

## Appendix 4E

### Preliminary Final Report to the Australian Securities Exchange

<b>Name of entity</b>	MPower Group Limited
<b>ACN</b>	009 485 625
<b>Financial year ended</b>	30 June 2020
<b>Previous corresponding reporting period</b>	30 June 2019

#### Results for announcement to the market - continuing operations

	\$'000	Percentage increase /(decrease) over previous corresponding period
<b>Revenue</b>	10,930	(49%)
<b>Other income</b>	690	9757%
<b>Loss after tax attributable to members before discontinued operations</b>	(2,487)	49%
<b>Net loss for the period attributable to members</b>	(2,487)	49%

#### Results for announcement to the market - continuing and discontinued operations

	\$'000	Percentage increase /(decrease) over previous corresponding period
<b>Revenue</b>	25,960	(46%)
<b>Other income</b>	690	9757%
<b>Loss after tax attributable to members</b>	(4,213)	32%
<b>Net loss for the period attributable to members</b>	(4,213)	32%

#### Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to the accompanying ASX announcement titled 'Full Year Results' dated 31 August 2020.

## Dividends

	Amount per security	Franked amount per security
Current period - 2020	-	-
Previous corresponding period - 2019	-	-
There were no dividends declared or paid in the current or previous periods.		

## NTA Backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	(2.3)c	0.4c


## Other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

Refer above.

## Audit or review status

This report is based on accounts to which one of the following applies:

	The accounts have been audited		The accounts have been subject to review
✓	The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed

Signed by Chairman	
Print Name	Peter Wise
Date	31 August 2020

# **MPower Group Limited**

ABN 73 009 485 625

**Preliminary Financial Statements  
for the financial year ended 30 June 2020**

**Consolidated statement of profit or loss and other comprehensive income**  
for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Continuing operations</b>			
Revenue	3	10,855	21,547
Other revenue	4	75	36
Other income	5	690	7
Raw materials and consumables used		(5,171)	(15,573)
Advertising and marketing expense		(6)	(43)
Depreciation and amortisation expense	7	(228)	(180)
Employee benefits expense	7	(6,313)	(7,845)
Finance costs	6	(271)	(161)
Freight and transport		(16)	(8)
Occupancy expense		184	(109)
Other expenses		(1,948)	(2,539)
<b>Loss before income tax</b>		(2,149)	(4,868)
Income tax expense	8	-	-
<b>Loss for the period from continuing operations</b>		(2,149)	(4,868)
<b>Discontinued operations</b>			
Loss from discontinued operations		(1,726)	(1,261)
<b>LOSS FOR THE YEAR</b>		(3,875)	(6,129)
Attributable to:			
Owners of the company		(4,213)	(6,163)
Non-controlling interest		338	34
		(3,875)	(6,129)
<b>Other comprehensive income (net of tax)</b>			
Items that may be reclassified subsequently to profit or loss:			
Loss on cash flow hedges taken to equity of continued operations		-	(108)
(Loss) / gain on cash flow hedges taken to equity of discontinued operations		(53)	2
Exchange (loss) / gain on translating discontinued operations		(53)	10
Other comprehensive (loss) / income net of tax		(106)	(96)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		(3,981)	(6,225)
Total comprehensive loss attributable to:			
Owners of the company		(4,319)	(6,259)
Non-controlling interest		338	34
		(3,981)	(6,225)
<b>Loss per share from continuing and discontinued operations</b>			
Basic (cents per share)	32	(2.2)	(4.4)
Diluted (cents per share)	32	(2.2)	(4.4)
<b>Loss per share from continuing operations</b>			
Basic (cents per share)	32	(1.6)	(4.4)
Diluted (cents per share)	32	(1.6)	(4.4)

The accompanying notes form part of these financial statements

## Consolidated statement of financial position

as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	6,521	2,655
Trade receivables and contract assets	10	1,841	9,130
Inventories	11	220	6,845
Other current assets	12	454	1,438
Other financial assets	14	-	36
		<u>9,036</u>	<u>20,104</u>
Non-current assets classified as held for sale	15	-	1,839
<b>Total current assets</b>		<u>9,036</u>	<u>21,943</u>
<b>Non-current assets</b>			
Property, plant & equipment	16	395	1,018
Right of use assets	27	1,078	-
<b>Total non-current assets</b>		<u>1,473</u>	<u>1,018</u>
<b>Total assets</b>		<u>10,509</u>	<u>22,961</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	3,833	12,045
Borrowings	19	5,529	6,975
Liabilities associated with assets classified as held for sale	20	-	1,030
Provisions	21	799	1,423
Lease liabilities	27	133	-
Contract liabilities and other liabilities	22	2,195	403
<b>Total current liabilities</b>		<u>12,489</u>	<u>21,876</u>
<b>Non-current liabilities</b>			
Borrowings	19	-	32
Provisions	21	14	8
Lease liabilities	27	977	-
Other liabilities	22	-	3
<b>Total non-current liabilities</b>		<u>991</u>	<u>43</u>
<b>Total liabilities</b>		<u>13,480</u>	<u>21,919</u>
<b>Net assets</b>		<u>(2,971)</u>	<u>1,042</u>
<b>Equity</b>			
Issued capital	23	25,121	25,121
Reserves	24	4	533
Accumulated losses		<u>(28,846)</u>	<u>(25,058)</u>
<b>Equity attributable to owners of the company</b>		<u>(3,721)</u>	<u>596</u>
<b>Non-controlling interest</b>	25	<u>750</u>	<u>446</u>
<b>Total equity</b>		<u>(2,971)</u>	<u>1,042</u>

