ASX Announcement

ASX LISTING RULES APPENDIX 4D
FOR THE PERIOD ENDED 31 DECEMBER 2019

MPower Group Limited
ABN 73 009 485 625

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Level 4, 15 Bourke Road
Mascot NSW 2020
Australia

Sydney – 28 February 2020 – MPower Group Limited (ASX: MPR)

MPower Group Limited announces the following results for the Company and its controlled entities for the half year ended 31 December 2019. The results have been subject to review by the Company's external auditor.

Results for Announcement to the Market

	Six months to 31 Dec 2019 $'000	Six months to 31 Dec 2018 $'000	Change %
Revenue from continuing business	6,268	9,944	(37)
Revenue from discontinued business	11,949	12,336	(3)
Revenue	18,217	22,280	(18)
Net loss attributable to members – continuing business	(1,587)	(2,536)	37
Net loss attributable to members – discontinued business	(237)	(1,051)	77
Net loss for the period	(1,824)	(3,604)	49

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

Net Tangible Assets per share
The net tangible assets per share as at 31 December 2019 was (0.8) cents (30 June 2019: 0.4 cents per share).

Details of entities over which control has been gained or lost during the period
There were no changes in control of entities during the current period.

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

MPower Group Limited
ABN 73 009 485 625

Half Year Financial Report
31 December 2019

DIRECTORS' REPORT

The directors submit the financial report of MPower Group Limited and its controlled entities (the Group) for the half year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

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

Peter Wise
Nathan Wise
Gary Cohen
Robert Constable
Robert Moran

Review of Operations

The period which commenced on 1 July 2019 has been an exceptionally busy and transformational time for the Company. In the eight months to the date of this report, substantial progress has been made towards focussing MPower's future activities around high reliability renewable and conventional power projects where the Company already has an established track record.

The following significant changes have occurred:

- Earlier this month the Company announced that it had reached agreement on the sale of its Australian and New Zealand product distribution businesses to Legend Corporation Limited for $4.6 million on a cash-free, debt-free basis.

  The sale comprises the Bardic emergency lighting business and MPower's solar and battery product business, both of which are non-core to MPower's aspirations to focus on high reliability renewable and conventional power projects. The transaction was completed on 28 February 2020 and the activities relating to these business units have been classified in the half year results as discontinued operations. The cash consideration received at completion of the sale was $5.6 million, reflecting the $4.6 million purchase price plus an estimate of cash and working capital. The final purchase price is subject to a post-completion working capital adjustment.

- New banking facilities have been finalised, include a term debt facility and a multi-option facility amongst other facilities. The debt facility has a term until July 2020 and $2.5 million was repaid at completion of the sale of the product distribution businesses.

- The forward business model for MPower's project business has been refined. The project opportunities being targeted and the method of delivering projects has been revised to minimise risk. MPower is pursuing projects with a higher contribution that draw on our established capability and track record. Legacy style projects that have created challenges for the business are no longer being pursued and assembly and related work that was previously performed in-house is now being outsourced.

- Aligned to the refined business model is a material reduction to the committed cost base of the business. Our head office and operating business have relocated to a new combined office and the large industrial facilities which for many years housed the activities required for the assembly of power generation equipment have been relinquished. There has also been a significant change to headcount and a deliberate shift to a variable cost model that aligns with the new business model.

- To achieve these outcomes, one-off costs were incurred in the six months to 31 December 2019 totalling approximately $1.2 million, including legacy project costs, termination costs, costs associated with changes to premises and other costs. The transition has also curtailed project revenue for the period as the old work has ceased and the new work has not yet come on stream.

- In a further move, the 54.6% owned Power Property Unit Trust has exchanged contracts for the sale of its property in Rowville in Victoria, which has been occupied by MPower's product distribution activities. Completion of the property sale is scheduled for late April 2020 with the gross sale value of $2.6 million representing a net gain of approximately $0.7 million over the carrying value which is not reflected in the half year accounts. Net proceeds to be received by MPower are expected to be approximately $0.8 million.

