# Annual Report 2020

**MPower Group Limited**
ABN 73 009 485 625

# Contents



mpower

www.mpower.com.au

# Chairman's report

The 2020 annual result marks the first full year for the Company since it changed its name to MPower Group Limited, trading on the Australian Securities Exchange under the code ASX: MPR.

However, the changes undertaken by the Company in the last year have been far more important than simply a cosmetic change in name, because in the intervening period MPower has successfully progressed along its chosen path as 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.

The transformational activities that took place during the financial year included:

## Sale of MPower's Australian and New Zealand product distribution businesses

On 17 February 2020, MPower announced that it had entered into an agreement to sell 100% of its Australian and New Zealand product distribution businesses. The sale of the Bardic emergency lighting business and MPower's solar and battery products business was valued at $4.6 million on a cash-free, debt-free basis and the transaction completed on 28 February 2020. The final purchase price is subject to a post-completion working capital adjustment that is in the process of being finalised in accordance with the Share Sale Agreement.

Following the end of the financial year, the purchaser filed legal proceedings relating to an alleged breach of the Share Sale Agreement and associated claims relating to the transaction. The claim has not been quantified and MPower is defending the claims.

The sale of the businesses was strategically important to MPower as it enables MPower to focus its future activities around high-reliability renewable and conventional power projects where MPower has an enviable track record.

## New banking facilities

In February 2020, MPower finalised new banking facilities, including a term debt facility and a multi-option facility amongst other facilities. A repayment of $2.5 million was made at completion of the sale of the product distribution businesses, bringing the term debt facility balance to $5.5 million.

Following the end of the 2020 financial year, MPower successfully agreed an extension of its banking facilities until July 2021, with regular principal repayments of its debt facility to commence in March 2021.

## Sale of Rowville property

Settlement of the sale of the group's property in Rowville in Victoria occurred 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. The property was owned by the Power Property Unit Trust in which MPower had a 54.6% interest. The property had been occupied by MPower's product distribution activities.

In parallel with these transformational activities, substantial progress has been made during the year on refining the business model of MPower's core activities, as well as advancing its project activities and aspirations to Build, Own and Operate distributed energy power plants.

## Refining the business model and reduced cost base

The forward business model for MPower's project business has been successfully refined during the year. The project opportunities being targeted and the method of delivering projects have been derisked and implemented. MPower is pursuing higher margin projects that draw on our established capability and track record. The business is no longer pursuing the type of work that created past challenges. Assembly and associated work on new projects that was previously performed in-house is now being outsourced.

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

## Targeted project work

In January 2020, MPower commenced early work on two new solar farm projects in South Australia with a generation capacity of approximately 5MWAC each. The two solar farm projects developed by Astronergy are grid-connected and feature single axis tracking technology. The tracking technology facilitates the movement of the solar panels to track the sun during the day, thereby maximising the power output of the solar farm

Contracts for the full design and construction of the two 5MWAC solar farms were executed with Astronergy in March and May 2020 respectively. Each contract has a value of more than $4 million, taking the total value of the contracts executed with Astronergy this calendar year to close to $9 million.

In February 2020, MPower announced the successful completion of the construction and commissioning of the 5MWAC Mannum Solar Farm Project in South Australia that was announced in June 2019. The grid-connected Mannum Solar Farm Project is owned by a wholly owned subsidiary of Canadian Solar and comprises approximately 17,000 solar panels and utilises single axis tracking technology.

MPower is in particular targeting solar projects of this size due in part to their relative ease in connection to the grid and is actively pursuing further projects in this niche segment of the renewable energy sector.

At the same time as it is pursuing new opportunities, MPower is also completing work on legacy projects that do not form part of the group's strategy moving forward. Legacy projects have hampered the group's financial performance for some time and efforts are being made to close out the projects as quickly as possible.