The accompanying notes form part of these financial statements

## Consolidated statement of changes in equity

for the year ended 30 June 2020

	Issued Capital \$'000	Reserves \$'000	Accumulated losses \$'000	Attributable to owners of parent entity \$'000	Non- Controlling Interest \$'000	Total \$'000
<b>Balance at 1 July 2018</b>	23,410	617	(18,895)	5,132	446	5,578
Loss for the period	-	-	(6,163)	(6,163)	34	(6,129)
<i>Other comprehensive income/(loss) net of tax</i>						
Exchange differences arising on translation of foreign operations	-	10	-	10	-	10
Loss 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)
<b>Balance at 30 June 2019</b>	<b>25,121</b>	<b>533</b>	<b>(25,058)</b>	<b>596</b>	<b>446</b>	<b>1,042</b>
<b>Balance at 1 July 2019</b>	25,121	533	(25,058)	596	446	1,042
Loss for the period	-	-	(4,213)	(4,213)	338	(3,875)
<i>Other comprehensive income/(loss) net of tax</i>						
Exchange differences arising on translation of foreign operations	-	(53)	-	(53)	-	(53)
Gain on cash flow hedge taken to equity	-	(53)	-	(53)	-	(53)
Total comprehensive income/(loss) for the period	-	(106)	(4,213)	(4,319)	338	(3,981)
Transferred to retained earnings	-	(425)	425	-	-	-
Recognition of share-based payments	-	2	-	2	-	2
Payment of distributions	-	-	-	-	(34)	(34)
<b>Balance at 30 June 2020</b>	<b>25,121</b>	<b>4</b>	<b>(28,846)</b>	<b>(3,721)</b>	<b>750</b>	<b>(2,971)</b>

The accompanying notes form part of these financial statements

## Consolidated statement of cash flows

for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		39,831	52,366
Payments to suppliers and employees		(39,188)	(55,819)
Cash used in operations		643	(3,453)
Interest received		-	2
Interest and other costs of finance paid		(448)	(432)
Net cash generated by / (used in) operating activities	9	195	(3,883)
<b>Cash flows from investing activities</b>			
Proceeds on sale of property, plant & equipment		-	17
Payments for property, plant & equipment		(266)	(70)
Proceeds from sale of property, plant and equipment		2,629	-
Proceeds from sale of business net of costs		4,246	-
Net cash generated by / (used in) investing activities		6,609	(53)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		5,500	6,733
Repayment of borrowings		(8,331)	(4,253)
Distributions paid by controlled entities to non-controlling interests		(34)	(34)
Payments for lease liabilities capitalised under AASB16		(73)	-
Proceeds from share issue		-	1,795
Share issue costs		-	(83)
Net cash (used in) / generated by financing activities		(2,938)	4,158
Net increase in cash and cash equivalents		3,866	222
Cash and cash equivalents at the beginning of the financial year		2,655	2,438
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	(5)
Cash and cash equivalents at the end of the financial year	9	6,521	2,655

The accompanying notes form part of these financial statements.

## Notes to the financial statements

for the financial year ended 30 June 2020

### 1. GENERAL INFORMATION

MPower Group Limited is a technology-led company with a dedicated focus on renewable and conventional power system projects, specialising in the design and delivery of renewable energy, battery storage and microgrid solutions. MPower Group Limited is a listed public company, incorporated and domiciled in Australia and is 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 4, 15 Bourke Road  
Mascot NSW 2020  
Australia

### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

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.



## Notes to the financial statements

for the financial year ended 30 June 2020

### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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. 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.

## Notes to the financial statements

for the financial year ended 30 June 2020

### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (a) Basis of consolidation (continued)

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

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account recent sales experience, the ageing of inventories, damaged, obsolete, slow moving inventories and other factors that affect inventory value.

