating to long service leave. The calculation for the present value of future cash flows in respect of long service leave is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in note 2.

(b) The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the MPower Group's warranty program for projects undertaken or products sold. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes, other events affecting product quality or changes in the nature of projects undertaken.

	2019 $'000	2018 $'000

22. Other liabilities

	2019 $'000	2018 $'000
Current		
Forward exchange contract liability	–	2
Customer deposits in advance	106	43
Contract liabilities	297	–
Total current other liabilities	403	45
Non-Current		
Sundry other liabilities	3	82
Total non-current other liabilities	3	82

23. Issued capital

	2019 $'000	2018 $'000
158,846,416 (2018: 124,328,175) fully paid ordinary shares	25,121	23,410

	Number of shares '000	Share capital $'000
Balance at 30 June 2017	124,328	23,410
Shares issued during the year [(a)]	–	–
Balance at 30 June 2018	124,328	23,410
Shares issued during the year [(a)]	34,518	1,711
Balance at 30 June 2019	158,846	25,121

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the company does not have authorised capital or par value in respect of the issued shares.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each is entitled to one vote for each share held.

(a) 34,518,241 shares were issued during the current financial year (2018: nil).

(b) During the financial year, an on-market share buy-back facility was in place. No shares were acquired under the facility during the year (2018: nil) and to date a total of 1,532,983 shares have been purchased for $368,541.

(c) 2,173,500 unlisted executive share options remain on issue at 30 June 2019 (refer note 30).

(d) On 29 November 2018 the shareholders approved a share placement facility which allows the issue of equity securities up to 10% of the issued capital of the company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2.

	2019 $'000	2018 $'000

24. Reserves

	2019 $'000	2018 $'000
Revaluation reserve [a]	425	425
Share option reserve [b]	274	262
Foreign currency translation reserve [c]	(220)	(230)
Cash flow hedge reserve [d]	54	160
Total reserves	533	617

(a) Revaluation reserve

	2019 $'000	2018 $'000
Balance at beginning of the year	425	373
Revaluation of property net of minority interests	–	52
Balance at end of the year	425	425

The revaluation reserve records a revaluation of land and buildings (refer note 15 and 16).

(b) Share option reserve

	2019 $'000	2018 $'000
Balance at beginning of the year	262	256
Share based payments for the year	12	6
Balance at end of the year	274	262

The share option reserve records items recognised as expenses in relation to executive share options.

(c) Foreign currency translation reserve

	2019 $'000	2018 $'000
Balance at beginning of the year	(230)	(176)
Exchange differences arising on translating the foreign operations	10	(54)
Balance at end of the year	(220)	(230)

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled entities.

(d) Cash flow hedge reserve

	2019 $'000	2018 $'000
Balance at beginning of the year	160	(187)
Cash flow hedges movements for the year net of tax	(106)	347
Balance at end of the year	54	160

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedge reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as an adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year are included in the following line item in the consolidated statement of profit or loss and other comprehensive income:

	2019 $'000	2018 $'000
Other expenses	(12)	(32)

25. Non-controlling interest in controlled entities

	2019 $'000	2018 $'000
Non-controlling interest comprises:		
– profits	446	446

	2019 $'000	2018 $'000

26. Dividends

Recognised amounts
No dividends were paid during the current or previous years.

Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax, amounts transferred in and franking debits arising from payment of dividends	7,420	7,420

27. Capital and leasing commitments

Operating lease commitments
Operating leases are non-cancellable property leases with varying terms, with variable renewable options and contingent rental provisions.

	2019 $'000	2018 $'000
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Minimum lease payments payable		
– not later than one year	131	606
– later than one year but not later than five years	135	2,094
– later than five years	–	1,895
Minimum lease payments	266	4,595

Finance lease commitments
Finance leases relate principally to motor vehicles with terms up to 5 years typically with a 20% residual value.