## Build Own Operate activities

The expertise and capability that MPower has developed in the design and construction of 5MWAC solar farms is also the focus of MPower's Build Own Operate plans. MPower is pursuing structured debt and equity solutions centred on a diversified portfolio of 5MWAC solar farms in Australia. MPower has identified several key advantages of this strategy, including benefits of diversification in the market and minimal grid-related risks.

The aim of MPower's Build Own Operate aspirations is to leverage MPower's inhouse capability and experience and increase the revenue streams available from each individual project opportunity.

## Financial performance

MPower's financial results for the year to 30 June 2020 are to be read in light of the many changes that have taken place over the period and the required application of the relevant accounting standards, particularly in relation to accounting for discontinued operations.

The financial accounts reflect continuing operations, being MPower's core activities and discontinued operations, being the product distribution activities that were disposed part way through the financial year. Revenue from continuing operations was $10.9 million, which was down from $21.6 million in the prior year as the scope of work targeted has been deliberately narrowed and the focus is on higher contribution projects. A loss of $2.1 million from continuing operations was recorded for the financial year, mainly as a result of the poor performance of legacy projects that MPower is no longer pursuing, but also as a result of the benefits of the lower cost base of the business only starting to appear towards the end of the financial year.

MPower's cash balance of $6.5 million at the end of the financial year reflects strong and positive cashflows from MPower's project activities together with the proceeds of the transformational activities that have been undertaken. The group's cash position is expected to reduce during the first half of the 2021 financial year after financial commitments are met and the group closes out the structural changes that have taken place.

There was a significant improvement in cashflows from operating activities for the year which improved from a net outflow of $3.9 million in FY2019 to slightly positive in FY2020. There was a net outflow of $2.9 million in financing activities, primarily because of the retirement of bank debt following the sale of the product distribution businesses.

## Looking ahead

MPower is targeting project opportunities in the renewable and conventional power sectors where MPower's core expertise overlaps with high growth areas. MPower is recognised as a leader in its core markets and is actively pursuing opportunities that further cement its leadership position. While the full impact of COVID-19 on the group's target markets and the broader economy is not yet known and may cause some delays to project commencements, the nature and scale of identified opportunities is encouraging.

As MPower commences the 2021 financial year, it is a very much leaner and more focussed business. The strategy is to leave behind the past legacy matters and achieve a higher profit contribution from a lower revenue base, employing a significantly lower and more flexible cost base. When MPower's now well-honed technical expertise is coupled with its strategic Build Own Operate aspiration, the Company believes that progress will continue to be made in the coming year.

Peter Wise
Chairman

25 September 2020

# Directors' report

The directors present their report on the company (MPower Parent) and its controlled entities (MPower Group) for the financial year ended 30 June 2020 in accordance with the provisions of the Corporations Act 2001 (Cth). The Chairman's Report (pages 1 to 2) contains a review of the operations of the MPower Group during the financial year and the results of those operations and details of significant changes in the MPower Group. The Chairman's Report is incorporated into and forms part of this Directors' Report.

## Principal activity

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

## Review of operations

The operating result of the MPower Group for the financial year ended 30 June 2020 after eliminating non-controlling interests and providing for income tax was a loss of $4,213,000 (2019: $6,163,000). Reference should be made to the Chairman's Report for a more detailed review of operations.

## Changes in the state of affairs

There were no significant changes in the state of affairs of MPower Group during the year to 30 June 2020 other than as set out in the Chairman's Report.

## Subsequent events

Since the end of financial year, the Group's banking facilities have been extended for a further term of 12 months until July 2021.