## Notes to the financial statements

for the financial year ended 30 June 2020

### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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:

<b>Class of fixed asset</b>	<b>Depreciation rate</b>
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

The Group has applied AASB 16 using the cumulative catch-up method measuring right of use assets at an amount equal to liability from 1 July 2019 and therefore the comparative information has not been restated and is presented under AASB 117.

## Notes to the financial statements

for the financial year ended 30 June 2020

### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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.

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.

## Notes to the financial statements

for the financial year ended 30 June 2020

### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Investments in associates (continued)

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.



## Notes to the financial statements

for the financial year ended 30 June 2020

### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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.

## Notes to the financial statements

for the financial year ended 30 June 2020

### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

## Notes to the financial statements

for the financial year ended 30 June 2020

### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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) Government Grants

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Government grants include amounts received or receivables under the Federal Government's Jobkeeper Payment Scheme and Cash Flow Boost Scheme, which provide temporary subsidies to eligible businesses significantly affected by COVID-19. The company has booked receipts for Jobkeeper by offsetting wages. Receipts relating to the Cash Flow Boost Scheme are treated as sundry income.



## Notes to the financial statements

for the financial year ended 30 June 2020

	2020 \$'000	2019 \$'000
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### 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	353	151
- Revenue from the rendering of services	3,051	2,789
- Revenue from projects and installations	7,451	18,607
Total revenue	10,855	21,547

### 4. OTHER REVENUE

Interest revenue	-	2
Rental Income	20	-
Other	55	34
Total other revenue	75	36

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
Total interest income for financial assets not designated at fair value through profit or loss	-	2
Rental Income	20	-
Other income earned on non-financial assets	55	34
Total other revenue	75	36

### 5. OTHER INCOME

Gain on disposal of property held by the Power Property Unit Trust	690	7
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### 6. FINANCE COSTS

Finance costs		
- banks/financial institutions	223	153
- finance lease charges	-	8
- Right of Use Assets lease charges *	48	-
Total finance costs	271	161

\* The lines indicated are in respect of the application of AASB 16 in the current year only.

## Notes to the financial statements

for the financial year ended 30 June 2020

	2020 \$'000	2019 \$'000
<b>7. LOSS FOR THE YEAR</b>		
The loss before income tax has been determined after:		
Depreciation of property plant & equipment and amortisation of right of use assets	228	180
Jobkeeper receipts	(243)	-
Cashflow Boost Scheme sundry income	(50)	-
Employee benefits expense		
- Post-employment benefits	134	476
- Short-term employee benefits	6,177	7,357
- Share-based payments	2	12
Total employee benefits expense	<u>6,313</u>	<u>7,845</u>
Provision for doubtful debts (raised) / released	(1)	16
Operating lease rentals – minimum lease payments net of lease surrender benefit	-	79
Net foreign exchange (gain) / loss	(104)	19

## 8. INCOME TAX EXPENSE

(a) The components of income tax expense comprise:

### Current tax

In respect of the current year	-	-
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### Deferred tax

In respect of the current year	-	-
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Total income tax expense recognised in the current year	<u>-</u>	<u>-</u>
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(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 27.5%	(1,065)	(1,839)
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Add tax effect of:

- unused tax losses not brought to account	<u>1,065</u>	<u>1,839</u>
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Income tax expense attributable to the entity	<u>-</u>	<u>-</u>
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The applicable weighted average effective tax rates are as follows:

	<u>-</u>	<u>-</u>
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The tax rate used for the reconciliations above is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law.

## Notes to the financial statements

for the financial year ended 30 June 2020

	2020 \$'000	2019 \$'000
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### 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:

Cash and bank balances	6,521	2,655
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The weighted average effective interest rate on cash and cash equivalents for the financial year ended 30 June 2020 was 0.02% (2019: 0.08%).

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

Loss from operating activities after income tax	(3,875)	(6,129)
Non-cash flows		
- depreciation and amortisation of right of use assets	355	258
- Payment of principal of lease liabilities	73	-
- share based payments	2	12
- unrealised currency gain	(90)	(42)
- gain on sale of property, plant and equipment	(690)	(7)
- loss on sale of discontinued operations	929	-
Changes in assets and liabilities – net of sale of subsidiaries		
- Decrease / (increase) in receivables, prepayments and other assets	3,939	(1,891)
- Decrease / (increase) in inventories	7,365	(391)
- (Decrease) / increase in trade creditors & accruals	(6,420)	3,996
- (Decrease) / increase in provisions	(1,393)	311
Net cash generated by / (used in) operating activities	195	(3,883)

#### Liquidity risk management

##### Financing facilities <sup>1</sup>

Credit facilities	9,075	12,982
Amounts utilised	(8,777)	(11,804)
Unused credit facilities	298	1,178

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 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 (2019: nil).