	2019 $'000	2018 $'000
Minimum lease payments payable		
– not later than one year	63	81
– later than one year but not later than five years	34	97
Minimum lease payments	97	178
Less: future finance charges	(6)	(13)
Present value of minimum lease payments	91	165

28. Segment information

(a) Products and services from which reportable segments derive their revenues
Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under AASB 8 are therefore as follows:

- Power investments – consists of MPower Holdings Pty Limited, MPower Business Services Pty Ltd, MPower Products Pty Ltd, MPower Pacific Ltd, MPower Projects Pty Ltd, MPower Samoa Limited, ACN 071 129 738 Pty Ltd and MPower Nominees Pty Ltd (all 100% owned at 30 June 2019). 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 consist principally of MPower's investments in the Power Property Unit Trust which owns a property occupied by MPower Holdings in Melbourne, Victoria.

(b) Segment revenues and results
The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment revenue		**Segment profit/(loss)**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Continuing operations				
Power investments	48,020	40,802	(3,530)	(822)
Property investments	171	171	164	162
Other (net of inter-segment eliminations)	(137)	(167)	(137)	(167)
Total for continuing operations	48,054	40,806	(3,503)	(827)
Depreciation and amortisation expense			(258)	(288)
Finance costs			(428)	(329)
Unallocated costs			(1,940)	(1,451)
Consolidated segment loss for the year			(6,129)	(2,895)

Revenue reported above represents revenue generated from external customers. The only inter-segment sale during the year was rental income charged by the other investments segment to the power investments segment of $170,720 which was eliminated on consolidation (2018: $170,720).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, profits of associates, depreciation and amortisation costs, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(c) Segment assets and liabilities

	2019 $'000	2018 $'000
Power investments	23,458	19,271
Property investments	2,083	2,118
Total segment assets	25,541	21,389
Unallocated assets	(2,580)	(305)
Consolidated assets	22,961	21,084
Segments liabilities		
Power investments	19,524	12,809
Property investments	1,042	1,076
Total segment liabilities	20,566	13,855
Unallocated liabilities	1,353	1,315
Consolidated liabilities	21,919	15,200

For the purposes of monitoring performance and allocating resources between segments:
(i) All assets are allocated to reportable segments. There are no assets used jointly by reportable segments.
(ii) All liabilities are allocated to reportable segments. There are no liabilities for which reportable segments are jointly liable.

(d) Other segment information

	Depreciation and amortisation		**Additions to non-current assets**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Power investments	229	260	148	282
Property Investments	26	26	15	–
Unallocated	3	2	11	11
Total	258	288	174	293

(e) Revenue from major products and services
The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	2019 $'000	2018 $'000
Power investments – project and installations revenue	18,970	12,345
Power investments – sale of goods & rendering of service	29,050	28,457
Other	34	4
Total	48,054	40,806

(f) Geographical information
The investment in the power sector has business segments located across Australia and New Zealand. Specifically, geographical segments consist of branches and activities across Australia and includes overseas projects (including Samoa) managed in Australia. The New Zealand segment includes branches in Auckland, Wellington and Christchurch.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below.

	Revenue from external customers		Non-current assets	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Australia	41,185	33,209	598	2,485
New Zealand	6,862	7,593	420	451
Total	48,047	40,802	1,018	2,936

(g) Information about major customers
Included in revenues arising from power projects and installation revenue of $18.97 million (2018: $12.35 million) are revenues of $8.6 million (2018: $3.3 million) which arose from sales to the Group's largest customer.

29. Auditor's remuneration

	2019	2018
	$	$
Remuneration of the auditor of MPower Group:		
Deloitte Touche Tohmatsu (including network member firms)		
– Auditing or reviewing financial statements	110,000	97,750
– Taxation services	5,342	5,252
Total	115,342	103,002

30. Employee benefits

Executive Share Option Plan
The following share-based payment arrangement existed at 30 June 2019.

Under the MPower Group Limited Executive Share Option Plan, the remuneration committee may offer options to executives having regard to their length of service with the group, the contribution made to the MPower Group by the executive, the potential contribution of the executive and any other matters considered relevant.