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

## Future developments

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

## Dividends

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

## Indemnification of directors, officers and auditor

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

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

## Non-audit services

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

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

## Proceedings on behalf of the company

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

## Options on issue

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

### Unlisted options (ESOP)

| Grant date | Expiry date | Exercise price | Number of options |
|---|---|---|---|
| 02 Dec 2016 | 31 May 2021 | $0.0678 | 360,000 |
| 31 Jan 2018 | 31 May 2021 | $0.0978 | 264,000 |
| 15 Oct 2019 | 31 May 2021 | $0.0300 | 630,000 |
| 15 Oct 2019 | 31 May 2022 | $0.0300 | 630,000 |
| 15 Oct 2019 | 31 May 2023 | $0.0300 | 840,000 |
| **Total** | | | **2,724,000** |

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

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

## Environmental regulations

There are no particular or significant environmental regulations under a law of the Commonwealth or of a state or territory affecting the MPower Group.
The MPower Group's operations do not pose a high risk for breach of environmental legislation and in the directors' opinion there is no known breach of regulatory requirements that may:

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

## Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 (Cth) for the year ended 30 June 2020 has been received and a copy can be found on page 49 of this report.

## Rounding off of amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, and in accordance with the Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

## Corporate governance

A copy of the company's 2020 corporate governance statement can be found at https://www.mpower.com.au/investors/.

## Information on directors

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

| **_Peter Wise_** | **Chairman** | |
|---|---|---|
| **Qualifications** | Dip ID | |
| **Experience** | Appointed Chairman and board member in 1986. Active since then and before as Chairman or director of a wide range of investments and businesses across Australia and New Zealand, including over 30 years involvement in the power systems sector. | |
| **Interest in shares** | 77,071,518 ordinary shares in MPower Group Limited held by Tag Private Pty Limited. | |
| **_Nathan Wise_** | **Chief Executive Officer and Managing Director** | |
| **Qualifications** | BCom, LLM (UNSW) | |
| **Experience** | Appointed Chief Executive Officer and Managing Director in 2012 after serving as Head of Corporate Development from 2003. Company Secretary from 2006 until 2012. Director of MPower and a number of controlled entities within the MPower Group. Practiced as a corporate and commercial lawyer before joining the MPower Group. | |
| **Interest in shares** | 77,071,518 ordinary shares in MPower Group Limited held by Tag Private Pty Limited. 1,900,000 unlisted options over unissued ordinary shares in MPower Group Limited held by Investment Associates Pty Limited. | |
| **_Gary Cohen_** | **Director** (non-executive) | |
| **Qualifications** | B Comm, LLB, LLM (Hons) | |
| **Experience** | Director since 1999. Executive Chairman of Invigor Group Limited. | |
| **Interest in shares** | Holds a relevant interest in 619,766 ordinary shares in MPower Group Limited. | |
| **Special responsibilities** | Member of the remuneration committee. | |
| **Directorships held in other listed entities in the previous 3 years** | Listed entity<br>Invigor Group Limited | Relevant dates<br>since 18 July 2012 |
| **_Robert Constable_** | **Director** (non-executive) | |
| **Qualifications** | MA (Cantab.) | |
| **Experience** | Director since 1986. Former positions include secretary of the Beecham Group, director of Sime Darby Holdings Limited and deputy chief executive of Bousteadco Singapore Limited. | |
| **Interest in shares** | 434,000 ordinary shares in MPower Group Limited. | |
| **Special responsibilities** | Chairman of the audit committee and a member of the remuneration committee. | |
| **_Robert Moran_** | **Director** (non-executive) | |
| **Qualifications** | BEc LLB (Hons) | |
| **Experience** | Director since 2002. Chairman of Oceania Capital Partners Limited. Has extensive experience in principal investing and previously practiced as a corporate and commercial lawyer. | |
| **Interest in shares** | 1,854,546 ordinary shares in MPower Group Limited. | |
| **Special responsibilities** | Member of the audit committee. | |
| **Directorships held in other listed entities in the previous 3 years** | Listed entity<br>Oceania Capital Partners Limited<br>*(Previously Listed)* | Relevant dates<br>since 25 July 2007 |
| **_Neil Langridge_** | **Company Secretary** | |
| **Qualifications** | BBS, CA, ACIS, GAICD | |
| **Experience** | Appointed Company Secretary and Interim Chief Financial Officer of MPower Group Limited on 6 August 2019. Prior to joining MPower, worked as a CFO in GFG Liberty Steel, UGL Rail and Defence, Pentair Flow Control and Downer Rail. Held various directorships and secretarial positions in these companies and related joint ventures over the past 15 years. | |
| **Interest in shares** | None. | |