**Notes to the financial statements**  
for the financial year ended 30 June 2020

	2020 \$'000	2019 \$'000
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**10. TRADE RECEIVABLES AND CONTRACT ASSETS**

Trade receivables	681	5,930
Less: Credit loss allowance	<u>(10)</u>	<u>(45)</u>
	671	5,885
Contract assets - accrued revenue receivable	<u>1,170</u>	<u>3,245</u>
Total trade receivables and contract assets	<u>1,841</u>	<u>9,130</u>

**Ageing of past due but not impaired**

60-90 days	(7)	175
Over 90 days	<u>38</u>	<u>391</u>
Total	<u>31</u>	<u>566</u>
Average age of trade receivables (days)	<u>10</u>	<u>45</u>

**Movement in credit loss allowance**

Balance at the beginning of the year	45	111
Impairment losses recognised on receivables	-	(30)
Amounts written off during the year as uncollectible	<u>(35)</u>	<u>(36)</u>
Balance at the end of the year	<u>10</u>	<u>45</u>

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.

As the business holds credit risk insurance, the business has provided two excess values of \$5,000 each as a provision against the current trade receivable balance.

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.

**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 expected credit losses, 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.

## Notes to the financial statements

for the financial year ended 30 June 2020

	2020 \$'000	2019 \$'000
<b>11. INVENTORIES</b>		
At lower of cost and net realisable value:		
Raw materials	77	297
Goods-in-transit	38	713
Finished goods	105	5,835
Total inventories	220	6,845

The cost of inventory recognised as an expense during the year was \$9 million (2019: \$21 million).

## 12. OTHER CURRENT ASSETS

### Current

Prepayments	68	736
Other debtors	102	197
GST Receivable	284	505
Total other assets	454	1,438

## 13. SUBSIDIARIES

Details of the Group's subsidiaries at 30 June 2020 are as follows:

Entity	Place of incorporation	Class of share	% Owned 2020	% Owned 2019
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 <sup>(iii)</sup>	Australia	ord	-	100
MPower Projects Pty Limited	Australia	ord	100	100
Power Property Nominees Pty Ltd <sup>(i)</sup>	Australia	ord	75	75
Power Property Unit Trust <sup>(i)</sup>	Australia	units	55	55
Flatbat Ltd <sup>(ii)</sup>	New Zealand	ord	100	100
MPower Pacific Limited <sup>(iii)</sup>	New Zealand	ord	-	100
PISL Limited <sup>(ii)</sup>	New Zealand	ord	100	100
Spedding Ltd <sup>(ii)</sup>	New Zealand	ord	100	100
MPower Samoa Limited <sup>(ii)</sup>	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) Sold on 28 February 2020.

## Notes to the financial statements

for the financial year ended 30 June 2020

	2020 \$'000	2019 \$'000
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### 14. OTHER FINANCIAL ASSETS

#### Current

#### Derivatives designated and effective as hedging instruments carried at fair value

Forward exchange contracts	-	36
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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

Land and Buildings	-	1,839
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A property held by the Group at Rowville Victoria was sold in May 2020. The gross sale value of the property was \$2.6 million representing a net gain of approximately \$0.7 million over the carrying value.

## Notes to the financial statements

for the financial year ended 30 June 2020

	2020	2019
	\$'000	\$'000

### 16. PROPERTY, PLANT & EQUIPMENT

Cost or valuation	1,137	4,839
Accumulated depreciation	(742)	(3,821)
Total property, plant & equipment	395	1,018

Plant & equipment	263	816
Leasehold improvements	132	-
Capitalised leased assets	-	202
Total property, plant & equipment	395	1,018

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 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
Additions	419	137	-	-	556
Other disposals	(3,486)	(188)	(584)	-	(4,258)
Effect of foreign currency exchange differences	-	-	-	-	-
Balance at 30 June 2020	950	137	50	-	1,137

Accumulated Depreciation	Plant & equipment \$'000	Leasehold improvements \$'000	Capitalised leased assets \$'000	Land & buildings \$'000	Total \$'000
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)
Eliminated on disposals of assets	2,733	188	386	-	3,307
Depreciation expense	(219)	(5)	(4)	-	(228)
Effect of foreign currency exchange differences	-	-	-	-	-
Balance at 30 June 2020	(687)	(5)	(50)	-	(742)
Net Balance at 30 June 2020	263	132	-	-	395
Net Balance at 30 June 2019	816	-	202	-	1,018

## Notes to the financial statements

for the financial year ended 30 June 2020

	2020 \$'000	2019 \$'000
<b>17. TAXATION</b>		
<b>Current tax liabilities</b>	-	-
<b>Deferred tax balances</b>	-	-
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	431	849
- revenue losses	12,488	10,920
- capital losses	4,456	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 \$12.919 million have not been raised (2019: \$11.769 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.