The maximum number of options that can be on issue at any time is 5% of the shares on issue at that time. In addition, the maximum number of options that can be issued to any one executive is 2,350,000 (2018: 2,350,000).

An option may be exercised, if vested, by the relevant participant lodging a Notice of Exercise of Option and Application for Shares, together with the exercise price for each share to be issued on exercise. Options may only be exercised by a participant at the times and in the numbers and subject to the satisfaction of any conditions set by the remuneration committee at the time of the offer of the options. The remuneration committee may stipulate that options may only be exercised if the company achieves stipulated performance benchmarks.

There are no performance criteria that need to be met in relation to the options currently on issue, however, an option not exercised will lapse on the expiry of the exercise period or if the relevant senior manager no longer provides services to or is no longer employed by the company. Unless the remuneration committee determines otherwise, options may not be transferred.

No options were granted under the MPower Group Limited Executive Share Option Plan during the year ended 30 June 2019 (2018: 1,300,000).

	MPower Group		Weighted average exercise price	
	2019	2018	**2019**	2018
	No.	No.	**$**	$
Movement in the number of share options held by executives are as follows:				
Opening balance	3,105,000	2,145,000	0.0826	0.0800
Issued during year	–	1,300,000	–	0.1000
Lapsed during the year	(931,500)	(340,000)	0.0002	0.2274
Balance at end of the year	**2,173,500**	**3,105,000**	**0.0804**	**0.0826**
Number of holders of share options	7	7		

Details of the options on issue at year end were as follows:

Grant date	Expiry date	Exercise price	Fair value at grant date	Number of options
2 December 2016	31 May 2020	$0.0700	$0.01	541,500
2 December 2016	31 May 2021	$0.0700	$0.01	722,000
31 January 2018	31 May 2020	$0.1000	$0.03	390,000
31 January 2018	31 May 2021	$0.1000	$0.03	520,000
Total				**2,173,500**

During the year no options were issued under the MPower Group Limited Executive Share Option Plan, no options were exercised, and 931,500 share options lapsed. No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

The options outstanding at 30 June 2019 had a weighted average exercise price of $0.0804, a weighted average remaining contracted life of 1.92 years and the exercise prices range from $0.0300 to $0.0100.

The fair value of options issued is calculated by using a Black-Scholes option pricing model. Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of potential future movements, which may not eventuate.

Included under employee benefits expense in the statement of profit or loss and other comprehensive income is an expense of $11,732 (2018: $5,595) relating to equity-settled share-based payment transactions.

31. Related parties

Parent entity
The parent entity and ultimate parent entity of the group is MPower Group Limited.

Controlled entities
Information relating to controlled entities is set out in note 13.

Director related entities
(a) Tag Private Pty Limited
Peter Wise has a controlling interest in Tag Private Pty Ltd through family interests and Nathan Wise is a director of the company. During the year the company was entitled to management fees and allowances for services rendered of $124,500 (2018: $312,000). Management fees of $670,014 (2018: $542,313) were accrued and payable at 30 June 2019. The company acquired 6,664,000 ordinary shares in MPower Group Limited during the year (2018: 44,000). The details of the fees and executive share options are included in the remuneration of directors' disclosures in the Directors' Report. The company held no unlisted executive share options during the year.

(b) Investment Associates Pty Limited
Nathan Wise has a controlling interest in Investment Associates Pty Ltd through family interests. During the year the company received management fees for services rendered of $335,000 (2018: $335,000). There were no unlisted executive share options over unissued ordinary shares in MPower Group Limited granted during the year (2018: 600,000). The details of the fees and executive share options are included in the remuneration of directors' disclosures in the Directors' Report. During the prior year 450,000 unlisted executive share options held by the company over unissued ordinary shares in MPower Group Limited lapsed.

Directors
The names of the directors of the MPower Group during the year under review were Peter Wise, Nathan Wise, Gary Cohen, Robert Constable, and Robert Moran. Information on the remuneration of directors and their respective periods of service is set out in the Directors' Report. Information on directors' interests in shares is detailed in the Directors' Report.