## Changes to directors and company secretary

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

## Remuneration of directors

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

## Directors' meetings

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

| | Board meetings | | Audit committee meetings | | Remuneration committee meetings | |
|---|---|---|---|---|---|---|
| | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended |
| Peter Wise | 13 | 13 | 2 | 2 | – | – |
| Nathan Wise | 13 | 13 | 2 | 2 | – | – |
| Gary Cohen | 13 | 13 | – | – | 2 | 2 |
| Robert Constable | 13 | 12 | 2 | 2 | 2 | 2 |
| Robert Moran | 13 | 12 | 2 | 2 | – | – |

## Remuneration report

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

## Remuneration policy

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

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

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

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

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

The board's policy is to remunerate non-executive directors for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors based on market practice, duties and accountability. Independent external advice may be sought when required. No independent expert has been used during the current financial year. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders. Fees for non-executive directors are not linked to MPower's performance. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold shares in the company.

## Performance based remuneration

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

## Short-term incentives

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

Details of the STI's in respect of the year to 30 June 2020 are as follows:

**Nathan Wise**
At the date of this report a cash bonus in respect of the year to 30 June 2020 had not been assessed for Nathan Wise. The total STI that is available (subject to performance against set criteria) is in the range of 0% to 40% of his base remuneration of $360,000 per annum ($0 to $144,000). The performance criteria against which the STI will be assessed are improvement in group profitability; shareholder value; long term strategy and people management.

**Ryan Scott**
At the date of this report a cash bonus in respect of the year to 30 June 2020 had not been assessed for Ryan Scott. The total STI that is available (subject to performance against set criteria) is in the range of 0% to 25% of his base remuneration of $270,000 per annum ($0 to $67,500). The performance criteria against which the STI will be assessed are company profitability; cashflow management; value of orders taken; improvement in business processes and productivity; and people management.

## Long-term incentives

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

The maximum number of options that can be on issue under the Executive Share Option Plan at any time is 5% of the shares on issue at that time. In addition, the maximum number of options that can be issued to any one senior manager is 2,350,000 (2019: 2,350,000). The remuneration committee must make reference to these and other rules of the Executive Share Option Plan when deciding on long-term incentive components.

2,100,000 executive share options were issued to directors and key management personnel during the year ended 30 June 2020 (2019: Nil).

# Option holdings

(i) Unlisted Executive Share Option holdings

| 2020 | Balance 1 July 2019 No. | Granted as compensation No. | Lapsed/ exercised No. | Balance 30 June 2020 No. | Unvested No. | Vested and exercisable No. |
|---|---|---|---|---|---|---|
| Nathan Wise [1] | 1,050,000 | 1,300,000 | (450,000) | 1,900,000 | 1,900,000 | – |
| Ryan Scott | – | 800,000 | – | 800,000 | 800,000 | – |
| Darrell Godin | 332,500 | – | (332,500) | – | – | – |
| Anthony Csillag | 332,500 | – | (332,500) | – | – | – |
| **Total** | **1,715,000** | **2,100,000** | **(1,115,000)** | **2,700,000** | **2,700,000** | **–** |

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

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

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

At 30 June 2020, the following share-based payment arrangements were in existence under the MPower Group Limited Executive Share Option Plan:

| Option series | No. of options | Grant date | Expiry date | Fair value at grant date | Vesting date |
|---|---|---|---|---|---|
| 1. Issued 2 December 2016 | 360,000 | 2 Dec 2016 | 31 May 2021 | $0.02 | 01 May 2021 |
| 2. Issued 31 January 2018 | 264,000 | 31 Jan 2018 | 31 May 2021 | $0.02 | 01 May 2021 |
| 3. Issued 15 October 2019 | 2,100,000 | 15 Oct 2019 | 31 May 2023* | $0.02 | 01 Mar 2023 |

* Various dates to 31 May 2023.