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

<b>Current unsecured liabilities</b>		
- trade payables	1,364	8,056
- sundry payables and accrued expenses	2,469	3,989
	<u>3,833</u>	<u>12,045</u>

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.



## Notes to the financial statements

for the financial year ended 30 June 2020

	2020 \$'000	2019 \$'000
<b>19. BORROWINGS</b>		
<b>Current</b>		
- Bank facilities (secured)	5,500	6,692
- Other interest bearing liabilities	29	224
- Asset finance liabilities (secured)	-	59
	<u>5,529</u>	<u>6,975</u>
<b>Non-Current</b>		
- Asset finance liabilities (secured)	-	32
	<u>-</u>	<u>32</u>

Bank facilities are fully secured by general security agreements granted by controlled entities over their assets.

### Summary of borrowing and financial facility arrangements

MPOWER Group Limited (and various subsidiaries) has \$5.5 million of borrowings from St George Bank Limited charged at a weighted average interest rate of 4.98%. There were no covenant reporting requirements as at 30 June 2020 (2019: nil). Bank facilities were renegotiated in July 2020 for a further term of 12 months with principal repayments to commence in March 2021. The facilities are secured by general security agreements and cross guarantees granted MPOWER Group Limited and certain group subsidiaries.

## 20. LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

<b>Current</b>		
Bank facilities (secured)	-	<u>1,030</u>

The Power Property Unit Trust had \$1.03 million of the bank borrowings from National Australia Bank Limited. The Power Property Unit Trust bank borrowings were repaid in full when the sale of property was finalised in May 2020.

## 21. PROVISIONS

Employee benefits <sup>(a)</sup>	735	1,349
Warranties <sup>(b)</sup>	<u>78</u>	<u>82</u>
Total provisions	<u>813</u>	<u>1,431</u>
Current	799	1,423
Non-current	<u>14</u>	<u>8</u>
Total provisions	<u>813</u>	<u>1,431</u>
<b>Warranties</b>		
Opening balance at beginning of year	82	121
Provisions (reversed) / raised during year	(4)	(39)
Amounts used	-	-
Balance at end of year	<u>78</u>	<u>82</u>

## Notes to the financial statements

for the financial year ended 30 June 2020

### 21. PROVISIONS (CONTINUED)

- (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.

### 22. OTHER LIABILITIES

	2020 \$'000	2019 \$'000
<b>Current</b>		
Customer deposits in advance	34	106
Contract liabilities	2,161	297
Total current other liabilities	2,195	403
<b>Non-Current</b>		
Sundry other liabilities	-	3
Total non-current other liabilities	-	3

### 23. ISSUED CAPITAL

158,846,416 (2019: 158,846,416) fully paid ordinary shares	25,121	25,121
	<b>Number of shares '000</b>	<b>Share capital \$'000</b>
Balance at 30 June 2018	124,328	23,410
Shares issued during the year <sup>(a)</sup>	34,518	1,711
Balance at 30 June 2019	158,846	25,121
Shares issued during the year <sup>(a)</sup>	-	-
Balance at 30 June 2020	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) No shares were issued during the current financial year (2019: 34,518,241).
- (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 (2019: nil) and to date a total of 1,532,983 shares have been purchased for \$368,541.
- (c) 2,724,000 unlisted executive share options remain on issue at 30 June 2020 (refer note 30).

## Notes to the financial statements

for the financial year ended 30 June 2020

	2020 \$'000	2019 \$'000
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### 24. RESERVES

Revaluation reserve <sup>(a)</sup>	-	425
Share option reserve <sup>(b)</sup>	276	274
Foreign currency translation reserve <sup>(c)</sup>	(272)	(220)
Cash flow hedge reserve <sup>(d)</sup>	-	54
Total reserves	<u>4</u>	<u>533</u>

#### (a) Revaluation reserve

Balance at beginning of the year	425	425
Revaluation of property net of minority interests	<u>(425)</u>	<u>-</u>
Balance at end of the year	<u>-</u>	<u>425</u>

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

#### (b) Share option reserve

Balance at beginning of the year	274	262
Share based payments for the year	<u>2</u>	<u>12</u>
Balance at end of the year	<u>276</u>	<u>274</u>

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

#### (c) Foreign currency translation reserve

Balance at beginning of the year	(220)	(230)
Exchange differences arising on translating the foreign operations	<u>(52)</u>	<u>10</u>
Balance at end of the year	<u>(272)</u>	<u>(220)</u>