The Group recorded a net loss of $1.8 million for the half year ended 31 December 2019. This is broken into continuing and discontinued operations. Because major changes have occurred in the structure of the business, comparisons with the prior period should be read in this context. It should be noted that within the reporting for continuing operations, there are a number of one-off items that arise from the initiatives implemented over the period as outlined above.

The transformation that has been undertaken has resulted in a refocussed MPower which now intends to leverage itself into the renewable energy upside, specialising in those areas where its expertise is in demand. Whilst the sale of MPower Products and MPower Pacific will decrease the Group's top line revenue substantially, the prospect pipeline for MPower's project activities is very high. The nature and quality of anticipated future work is expected to result in both a different revenue and contribution profile for the future business when compared to the past. With the core project business now co-located with the former head office and finance functions, the move towards the origination of debt/equity solutions for Build Own Operate opportunities is enhanced and will come into clearer focus.

Dividends Paid or Recommended
No interim dividend has been declared or paid in respect of the half year ended 31 December 2019 (2018: nil).

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

Auditor's Independence Declaration
We have received an independence declaration from our auditors, Deloitte Touche Tohmatsu, under section 307C of the *Corporations Act 2001* a copy of which is attached on page 2 of the half year financial report.

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

On behalf of the directors

Peter Wise
Chairman
Sydney, 28 February 2020

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Australia

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The Board of Directors
MPower Group Limited
Level 4, 15 Bourke Road
Mascot
NSW 2020

28 February 2020

Dear Board Members,

MPower Group Limited

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

As lead audit partner for the review of the financial statements of MPower Group Limited for the half year ended 31 December 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 review; and
(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfie Nehama
Partner
Chartered Accountants

MPOWER GROUP LIMITED
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2019

		Half Year Ended	
		31 Dec 2019	31 Dec 2018
Continuing operations	**Note**	**$'000**	**$'000**
Revenue	2	6,268	9,944
Other revenue		3	33
Materials and consumables used		(2,941)	(7,210)
Depreciation and amortisation expense		(91)	(91)
Employee benefits expense		(3,747)	(3,782)
Finance costs		(82)	(73)
Freight and transport expense		(11)	(1)
Occupancy expense		168	(137)
Other expenses		(1,154)	(1,219)
Loss before income tax		**(1,587)**	**(2,536)**
Income tax expense		**-**	**-**
Loss for the period from continuing operations		**(1,587)**	**(2,536)**
Discontinued operations			
Loss from discontinued operations	3	(237)	(1,051)
Loss for the period		**(1,824)**	**(3,587)**
Loss attributable to:			
Owners of the company		(1,842)	(3,604)
Non-controlling interest		18	17
		(1,824)	**(3,587)**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(53)	35
Gain on cash flow hedges taken to equity		10	6
Other comprehensive income for the period net of tax		(43)	41
Total comprehensive loss for the period		**(1,867)**	**(3,546)**
Total comprehensive loss attributable to:			
Owners of the company		(1,885)	(3,563)
Non-controlling interest		18	17
		(1,867)	**(3,546)**
Loss per share from continuing and discontinued operations			
Basic (cents per share)		(1.2)	(2.6)
Diluted (cents per share)		(1.2)	(2.6)
Loss per share from continuing operations			
Basic (cents per share)		(1.0)	(1.9)
Diluted (cents per share)		(1.0)	(1.9)

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

MPOWER GROUP LIMITED
Condensed Consolidated Statement of Financial Position
As at 31 December 2019