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

The value of options lapsed during the year was $2,330.

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

| | No. of options | Grant date |
|---|---|---|
| Nathan Wise | 270,000 | 2 Dec 2016 |
| Nathan Wise | 180,000 | 31 Jan 2018 |
| Darrell Godin | 192,500 | 2 Dec 2016 |
| Darrell Godin | 140,000 | 31 Jan 2018 |
| Anthony Csillag | 192,500 | 2 Dec 2016 |
| Anthony Csillag | 140,000 | 31 Jan 2018 |
| Total | 1,115,000 | |

## Shareholdings

Key management personnel and key management personnel-related entities hold directly, indirectly or beneficially as at 30 June 2020 the following interests in ordinary shares in MPower Group Limited:

| 2020 | Balance at 1 July 2019 No. | Net other change No. | Balance at 30 June 2020 No. |
|---|---|---|---|
| **Directors** | | | |
| Peter Wise [1]<br>Nathan Wise [1] | 77,071,518 | – | 77,071,518 |
| Gary Cohen | 619,766 | – | 619,766 |
| Robert Constable | 434,000 | – | 434,000 |
| Robert Moran | 1,854,546 | – | 1,854,546 |
| **Key management personnel** | | | |
| Ryan Scott | 10,000 | – | 10,000 |
| Total | 79,989,830 | – | 79,989,830 |

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

1. Peter Wise and Nathan Wise are directors of Tag Private Pty Limited which had an interest in 77,071,518 ordinary shares in MPower Group Limited at 30 June 2020.

## Company performance, shareholder wealth and director and senior management remuneration

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

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

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Revenue** ($'000)* | 56,530 | 40,123 | 40,802 | 48,047 | 10,930 |
| **Other gains/(losses)** ($'000) | 89 | 120 | 4 | 7 | 690 |
| **Net loss before non-controlling interests** ($'000) | (1,060) | (3,855) | (2,895) | (6,129) | (3,875) |
| **Dividends paid** ($'000) | – | – | – | – | – |
| **Share price at year end** (cents per share) | 3.9 | 4.3 | 7.9 | 3.0 | 2.0 |
| **Loss per share from continuing and discontinued operations** | | | | | |
| Basic (cents per share) | (1.0) | (3.1) | (2.4) | (4.4) | (2.7) |
| Diluted (cents per share) | (1.0) | (3.1) | (2.4) | (4.4) | (2.7) |

* Revenue includes discontinued operations revenue in prior periods.

## Details of remuneration

The remuneration for each director and the key management personnel in respect of the year to 30 June 2020 was as follows:

| **2020**<br>$ | **Salary, fees and allowances** | **Superannuation contributions** | **Cash bonus** | **Non-cash benefits** | **Options** | **Total** | **Performance related %** |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| **Peter Wise**<br>Chairman | 124,500 | – | – | – | – | 124,500 | – |
| **Nathan Wise**<br>Chief Executive Officer | 355,833 | – | – | – | 4,342 | 360,175 | 1.2 |
| **Gary Cohen**<br>Non-executive director | 20,000 | – | – | – | – | 20,000 | – |
| **Robert Constable**<br>Non-executive director | 20,000 | – | – | – | – | 20,000 | – |
| **Robert Moran**<br>Non-executive director | 20,000 | – | – | – | – | 20,000 | – |
| **Total directors** | 540,333 | – | – | – | 4,342 | 544,675 | |
| **Key management personnel** | | | | | | | |
| **Darrell Godin**<br>Chief Financial Officer [1] | 106,085 | 4,039 | – | – | 1,125 | 111,249 | 1.0 |
| **Ryan Scott**<br>General Manager, MPower Projects [2] | 277,529 | 21,309 | – | – | 771 | 299,609 | 0.3 |
| **Total key management personnel** | 383,614 | 25,348 | – | – | 1,896 | 410,858 | |
| **Total** | **923,947** | **25,348** | **–** | **–** | **6,238** | **955,533** | |