Key management personnel
The names and positions held by key management personnel of the MPower Group who have held office during the current and previous financial years are:

- Peter Wise – Chairman
- Nathan Wise – Chief Executive Officer and Managing Director
- Gary Cohen – Non-executive Director
- Robert Constable – Non-executive Director
- Robert Moran – Non-executive Director
- Gary Weiss – Non-executive Director – retired with effect from 31 August 2017
- Darrell Godin – Chief Financial Officer and Company Secretary – resigned on 6 August 2019
- Anthony Csillag – Managing Director, MPower Projects Pty Limited – resigned on 25 July 2019

The aggregate compensation made to directors and other key management personnel of the parent entity and consolidated group are set out below:

	MPower Group	
	2019	2018
	$	$
Short-term employee benefits	1,094,219	1,279,168
Post-employment benefits	42,149	42,707
Other payments	33,525	34,681
Share based payments	9,217	4,394
	1,179,110	1,360,950

Key management personnel remuneration has been included in the remuneration section of the Directors' Report.

32. Earnings per share

	2019 cents per share	2018 cents per share
Basic earnings per share	(4.4)	(2.4)
Diluted earnings per share	(4.4)	(2.4)

	2019 $'000	2018 $'000
Reconciliation of earnings to net loss		
Net loss after income tax	(6,129)	(2,895)
Attributable to non-controlling interests	(34)	(34)
Earnings used in the calculation of basic and diluted earnings per share	(6,163)	(2,929)
Weighted average number of shares used in the calculation of basic earnings per share	139,581,114	124,328,175
Weighted average number of shares used in the calculation of diluted earnings per share	139,739,411	124,328,175

No dilution has been included as losses were incurred in the current and previous years.

33. Financial instruments

(a) Capital risk management

The MPower Group manages its capital to ensure that entities in the MPower Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. This strategy remains unchanged from the previous year.

The capital structure of the MPower Group consists of cash and cash equivalents, debt (including the borrowings disclosed in notes 19 and 20), and equity attributable to equity holders of the MPower Parent, comprising issued capital (disclosed in note 23), reserves (disclosed in note 24) and retained earnings. The MPower Group also utilises certain off-balance sheet bank financing arrangements, including documentary credit facilities to facilitate the purchase of goods from overseas suppliers and the provision of performance guarantees to customers. The MPower Group operates internationally through subsidiary companies established in Samoa and New Zealand. None of the MPower Group entities are subject to externally imposed capital requirements other than those specific bank covenants and conditions referred to under note 19. Operating cash flows are used to maintain and expand the group's manufacturing and distribution assets, as well as to make routine outflows of tax, dividends and repayment of maturing debt.

Gearing ratio

The MPower Group's senior management reviews the capital structure on a semi-annual basis. As part of this review, senior management considers the cost of capital and the risks associated with each class of capital. The MPower Group has a target gearing ratio in line with the industry custom that is determined as a proportion of net debt to equity. The MPower Group balances its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at year-end was as follows:

	2019 $'000	2018 $'000
Debt (i)	8,037	5,550
Cash and cash equivalents	(2,655)	(2,438)
Net debt	5,382	3,112
Equity (ii)	1,042	5,884
Net debt to equity ratio	516.5%	52.9%

(i) Debt is defined as long-term and short-term borrowings, as detailed in notes 19 and 20.
(ii) Equity includes all capital, reserves and non-controlling interests.

(b) Categories of financial instruments

	2019 $'000	2018 $'000
Financial assets		
Trade and other receivables	9,130	8,184
Cash and cash equivalents	2,655	2,438
Total financial assets	11,785	10,622
Financial liabilities		
Amortised cost	20,082	13,635
Total financial liabilities	20,082	13,635

(c) Financial risk management objectives

The MPower Group's corporate treasury function provides services to the business, including negotiation and ongoing co-ordination of financing facilities, and monitors and manages the financial risks relating to the operations of the MPower Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk where appropriate.