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

#### (d) Cash flow hedge reserve

Balance at beginning of the year	54	160
Cash flow hedges movements for the year net of tax	<u>(54)</u>	<u>(106)</u>
Balance at end of the year	<u>-</u>	<u>54</u>

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:

Other expenses	<u>-</u>	<u>(12)</u>
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## Notes to the financial statements

for the financial year ended 30 June 2020

	2020 \$'000	2019 \$'000
<b>25. NON-CONTROLLING INTEREST IN CONTROLLED ENTITIES</b>		
Non-controlling interest comprises:		
- profits	750	446
<b>26. DIVIDENDS</b>		
<b>Recognised amounts</b>		
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
<b>27. RIGHT OF USE ASSETS AND LEASE LIABILITIES</b>		
<b>Right of use assets</b>		
At cost	1,182	-
Less: Accumulated amortisation	(104)	-
	1,078	-
<b>Lease Liabilities</b>		
Current	133	-
Non-current	977	-
	1,110	-
<b>Lease liabilities maturity profile</b>		
- Year 1	133	-
- Year 2	150	-
- Year 3	125	-
- Year 4	108	-
- Year 5	113	-
- later than six years	481	-
	1,110	-
<b>Consolidated Right of Use Assets</b>		
- Carrying amount as at 1 July 2019	-	-
- Adoption of AASB 16	1,182	-
- Additions	-	-
- Depreciation/amortisation expense	(104)	-
Balance at 30 June 2020	1,078	-

Leases relate to office premises with lease terms of between 1 to 7 years.

## Notes to the financial statements

for the financial year ended 30 June 2020

### 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 Capital Pty Limited, MPower Projects Pty Ltd, MPower Samoa Limited, ACN 071 129 738 Pty Ltd and MPower Nominees Pty Ltd (all 100% owned at 30 June 2020). 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.
- Property investments consist principally of MPower's investments in the Power Property Unit Trust (PPUT) which owned a property previously occupied by MPower in Melbourne, Victoria.

#### (b) Segment revenues and results

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

	Segment revenue		Segment profit/(loss)	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Continuing operations</b>				
Power investments	10,842	21,556	(536)	(2,618)
Property investments	839	171	810	164
Other (net of inter-segment eliminations)	(61)	(137)	(61)	(137)
Revenue and segment profit / (loss) for continuing operations	11,620	21,590	213	(2,591)
Discontinued operations	15,030	26,464	(1,726)	(1,261)
Total revenue and segment profit / (loss)	26,650	48,054	(1,513)	(3,852)
Depreciation and amortisation expense			(228)	(180)
Finance costs			(271)	(161)
Unallocated costs			(1,863)	(1,936)
Consolidated segment loss for the year			(3,875)	(6,129)

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 \$113,813 which was eliminated on consolidation (2019: \$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.

Prior year figures have been restated to separate discontinued operations.

**Notes to the financial statements**  
for the financial year ended 30 June 2020

**28. SEGMENT INFORMATION (CONTINUED)**

**(c) Segment assets and liabilities**

**Segments assets**

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Power investments	7,803	14,647
Property investments	1,720	2,083
Total segment assets	9,523	16,730
Unallocated assets	986	(2,580)
Discontinued operations	-	8,811
Consolidated assets	10,509	22,961

**Segments liabilities**

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Power investments	5,624	10,125
Property investments	8	1,042
Total segment liabilities	5,632	11,167
Unallocated liabilities	7,848	1,353
Discontinued operations	-	9,399
Consolidated liabilities	13,480	21,919

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**

	<b>Depreciation and amortisation</b>		<b>Additions to non-current assets</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Power investments	198	154	228	36
Property Investments	21	26	-	15
Unallocated	9	-	2	11
Discontinued operations	127	78	34	112
Total	355	258	264	174

**(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.

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Power investments – project and installations revenue	7,451	18,970
Power investments – sale of goods & rendering of service	3,391	2,586
Other	778	34
Total Continuing operations	11,620	21,590
Discontinued operations	15,030	26,464
Total	26,650	48,054

## Notes to the financial statements

for the financial year ended 30 June 2020

### 28. SEGMENT INFORMATION (CONTINUED)

#### (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. In the prior year the product distribution businesses were included in both regions. As the product distribution businesses have been sold during the year the prior year results have been restated.

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Australia	10,930	21,583	1,473	416
Discontinued operations	15,030	26,464	-	602
Total (excluding Other Income)	25,960	48,047	1,473	1,018

#### (g) Information about major customers

Included in revenues arising from power projects and installation revenue of \$7.45 million (2019: \$18.97 million) are revenues of \$2.5 million (2019: \$8.6 million) which arose from sales to the Group's largest customer.