1. Darrell Godin resigned on 6 August 2019.
2. A STI has not been assessed at the date of this report but is subject to a minimum guaranteed amount of $20,000 in respect of the year to 30 June 2020 and is not included in the above table.
3. During the year the company paid $26,000 for Directors and Officers insurance.

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

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

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

All directors held their positions for the whole year.

Non-executive Director fees are determined within an aggregate fee pool limit, which is periodically recommended for approval by shareholders. The current fee aggregate limit is $250,000. Non-executive Directors do not receive performance-based pay or non-retirement allowances. The chairman does not receive additional fees for participating in or chairing committees.

## Contract details

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

1. A written contract was in place in respect of the services provided by Nathan Wise to MPower Group Limited. The contract has no specified duration and requires three months' notice of termination (equating to a termination payment of $90,000).
2. A written contract with a salary of $290,000 per annum was in place in respect of the services provided by Ryan Scott to MPower Projects Pty Limited. The contract has no specified duration and requires three months' notice of termination (equating to a termination payment of $72,500).

## Performance income as a proportion of total remuneration

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

Signed in accordance with a resolution of the directors.

Peter Wise
Chairman

25 September 2020

# Consolidated statement of profit or loss and other comprehensive income

| | Note | **2020 $'000** | 2019 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| 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) |
| **Loss before income tax** | | (2,149) | (4,868) |
| Income tax expense | 8 | – | – |
| **Loss for the year from continuing operations** | | (2,149) | (4,868) |
| **Discontinued operations** | | | |
| Loss from discontinued operations | 34 | (1,726) | (1,261) |
| **LOSS FOR THE YEAR** | | (3,875) | (6,129) |
| Attributable to: | | | |
| Owners of the company | | (4,213) | (6,163) |
| Non-controlling interest | | 338 | 34 |
| | | (3,875) | (6,129) |
| **Other comprehensive income (net of tax)** | | | |
| 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 | 34 | (53) | 2 |
| Exchange (loss) / gain on translating discontinued operations | 34 | (53) | 10 |
| Other comprehensive (loss) / income net of tax | | (106) | (96) |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | (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) |
| **Loss per share from continuing and discontinued operations** | | | |
| Basic (cents per share) | 32 | (2.7) | (4.4) |
| Diluted (cents per share) | 32 | (2.7) | (4.4) |
| **Loss per share from continuing operations** | | | |
| Basic (cents per share) | 32 | (1.6) | (3.5) |
| Diluted (cents per share) | 32 | (1.6) | (3.5) |

The accompanying notes form part of these financial statements

# Consolidated statement of financial position

| | Note | **2020 $'000** | 2019 $'000 |
|---|---|---|---|
| **Assets** | | | |
| *Current assets* | | | |
| 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 |
| | | 9,036 | 20,104 |
| Non-current assets classified as held for sale | 15 | – | 1,839 |
| **Total current assets** | | 9,036 | 21,943 |
| *Non-current assets* | | | |
| Property, plant & equipment | 16 | 395 | 1,018 |
| Right of use assets | 27 | 1,078 | – |
| **Total non-current assets** | | 1,473 | 1,018 |
| **Total assets** | | 10,509 | 22,961 |
| **Liabilities** | | | |
| *Current liabilities* | | | |
| 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 |
| **Total current liabilities** | | 12,489 | 21,876 |
| *Non-current liabilities* | | | |
| Borrowings | 19 | – | 32 |
| Provisions | 21 | 14 | 8 |
| Lease liabilities | 27 | 977 | – |
| Other liabilities | 22 | – | 3 |
| **Total non-current liabilities** | | 991 | 43 |
| **Total liabilities** | | 13,480 | 21,919 |
| **Net (liabilities) / assets** | | (2,971) | 1,042 |
| **Equity** | | | |
| Issued capital | 23 | 25,121 | 25,121 |
| Reserves | 24 | 4 | 533 |
| Accumulated losses | | (28,846) | (25,058) |
| **Equity attributable to owners of the company** | | (3,721) | 596 |
| **Non-controlling interest** | 25 | 750 | 446 |
| **Total (deficiency) / equity** | | (2,971) | 1,042 |