The MPower Group generally hedges 50% to 100% of its foreign currency exposures. For certain entities within the MPower Group the use of these derivatives is subject to prior approval of the MPower corporate treasury function and of the board of the relevant entity.

The MPower Group does not enter into or trade financial instruments for speculative purposes.

The board of MPower Group Limited is ultimately responsible for ensuring that there is an effective risk management control framework in place.

(d) Market risk

The MPower Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 33(e)) and interest rates (refer note 33(f)).

Market risks are reviewed at least monthly at a MPower Group level and at a subsidiary company level.

There has been no change to the MPower Group's exposure to market risks or the manner in which it manages and measures the risk from the previous year.

(e) Foreign currency risk management

The MPower Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

To manage its exposure to foreign currency risk the MPower Group enters into forward foreign exchange contracts to hedge the exchange rate risk arising on sales denominated in foreign currencies and the import of power related products from countries including Europe, China, Singapore and the United States.

The carrying amount of the MPower Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

		Liabilities		Assets
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
New Zealand Dollars	1,538	1,064	3,152	2,770
US Dollars	1,749	1,680	103	233
Euros	13	87	–	106
Singapore Dollars	100	159	–	–
British Pounds	–	–	–	8
Total	3,400	2,990	3,255	3,117

Foreign currency sensitivity analysis

The following table details the MPower Group's sensitivity to a 10% increase or decrease in the Australian Dollar against the relevant foreign currencies. This sensitivity of 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	2019	2018
	$'000	$'000
Profit or loss		
US Dollars	150	132
NZ Dollars	(147)	(155)
Euros	1	(2)
Singapore Dollars	9	14
Total	13	(11)

Forward foreign exchange contracts

The MPower Group has entered into contracts to purchase power related products from suppliers in countries including the United States, China, Singapore and Europe. The MPower Group has also entered contracts with customers denominated in USD and NZD. The relevant subsidiaries have entered into forward foreign exchange contracts for terms not exceeding 2 years to cover anticipated foreign currency payments and receipts within 50% to 100% of their respective exposures, which are designated into cash flow hedges.

At 30 June 2019, the aggregate amount of gains/(losses) under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve relating to these anticipated future transactions is a gain of $36,296 (2018: loss of $31,917). It is anticipated the purchases of products will take place during the first 6 months of the next financial year at which time the amount deferred in equity will be included in the carrying amount of inventory. It is anticipated the inventory will be sold within 6 months after purchase, at which time the amount deferred in equity will be reclassified to profit or loss.

The following table details the forward foreign currency contracts for the MPower Group outstanding as at reporting date:

Outstanding contracts	Average exchange rate 2019	Average exchange rate 2018	Foreign currency amount 2019 FC'000	Foreign currency amount 2018 FC'000	Contract value in A$ 2019 $'000	Contract value in A$ 2018 $'000	Fair value in A$ 2019 $'000	Fair value in A$ 2018 $'000
Consolidated								
Buy US Dollars								
Less than 3 months	0.7137	0.7934	1,371	360	1,921	454	30	34
3 to 12 months	0.7087	0.7622	590	2,142	833	2,810	6	86
Sell NZ Dollars								
Less than 3 months	–	1.0795	–	345	–	319	–	3
3 to 12 months	–	–	–	–	–	–	–	–
Buy Euro								
Less than 3 months	–	–	–	–	–	–	–	–
3 to 12 months	–	0.6381	–	228	–	357	–	4
Total					2,754	3,940	36	127

(f) Interest rate risk management
The MPower Group is exposed to interest rate risk as entities in the MPower Group borrow funds at both fixed and floating interest rates. The risk is managed by the MPower Group by maintaining an appropriate mix between fixed and floating rate borrowings. The MPower Group does not enter into interest rate hedging activities.

Exposures to interest rates on the financial liabilities of the MPower Group are detailed in note 33(h) below.

Interest rate sensitivity analysis
The following analysis illustrates the MPower Group's sensitivity to a 200 basis point (i.e. 2% p.a.) increase or decrease in nominal interest rates, based on exposures in existence at the reporting date. This represents management's assessment of the reasonably possible change in interest rates as at that date.