	Note	31 Dec 2019 $'000	As At 30 Jun 2019 $'000
CURRENT ASSETS			
Cash and cash equivalents		1,629	2,655
Trade receivables and contract assets	4	3,235	9,130
Inventories		189	6,845
Other current assets		480	1,438
Other financial assets		-	36
Assets classified as held for sale	3	10,054	1,839
TOTAL CURRENT ASSETS		15,587	21,943
NON-CURRENT ASSETS			
Property, plant and equipment		296	1,018
Right of Use Assets	5	1,119	-
TOTAL NON-CURRENT ASSETS		1,415	1,018
TOTAL ASSETS		17,002	22,961
CURRENT LIABILITIES			
Trade and other payables		3,362	12,045
Borrowings		7,346	6,975
Provisions		966	1,423
Lease liabilities		117	-
Other liabilities		-	403
Liabilities directly associated with assets classified as held for sale	3	5,020	1,030
TOTAL CURRENT LIABILITIES		16,811	21,876
NON-CURRENT LIABILITIES			
Borrowings		24	32
Provisions		13	8
Lease liabilities		1,007	-
Other liabilities		-	3
TOTAL NON-CURRENT LIABILITIES		1,044	43
TOTAL LIABILITIES		17,855	21,919
NET (DEFICIENCY) / ASSETS		(853)	1,042
EQUITY			
Issued capital	6	25,121	25,121
Reserves	7	496	533
Accumulated losses		(26,900)	(25,058)
Equity attributable to owners of the company		(1,283)	596
Non-controlling interest		430	446
TOTAL EQUITY		(853)	1,042

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

MPOWER GROUP LIMITED
Condensed Consolidated Statement of Changes in Equity
For the half year ended 31 December 2019

	Issued Capital (Note 6) $'000	Reserves (Note 7) $'000	Accumu-lated Losses $'000	Attributable to owners of the company $'000	Non-Controlling Interest $'000	Total $'000
Balance at 1 July 2018	**23,410**	**617**	**(18,895)**	**5,132**	**446**	**5,578**
Opening balance adjustment on application of AASB 15	-	-	(306)	(306)	-	(306)
Balance at 1 July 2018	**23,410**	**617**	**(18,895)**	**5,132**	**446**	**5,578**
Loss for the period	-	-	(3,604)	(3,604)	17	(3,587)
Other comprehensive income/(loss) net of tax						
Exchange differences arising on translation of foreign operations	-	35	-	35	-	35
Gain on cash flow hedge taken to equity	-	6	-	6	-	6
Total comprehensive income/(loss) for the period	-	41	(3,604)	(3,563)	17	(3,546)
Issue or shares (note 6)	606	-	-	606	-	606
Recognition of share-based payments	-	6	-	6	-	6
Payment of distributions	-	-	-	-	(34)	(34)
Balance at 31 December 2018	**24,016**	**664**	**(22,499)**	**2,181**	**429**	**2,610**
Balance at 1 July 2019	**25,121**	**533**	**(25,058)**	**596**	**446**	**1,042**
Loss for the period	-	-	(1,842)	(1,842)	18	(1,824)
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	-	(53)	-	(53)	-	(53)
Total comprehensive income/(loss) for the period	-	(43)	(1,842)	(1,885)	18	(1,867)
Recognition of share-based payments	-	6	-	6	-	6
Payment of distributions	-	-	-	-	(34)	(34)
Balance at 31 December 2019	**25,121**	**496**	**(26,900)**	**(1,283)**	**430**	**(853)**

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

MPOWER GROUP LIMITED
Condensed Consolidated Statement of Cash Flows
For the half year ended 31 December 2019

	Half Year Ended	
	31 Dec 2019 $'000	**31 Dec 2018 $'000**
Cash flows from operating activities		
Receipts from customers	23,965	22,681
Payments to suppliers and employees	(25,096)	(24,748)
Interest received	-	1
Interest and other costs of finance paid	(209)	(205)
Net cash (utilised by) / generated by operating activities	(1,340)	(2,271)
Cash flows from investing activities		
Payment for property, plant and equipment	(71)	(111)
Proceeds from sale of property, plant and equipment	85	-
Net cash generated by / (utilised in) investing activities	14	(111)
Cash flows from financing activities		
Distributions paid to non-controlling interests	(34)	(34)
Proceeds from borrowings	563	5,304
Proceeds from share issue	-	654
Share issue costs	-	(48)
Repayment of borrowings	(228)	(4,211)
Net cash generated by financing activities	301	1,665
Net (decrease) / increase in cash and cash equivalents	(1,026)	(717)
Cash and cash equivalents at the beginning of the period	2,655	2,438
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1)	4
Cash and cash equivalents at the end of the period	1,629	1,725

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

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2019 annual financial report for the financial year ended 30 June 2019, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(c) Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current reporting period

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 their operations and effective for the current half-year.