The accompanying notes form part of these financial statements

# Consolidated statement of changes in equity

| | Issued capital | Reserves | Accumulated losses | Attributable to owners of parent entity | Non-controlling interest | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 July 2018** | 23,410 | 617 | (18,895) | 5,132 | 446 | 5,578 |
| Loss for the year | – | – | (6,163) | (6,163) | 34 | (6,129) |
| *Other comprehensive income/(loss) net of tax* | | | | | | |
| Exchange differences arising on translation of foreign operations | – | 10 | – | 10 | – | 10 |
| Loss on cash flow hedge taken to equity | – | (106) | – | (106) | – | (106) |
| Total comprehensive income/(loss) for the year | – | (96) | (6,163) | (6,259) | 34 | (6,225) |
| Issue of shares | 1,711 | – | – | 1,711 | – | 1,711 |
| Recognition of share-based payments | – | 12 | – | 12 | – | 12 |
| Payment of distributions | – | – | – | – | (34) | (34) |
| **Balance at 30 June 2019** | **25,121** | **533** | **(25,058)** | **596** | **446** | **1,042** |
| **Balance at 1 July 2019** | 25,121 | 533 | (25,058) | 596 | 446 | 1,042 |
| Loss for the year | – | – | (4,213) | (4,213) | 338 | (3,875) |
| *Other comprehensive income/(loss) net of tax* | | | | | | |
| 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 year | – | (106) | (4,213) | (4,319) | 338 | (3,981) |
| Transferred to accumulated losses | – | (425) | 425 | – | – | – |
| Recognition of share-based payments | – | 2 | – | 2 | – | 2 |
| Payment of distributions | – | – | – | – | (34) | (34) |
| **Balance at 30 June 2020** | **25,121** | **4** | **(28,846)** | **(3,721)** | **750** | **(2,971)** |

The accompanying notes form part of these financial statements

# Consolidated statement of cash flows

| | Note | **2020 $'000** | 2019 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 39,831 | 52,366 |
| Payments to suppliers and employees | | (39,188) | (55,819) |
| Cash from / (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) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant & equipment | | (266) | (70) |
| Proceeds from sale of property, plant and equipment | | 2,629 | 17 |
| Proceeds from sale of business net of costs | | 4,246 | – |
| Net cash generated by / (used in) investing activities | | 6,609 | (53) |
| **Cash flows from financing activities** | | | |
| 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

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

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

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

The financial statements were authorised for issue by the directors on 25 September 2020.

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 16, 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.

For other key estimates refer to: credit losses note 10, warranties note 2(n), share based payments note 2(u) and deferred tax assets note 2(b).

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

Control is achieved when MPower Group Limited:

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

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the parent entity disclosures in note 35 for MPower Group Limited, intra-group transactions ('common controlled transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

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

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

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

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

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

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

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

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

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

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

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

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

**(b) Income tax**

*Current tax*

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

*Deferred tax*

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

**(f) Leased assets**
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 16.

Refer to note 2(x) for details on the impact of adoption of the AASB 16.

**(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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**(r) Goods and services tax (GST)**
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:
- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

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

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

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

**(t) Derivative financial instruments**
The MPower Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts.

Note 33 contains details of the fair values of the derivative instruments used for hedging purposes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**(w) 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.