At reporting date, if interest rates on borrowings had been 200 basis points higher (or lower) and all other variables were held constant, the MPower Group's net profit would decrease/(increase) by $159,000 (2018: $108,000). This is mainly attributable to the MPower Group's exposure to interest rates on its variable rate borrowings.

There was no significant change in the MPower Group's sensitivity to interest rates during the current year.

At reporting date, if interest rates had been 200 basis points higher (or lower) and all other variables were held constant, the MPower Group's net profit would increase/(decrease) on deposits by $53,000 (2018: $49,000). This is mainly attributable to the MPower Group's exposure to interest rates on its cash and cash equivalents.

(g) Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the MPower Group. The MPower Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The MPower Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management of each operating subsidiary on a regular basis.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate and available, credit guarantee insurance is purchased.

The MPower Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The following table sets out the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, representing the MPower Group's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	Maximum risk 2019 $'000	Maximum risk 2018 $'000
MPower Group		
Trade receivables and contract assets	9,130	8,184
Total	9,130	8,184

(h) Liquidity risk management
Liquidity risk is the risk that the MPower Group will encounter difficulty in meeting its obligations associated with financial liabilities.

Ultimate responsibility for liquidity risk management rests with the MPower Parent board of directors, who have built an appropriate liquidity risk management framework for the management of the MPower Group's short, medium and long-term funding and liquidity management requirements. The MPower Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 9 is a listing of additional undrawn facilities that the MPower Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables
The following tables detail the MPower Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the MPower Group can be required to pay. The table includes both interest and principal cash flows.

MPower Group

Financial liabilities	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1-5 years	5+ years
	%	$'000	$'000	$'000	$'000
2019					
Non-interest bearing liability	–	10,136	1,909	–	–
Finance lease liability	6.21	16	47	34	–
Variable interest rate instruments	14.99	6,930	1,016	–	–
Forward exchange contract liabilities	–	–	–	–	–
Total		17,082	2,972	34	–
2018					
Non-interest bearing liability	–	7,002	1,047	82	–
Finance lease liability	6.19	20	61	97	–
Variable interest rate instruments	6.86	4,327	29	491	538
Forward exchange contract liabilities	–	–	2	–	–
Total		11,349	1,139	670	538

MPower Holdings Pty Limited (and subsidiaries) has an available performance guarantee and surety bond facility with Vero Insurance. There were performance guarantee and surety bond contracts in respect of open construction contracts at year end of $173,113 (2018: $1,783,283). At the end of the year it was not probable that the counterparty to any of the performance guarantee contracts will claim under the contract. Consequently, the amount included in the above table is nil.

The MPower Group is planning to finance the payment of the above liabilities by way of expected cash-flow arising from operating activities based upon prepared forecasts and budgets.

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

MPower Group

Financial assets	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1-5 years	5+ years
	%	$'000	$'000	$'000	$'000
2019					
Non-interest bearing	–	8,471	–	–	–
Variable interest rate instruments	0.15	2,655	–	–	–
Fixed interest rate instruments	–	–	–	–	–
Forward exchange contracts	–	30	6	–	–
Total		11,156	6	–	–
2018					
Non-interest bearing	–	4,843	–	–	–
Variable interest rate instruments	0.15	2,426	–	–	–
Fixed interest rate instruments	2.30	–	9	3	–
Forward exchange contracts	–	39	90	–	–
Total		7,308	99	3	–

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(i) Fair value measurements recognised in the statement of financial position
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 technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 30 June 2019 $'000	30 June 2018 $'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
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	36	129				
Liabilities	–	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 at 30 June:

	2019 $'000	2018 $'000
Financial assets		
Trade and other receivables	9,130	8,184
Cash and cash equivalents	2,655	2,438
Total financial assets	11,785	10,622
Financial liabilities		
Trade and other payables	12,045	8,049
Borrowings	7,007	5,550
Liabilities associated with assets classified as held for sale	1,030	–
Total financial liabilities	20,082	13,599