(d) AASB 16 Leases

In the current year, the Group has applied AASB 16 Leases, which is effective for annual periods that begin on or after 1 January 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described below.

The date of initial application of AASB 16 for the Group is 1 July 2019.

The Group has applied AASB 16 using the cumulative catch-up method measuring right of use assets at an amount equal to liability. Comparative information has not been restated and is presented under AASB 117.

(i) Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in AASB 117 and Interpretation 4.

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

(d) AASB 16 Leases (continued)

(ii) Impact on lessee accounting

Former operating leases
AASB 16 changes how the Group accounts for leases previously classified as operating leases under AAS 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:
- Recognises 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
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are 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 incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 Impairment of Assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'other expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying AASB 117:
- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Former finance leases
For leases that were classified as finance leases applying AASB 117, the carrying amount of the leased assets and obligations under finance leases measured applying AASB 117 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying AASB 16 from 1 July 2019.

(iii) Financial impact of initial application of AASB 16

Based on the directors' assessment, the initial application of AASB 16 did not have a material impact on the financial statements.

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 December 2019

(d) AASB 16 Leases (continued)

(iv) Policies applicable from 1 July 2019

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The weighted average incremental borrowing rate applied to lease liabilities is 7%.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day of the lease contract, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

(d) AASB 16 Leases (continued)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the condensed consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the accounting policy in the Group's 30 June 2019 financial statements.

(e) 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 condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2019 reflects a net loss after tax from continuing and discontinued operations of $1.824 million and the condensed consolidated statement of cash flows reflects net cash outflows from continuing and discontinued operations of $1.340 million. Further, the condensed consolidated statement of financial position reflects a working capital deficiency of $1.224 million and a net asset deficiency of $0.853 million.

The Directors have reviewed the cash flow forecast prepared by management for the period through to 28 February 2021. The cash flow forecast is predicated on continuing support from the Group's bankers as well as the ability of the Group to achieve its anticipated level of cash flows, and in particular, the conversion and delivery of pipeline opportunities over the forecast period.

As detailed in Note 12, subsequent to the half year end, the Group completed the sale of the product distribution businesses, entered into a contract to sell the property classified as held for sale and finalised new banking facilities which has a term until 15 July 2020. The Directors believe that these initiatives, along with other actions identified in the Group's business plan to re-align the focus of the continuing business operations will support achieving the forecast cash flows.

If the Group:

- is unable to renegotiate and extend the banking facilities by the expiry date of 15 July 2020 or failing that, secure alternative funding to repay the borrowings and,
- is unable to achieve its anticipated level of cash flows, and in particular, the billing and collection of contract assets and the conversion and delivery of pipeline opportunities over the forecast period,

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

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

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 2: REVENUE

	Half Year Ended	
	31 Dec 2019 $'000	**31 Dec 2018 $'000**
Sales revenue		
Revenue from sale of goods	278	-
Revenue from the rendering of services	1,530	1,298
Projects and installations	4,460	8,646
Total revenue	6,268	9,944

NOTE 3: ASSETS CLASSIFIED AS HELD FOR SALE

(i) Real estate property

A process to dispose of the Group's Rowville property was commenced in June 2019 and the property has been classified as current assets held for sale and presented separately in the statement of financial position. The results of the discontinued operation relating to the sale of property is not material to the Group.

On 6 February 2020, the Group entered into a contract to sell the property for approximately $2.6 million (excluding disposal costs). The sale is expected to be completed in April 2020.