### 29. AUDITOR'S REMUNERATION

	2020 \$	2019 \$
Remuneration of the auditor of MPower Group:		
Deloitte Touche Tohmatsu (including network member firms)		
- Auditing or reviewing financial statements	45,251	110,000
- Taxation services	-	5,342
Stantons International (including network member firms)		
- Auditing or reviewing financial statements	25,000	-
Total	70,251	115,342

## Notes to the financial statements

for the financial year ended 30 June 2020

### 30. EMPLOYEE BENEFITS

#### Executive Share Option Plan

The following share-based payment arrangement existed at 30 June 2020.

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 (2019: 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.

2,100,000 options were granted under the MPower Group Limited Executive Share Option Plan during the year ended 30 June 2020 (2019: Nil).

	MPower Group		Weighted average exercise price	
	2020 No.	2019 No.	2020 \$	2019 \$
Movement in the number of share options held by executives are as follows:				
Opening balance	2,173,500	3,105,000	0.0804	0.0826
Issued during year	2,100,000	-	0.0003	-
Lapsed during the year	(1,549,500)	(931,500)	0.0002	0.0002
Balance at end of the year	<b>2,724,000</b>	<b>2,173,500</b>	<b>0.0511</b>	<b>0.0804</b>
Number of holders of share options	3	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
02-Dec-16	31-May-21	\$0.0678	\$0.02	360,000
31-Jan-18	31-May-21	\$0.0978	\$0.02	264,000
15-Oct-19	31-May-21	\$0.0300	\$0.02	630,000
15-Oct-19	31-May-22	\$0.0300	\$0.02	630,000
15-Oct-19	31-May-23	\$0.0300	\$0.02	840,000
<b>Total</b>				<b>2,724,000</b>

During the year no options were issued under the MPower Group Limited Executive Share Option Plan, no options were exercised, and 1,549,500 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 2020 had a weighted average exercise price of \$0.0511, a weighted average remaining contracted life of 1.92 years and the exercise prices range from \$0.0300 to \$0.0978.

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. This method includes the inputs set out in the table below.



## Notes to the financial statements

for the financial year ended 30 June 2020

### 30. EMPLOYEE BENEFITS (CONTINUED)

Valuation date	31-May-21	31-May-21	31-May-21	31-May-22	31-May-23
Spot price of the asset	0.056	0.095	0.020	0.020	0.020
Exercise price	0.070	0.100	0.030	0.030	0.030
Risk free rate	2.51%	2.75%	2.75%	2.75%	2.75%
Asset income rate (eg dividend rate)	19.64%	10.53%	10.53%	10.53%	10.53%
Annualised time to expiry (years)	4.5	3.3	1.6	2.6	3.6
Volatility of asset	23.48%	85.30%	85.30%	85.30%	85.30%

Included under employee benefits expense in the statement of profit or loss and other comprehensive income is an expense of \$2,230 (2019: \$11,732) 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 (2019: \$124,500). There was no movement in the number of ordinary shares held in MPower Group Limited during the year (2019: 6,664,000 shares acquired). 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 \$355,833 (2019: \$335,000). During the year 1,300,000 unlisted executive share options over unissued ordinary shares in MPower Group Limited were granted (2019: Nil). 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.

#### 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
- Ryan Scott – General Manager, MPower Projects
- Darrell Godin – Chief Financial Officer and Company Secretary (resigned 6 August 2019)
- Anthony Csillag – Managing Director, MPower Projects (resigned 25 July 2019)

## Notes to the financial statements

for the financial year ended 30 June 2020

### 31. RELATED PARTIES (CONTINUED)

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

	<b>MPOWER Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	914,566	1,094,219
Post-employment benefits	25,348	42,149
Other payments	-	33,525
Share based payments	6,369	9,217
	<b>946,283</b>	<b>1,179,110</b>

### 32. LOSS PER SHARE

	<b>2020</b>	<b>2019</b>
	<b>cents</b>	<b>cents</b>
	<b>per share</b>	<b>per share</b>
<b>Basic loss per share from continuing and discontinued operations</b>	(2.2)	(4.4)
<b>Diluted loss per share from continuing and discontinued operations</b>	(2.2)	(4.4)
<b>Basic loss per share from continuing operations</b>	(1.6)	(4.4)
<b>Diluted loss per share from continuing operations</b>	(1.6)	(4.4)
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of earnings to net loss</b>		
Net loss after income tax from continuing operations	(3,078)	(6,129)
Attributable to non-controlling interests	(338)	(34)
Earnings used in the calculation of basic and diluted earnings per share	<b>(3,416)</b>	<b>(6,163)</b>
Weighted average number of shares used in the calculation of basic earnings per share	<b>158,846,416</b>	<b>139,581,114</b>
Weighted average number of shares used in the calculation of diluted earnings per share	<b>158,846,416</b>	<b>139,581,114</b>

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

## Notes to the financial statements

for the financial year ended 30 June 2020

### 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 accumulated losses. 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.