	MPower Parent	
	2019	2018
	$'000	$'000

34. Parent entity disclosures

(a) Financial position		
Assets		
Current assets	1,781	8,151
Non-current assets	1,153	1,111
Total assets	2,934	9,262
Liabilities		
Current liabilities	1,892	1,862
Non-current liabilities	–	–
Total liabilities	1,892	1,862
Equity		
Issued capital	25,121	23,410
Accumulated losses	(24,353)	(16,272)
Share option reserve	274	262
Total equity	1,042	7,400
(b) Financial performance		
Loss for the year	(8,081)	(634)
Other comprehensive income	–	–
Total comprehensive loss	(8,081)	(634)

(c) Guarantees entered into by the parent entity
MPower Group Limited has not provided any guarantees in relation to any of its subsidiaries.

(d) Contingent liabilities of the parent entity
There are no contingent liabilities for the parent entity.

(e) Commitments for the acquisition of property, plant and equipment by the parent entity
There are no commitments for the acquisition of property, plant and equipment by the parent entity.

35. Subsequent events

There are no matters or circumstances which have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the MPower Group, the results of those operations, or the state of affairs of the MPower Group in future financial years.

36. Contingent liabilities and contingent assets

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

Directors' declaration

The directors of MPower Group Limited declare that:

(a) 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;

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;

(c) 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; and

(d) the directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Peter Wise
Chairman

Sydney, 30 September 2019

Deloitte.

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Australia

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30 September 2019

The Board of Directors
MPower Group Limited
Level 32, Australian Square
264 George Street
Sydney NSW 2000

Dear Board Members

Auditor's Independence Declaration to 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 audit of the financial report of MPower Group Limited for the year ended 30 June 2019, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants

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Member of Deloitte Asia Pacific Limited and the Deloitte Network.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MPower Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, 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 statements, including a summary of significant accounting policies and other explanatory information, 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 2019 and of its financial performance for the year then ended; 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 auditor independence requirements of 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2(x) in the financial report, which indicates that the Group incurred a net loss of $6.225 million and had a net cash outflow from operating activities of $3.883 million during the year ended 30 June 2019. These conditions, along with other matters as set forth in Note 2(x), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect to this matter.

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Our procedures in relation to going concern included, but were not limited to:

- Inquiring of management and the directors in relation to events and conditions that may impact the assessment on the Group's ability as a going concern;
- Reviewing management's plan pertaining to the sale of property classified as 'held for sale' as at 30 June 2019;
- Challenging the assumptions contained in management's cash flow forecast in relation to the Group's ability to continue as a going concern over the forecast period; and
- Assessing the adequacy of the disclosure related to going concern in Note 2(x).

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 for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Relating to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Revenue recognition on construction contracts (projects and installation revenue) *Refer to Note 2 'Critical accounting judgements and key sources of estimation uncertainty and Note 2 (p) 'Revenue'.* For the year ended 30 June 2019, the Group recognised $18.97 million revenue from projects and installation. Projects and installation revenue is recognised by management after assessing all factors relevant to each contract. Significant management estimation is required in assessing the following: - Estimation of total contract revenue, including determination of contractual entitlement and assessment of the probability of customer approval of variations; - Estimation of total contract costs, including revisions to total forecast costs for events or conditions that occur during the performance of the contract, or are expected to occur to complete the contract; - Estimation of project contingencies; and - Estimation of stage of completion including determination of project completion date.	Our procedures included, but were not limited to: - Evaluating management's processes and key controls in respect of the recognition of revenue on construction contracts, - Testing a sample of contracts and: • agreeing the contract terms to the initial contract price; • testing contractual entitlements for changes, variations and claims recognised within contract revenue to supporting documentation, and by reference to the underlying contract; • testing a sample of costs incurred to date to supporting documentation; • assessing the forecast costs to complete through discussion and challenge of project managers and finance personnel; • recalculating the percentage of completion based on costs incurred to date relative to total forecast costs; and • challenging management's ability to forecast margins on contracts by analysing the accuracy of previous margin forecasts to actual outcomes. We also assessed the appropriateness of the disclosures in the notes to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 11 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of MPower Group Limited, for the year ended 30 June 2019, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants
Sydney, 30 September 2019