(ii) Product distribution businesses

As at 31 December 2019, the Group was in the process of selling 100% of the shares in MPower Products Pty Limited and MPower Pacific Limited (the distribution businesses). Both businesses were part of the Group's power segment carrying out the sale of goods. As a result, MPower Products Pty Limited and MPower Pacific Limited have been classified as 'held for sale' and presented as a 'discontinued operation'.

On 17 February 2020, the Group entered into a contract to sell the distribution businesses on a cash-free, debt-free basis for approximately $4.6 million (excluding disposal costs). The sale completed on 28 February 2020.

The results of the discontinued operation relating to the sale of business, which have been included in the profit or loss for the year, were as follows:

	Half Year Ended	
	31 Dec 2019 $'000	**31 Dec 2018 $'000**
Revenue	11,949	12,334
Operating expenses	(12,186)	(13,385)
Profit before income taxes	(237)	(1,051)
Income tax benefit	-	-
Profit after income tax	(237)	(1,051)

During the period, MPower Products Pty Limited and MPower Pacific Limited paid $0.6 million (2018: $0.7 million) in respect of operating activities and received $0.2 million (2018: $0.2 million) in respect of financing activities.

The planned disposal of the property and the product distribution businesses is consistent with the Group's long-term policy to focus on the Group's projects in the renewable energy and battery storage arena.

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 3: ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

These operations, which have been sold or are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the statement of financial position. The proceeds of disposal are expected to exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	Rowville Property ($)	Distribution businesses ($)	Total ($)
Trade receivables	-	1,955	1,955
Inventories	-	5,506	5,506
Other current assets	-	97	97
Property, plant and equipment	-	670	670
Land and Buildings	1,826	-	1,826
Assets classified as held for sale	1,826	8,228	10,054
Trade and other payables	-	3,438	3,438
Provisions	-	370	370
Other liabilities	-	209	209
Borrowings	1,003	-	1,003
Liabilities associated with assets classified as held for sale	1,003	4,017	5,020
Net assets of disposal group	823	4,211	5,034

NOTE 4: TRADE RECEIVABLES AND CONTRACT ASSETS

	31 Dec 2019 $'000	30 Jun 2019 $'000
Trade receivables	700	5,930
Less: Credit loss allowance	(10)	(45)
	690	5,885
Contract assets – accrued revenue receivable	2,545	3,245
Total trade receivables and contract assets	3,235	9,130

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 5: RIGHT OF USE ASSETS

	31 Dec 2019 $'000
Cost	
Buildings – right of use assets	1,133
Less: Accumulated depreciation	(14)
	1,119

Additions to the right-of-use assets during the half-year were $1,133,000. The Group leases land and buildings for its offices and warehouse under agreements of between 2 to 3 years with options to extend in some cases.

	Half Year Ended 31 Dec 2019 $'000
Amounts recognised in profit and loss:	
Depreciation expense on right-of-use assets	13
Interest expense on lease liabilities	7
	20

NOTE 6: ISSUED CAPITAL

	Half Year Ended 31 Dec 2019		Half Year Ended 31 Dec 2018	
	No.'000	$'000	No.'000	$'000
Fully paid ordinary shares				
Balance at beginning of financial period	158,846	25,121	124,328	23,410
Shares issued	-	-	12,567	606
Balance at end of financial period	158,846	25,121	136,895	24,016

No ordinary shares were issued during the period (2018: 12,567,308). There were 2,100,000 unlisted share options over ordinary shares under the Executive Share Option plan were issued during the period (2018: nil).

NOTE 7: RESERVES

	31 Dec 2019 $'000	30 Jun 2019 $'000
Share option reserve	280	274
Foreign exchange translation reserve	(209)	(219)
Cash flow hedge reserve	-	53
Revaluation reserve	425	425
Total reserves	496	533

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 8: DIVIDENDS

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

NOTE 9: SEGMENT INFORMATION

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

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

- Power investments – consists of MPower Holdings Pty Limited, MPower Business Services Pty Limited, MPower Projects Pty Limited, MPower Products Pty Limited and MPower Pacific Limited and MPower Samoa Limited. At 31 December 2019 these entities were wholly owned by the Company. This group is a leading provider of innovative and dependable power solutions for use in all manner of emergency, back-up, generated and renewable power situations in Australia, New Zealand and the Pacific islands.