#### 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:

	2020 \$'000	2019 \$'000
Debt <sup>(i)</sup>	5,529	8,037
Cash and cash equivalents	(6,521)	(2,655)
Net (cash) / debt	(992)	5,382
Equity <sup>(ii)</sup>	(2,971)	1,042

The net debt to equity ratio at 30 June 2020 is not meaningful as equity is negative. The net debt to equity ratio at 30 June 2019 was 516.5%.

(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

	2020 \$'000	2019 \$'000
<b>Financial assets</b>		
Trade and other receivables	1,841	9,130
Cash and cash equivalents	6,521	2,655
Total financial assets	8,362	11,785
<b>Financial liabilities</b>		
Amortised cost	10,472	20,082
Total financial liabilities	10,472	20,082

#### (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. 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.

## Notes to the financial statements

for the financial year ended 30 June 2020

### 33. FINANCIAL INSTRUMENTS (CONTINUED)

#### (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	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
New Zealand Dollars	-	1,538	-	3,152
US Dollars	11	1,749	-	103
Euros	2	13	-	-
Singapore Dollars	-	100	-	-
Total	13	3,400	-	3,255

#### 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.

	2020	2019
	\$'000	\$'000
Profit or loss		
US Dollars	1	150
NZ Dollars	-	(147)
Euros	-	1
Singapore Dollars	-	9
Total	1	13

## Notes to the financial statements

for the financial year ended 30 June 2020

### 33. FINANCIAL INSTRUMENTS (CONTINUED)

#### (e) Foreign currency risk management (continued)

##### 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 2020, there were no forward foreign exchange contracts recognised. (2019: the forward foreign exchange contracts were 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). 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 for prior year, there were no forward foreign currency contracts taken as at reporting date:

Outstanding contracts	Average exchange rate		Foreign currency amount		Contract value in A\$		Fair value in A\$	
	2020	2019	2020	2019	2020	2019	2020	2019
			FC'000	FC'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>								
<b>Buy US Dollars</b>								
Less than 3 months	-	0.7137	-	1,371	-	1,921	-	30
3 to 12 months	-	0.7087	-	590	-	833	-	6
<b>Total</b>					-	2,754	-	36

#### (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 \$111,000 (2019: \$159,000). 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 \$130,000 (2019: \$53,000). This is mainly attributable to the MPower Group's exposure to interest rates on its cash and cash equivalents.

## Notes to the financial statements

for the financial year ended 30 June 2020

### 33. FINANCIAL INSTRUMENTS (CONTINUED)

#### (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	
	2020 \$'000	2019 \$'000
<b>MPower Group</b>		
Trade receivables and contract assets	1,841	9,130
Total	1,841	9,130

#### (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.

## Notes to the financial statements

for the financial year ended 30 June 2020

### 33. FINANCIAL INSTRUMENTS (CONTINUED)

#### (h) Liquidity risk management (continued)

##### MPower Group

Financial liabilities	Weighted average effective interest rate %	Less than 3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000
<b>2020</b>					
Non-interest bearing liability	-	1,900	1,934	-	-
Lease liability	7.00	48	143	648	226
Variable interest rate instruments	4.96	5,565	-	-	-
Total		7,513	2,077	648	226
<b>2019</b>					
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	-	-
Total		17,082	2,972	34	-

MPower Group (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 \$3,165,459 (2019: \$3,220,537). 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 \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000
<b>2020</b>					
Non-interest bearing	-	1,067	-	-	-
Variable interest rate instruments	0.15	6,521	-	-	-
Forward exchange contracts	-	-	-	-	-
Total		7,588	-	-	-
<b>2019</b>					
Non-interest bearing	-	8,471	-	-	-
Variable interest rate instruments	0.15	2,655	-	-	-
Forward exchange contracts	-	30	6	-	-
Total		11,156	6	-	-

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.

## Notes to the financial statements

for the financial year ended 30 June 2020

### 33. FINANCIAL INSTRUMENTS (CONTINUED)

#### (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		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2020	30 June 2019				
	\$'000	\$'000				
Foreign currency forward contracts			Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Assets	-	36				
Liabilities	-	-				

##### 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:

	2020	2019
	\$'000	\$'000
<b>Financial assets</b>		
Trade and other receivables	1,841	9,130
Cash and cash equivalents	6,521	2,655
Total financial assets	8,362	11,785
<b>Financial liabilities</b>		
Trade and other payables	3,833	12,045
Borrowings	5,529	7,007
Liabilities associated with assets classified as held for sale	-	1,030
Lease liabilities	1,110	-
Total financial liabilities	10,472	20,082