Securityholder information

The following information is current as at 24 September 2019:

Shareholders

Spread of shareholders

Range	Number of shareholders	Percentage
1-1,000	522	0.16
1,001-5,000	520	0.88
5,001-10,000	174	0.83
10,001-100,000	241	4.45
100,001 Over	89	93.68
Total	**1,546**	**100.00**

1,343 shareholders held less than a marketable parcel.

Substantial shareholders

Name	Number of shares	Percentage
TAG PRIVATE PTY LIMITED [(a)]	86,280,448	54.32
MPOWER GROUP LIMITED [(b)]	9,208,930	6.05
PAUL SHARP & ASSOCIATES	9,208,930	6.05
KV MANAGEMENT (NOMINEES) PTY LTD	9,082,961	5.72

Twenty largest shareholders

Name	Number of shares	Percentage
TAG PRIVATE PTY LIMITED	77,071,518	48.52
KV MANAGEMENT (NOMINEES) PTY LTD	8,914,152	5.61
PACIFIC SPECTRUM INVESTMENTS PTY LTD	6,214,125	3.91
MR GEORGE CHIEN-HSUN LU	5,350,000	3.37
JOHN WILLIAM QUAYLE	2,884,615	1.82
MRS PENELOPE MARGARET SIEMON	2,313,138	1.46
MR GEORGE CHIEN HSUN LU + MRS JENNY CHIN PAO LU	2,190,000	1.38
PAUL DOUGLAS SHARP + LISA MARIE SHARP <THE PAUL SHARP CHILDRENS TRUST>	1,940,737	1.22
JBWERE (NZ) NOMINEES LIMITED <32083 A/C>	1,813,468	1.14
ASCE ENGINEERING PTY LTD <CSILLAG SUPER FUND A/C>	1,620,184	1.02
MR FRANK LEVIN	1,535,846	0.97
MR DWAYNE PAUL LANGE + MRS ANGELA GAYE LANGE <LANGE SUPER FUND A/C>	1,526,275	0.96
CLYME PTY LTD <THE SCUPHAM FAMILY A/C>	1,423,417	0.90
DR JOHN ALOIZOS + MRS MURIEL PATRICIA ALOIZOS <SUPERANNUATION FUND NO 2 A/C>	1,379,904	0.87
MR BRIAN ROBERT O'MALLEY	1,342,344	0.85
ANDREW HAAVISTO	1,337,143	0.84
RAVEN INVESTMENT HOLDINGS PTY LTD	1,125,148	0.71
MR PAUL DOUGLAS SHARP	1,054,068	0.66
MRS JANET EUGENIE SALEK	1,000,000	0.63
JML CAPITAL PTY LTD	961,538	0.61
Total	**122,997,620**	**77.43**

(a) Previously known as Anthony Australia Pty Ltd
(b) Previously known as Tag Pacific Limited

Voting rights
At meetings of members each member may vote in person or by proxy, attorney or (if the member is a body corporate) corporate representative. On a show of hands every person present who is a member or a representative of a member has one vote and on a poll every member present in person or by proxy or attorney has one vote for each fully paid ordinary share held.

On-market buy-back
MPower Group Limited has an on-market buy-back facility in place for up to 10% of its issued shares and operating with no fixed duration. A total of 1,532,983 shares have been purchased by the company under the on-market buy-back for an amount of $368,541.

Stock exchange listing
Fully paid ordinary shares issued by MPower Group Limited are quoted on the Australian Securities Exchange (under the code MPR).

Corporate directory

Directors
Peter Wise (Chairman)
Nathan Wise (CEO)
Gary Cohen
Robert Constable
Robert Moran

Company secretary
Neil Langridge (CFO)

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