- Property investments – consists principally of the Company's investment in the Power Property Unit Trust which owns a property occupied by of MPower Products Pty Limited in Melbourne, Victoria.

MPower Products Pty Limited and MPower Pacific Limited (the distribution businesses) which form part of the Power investments segment and Power Property Unit Trust which form a part of the Property Investment segment has been disclosed as discontinued operations in the current period. The segment information reported below does not include any amounts for these discontinued operations.

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

	Revenue Half Year Ended		Segment profit Half Year Ended	
	31 Dec 2019 $'000	31 Dec 2018 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000
Power investments	6,268	9,944	(502)	(1,281)
Other	3	33	(5)	29
Total continuing operations	6,271	9,977	(507)	(1,252)
Discontinued operations	11,949	12,336	(237)	(1,051)
Total revenue and segment profit / (loss)	18,220	22,313	(744)	(2,303)
Depreciation and amortisation expense			(91)	(91)
Finance costs			(82)	(73)
Unallocated costs			(907)	(1,120)
Loss before income tax			(1,824)	(3,587)
Income tax expense			-	-
Consolidated segment loss for the period			(1,824)	(3,587)

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 December 2019

NOTE 9: SEGMENT INFORMATION (CONTINUED)

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

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

	31 Dec 2019 $'000	30 Jun 2019 $'000
Power investments	6,948	21,122
Property investments	-	-
Total segment assets	6,948	21,122
Assets held for sale	10,054	1,839
Total consolidated assets	17,002	22,961

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

NOTE 10: FINANCIAL INSTRUMENTS

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

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

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

Financial assets/financial liabilities	Fair value as at 31 Dec 2019 $'000	30 Jun 2019 $'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				

10.2 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 financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 11: CONTINGENCIES AND COMMITMENTS

There are no material contingent liabilities or contingent assets at balance date (2018: Nil).

NOTE 12: SUBSEQUENT EVENTS

The following events and transactions occurred subsequent to 31 December 2019:

- The Group signed a Share Sale Agreement on 17 February 2020 to sell MPower Products Pty Limited and MPower Pacific Limited to Legend Corporation Limited for a total cash consideration of $4.6 million prior to any selling costs. Completion of the sale occurred on 28 February 2020.
- The Group has entered into new banking facilities including a term debt facility of $8 million and a multi-option facility of $0.5 million amongst other facilities. The debt facility has a term until July 2020 and $2.5 million was repaid at completion of the sale of the product distribution businesses on 28 February 2020. Prior to the end of the term, the group and its bankers will review the group's facility requirements moving forward in light of the refocused activities of the group.
- The Group signed a contract on 6 February 2020 to sell the Rowville property classified as an 'Asset held for sale' for approximately $2.6 million (excluding disposal costs). The sale is expected to be completed in April 2020.

DIRECTORS' DECLARATION

The directors declare that:

(a) based on the matters set out in Note 1, in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the directors

Peter Wise
Chairman

Sydney, 28 February 2020

Deloitte.

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

We have reviewed the accompanying half-year financial report of MPower Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit and loss and comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MPower Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(e) 'Going concern' in the half year financial report, which indicates that the Group incurred a net loss after tax from continuing and discontinued operations of $1.824 million and had a net cash outflow from continuing and discontinued operations of $1.340 million during the half year ended 31 December 2019. Further, the Group's condensed consolidated statement of financial position reflects a working capital deficiency of $1.224 million and net assets deficiency of $0.853 million. These conditions, along with other matters as set forth in Note 1(e) 'Going concern', indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect to this matter.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants
Sydney, 28 February 2020