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

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

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

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

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

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

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

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

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 16 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

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

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

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying AASB 16:
- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

*Former finance leases*
For leases that were classified as finance leases applying AASB 16, the carrying amount of the leased assets and obligations under finance leases measured applying AASB 16 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

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

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

*(iii) Policies applicable from 1 July 2019*
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

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

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

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

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

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

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

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

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

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

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

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the accounting policy in the Group's 30 June 2020 financial statements.

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

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business | 1 January 2020 | 30 June 2021 |
| AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material | 1 January 2020 | 30 June 2021 |
| AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework | 1 January 2020 | 30 June 2021 |
| AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current | 1 January 2020 | 30 June 2021 |
| AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments | 1 January 2020 | 30 June 2021 |
| AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions | 1 January 2020 | 30 June 2021 |

**(y) Going concern**
The consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2020 reflects a total comprehensive loss after tax attributable to owners of $4.3 million, including a loss of $1.7 million from discontinued operations. The consolidated statement of financial position, consequently, shows negative net assets of approximately $3.0 million and a surplus of current liabilities over current assets, predominantly due to the characterisation of the full amount of the Group's debt facilities as a current liability.

The Directors have reviewed the cash flow forecast prepared by management for the period through to 30 September 2021. The cash flow forecast, which is predicated on the key assumptions noted below, indicates that the Group will have sufficient funding to operate as a going concern during the forecast period, and on this basis the Directors have prepared the financial statements on the going concern basis. One of these assumptions is that the Group will enjoy the continued support of the Group's bankers and that the existing debt will be rolled over at maturity. In this regard, it is noted that the Group will commence amortising its term debt facility during the period and the Group's banker has been very supportive of the Group through its restructure and the Directors believe it is reasonable to assume that the debt will be rolled over or that replacement funding will be available at that time.

*Key assumptions of cashflow forecast*
The cashflow forecast includes certain key assumptions including the following:
- continuing support from the Group's bankers (as described above);
- the conversion of pipeline opportunities over the forecast period;
- the delivery of projects in accordance with project estimates;
- commencement of execution of the Group's Build Own Operate strategy by securing a number of initial projects and funding for those projects;
- the Group successfully defending the legal proceedings referred to in note 37; and
- the Group achieving its anticipated level of cash flows.

The Directors believe that the actions taken to re-align the focus of the core business operations will support achieving the forecast cash flows and the pipeline of projects supports the assumed cashflow forecasts from projects.

If the Group:
- ceases to receive continuing support from the Group's bankers; or
- is unable to meet the other key assumptions noted above,

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

| | **2020 $'000** | 2019 $'000 |
|---|---|---|

# 3. Revenue

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

| | | |
|---|---|---|
| – Revenue from sale of goods | 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 |

# 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.

| | 2020 $'000 | 2019 $'000 |
|---|---|---|

# 7. Loss for the year

The loss before income tax has been determined after:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| 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 | 6,313 | 7,845 |
| 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:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Current tax** | | |
| In respect of the current year | – | – |
| **Deferred tax** | | |
| In respect of the current year | – | – |
| Total income tax expense recognised in the current year | – | – |

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

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Prima facie tax benefit on loss before income tax at 27.5% | (1,065) | (1,839) |
| Add tax effect of: | | |
| – temporary differences not brought to account | 625 | – |
| – unused tax losses not brought to account | 1,690 | 1,839 |
| Income tax expense attributable to the entity | – | – |
| The applicable weighted average effective tax rates are as follows: | – | – |

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

| | **2020 $'000** | 2019 $'000 |
|---|---|---|

# 9. Cash & cash equivalents

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

| | | |
|---|---|---|
| Cash and bank balances | 6,521 | 2,655 |

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 | 1,726 | – |
| 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 | 6,568 | (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* [1] | | |
| 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 other facilities**
Loan and other 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).

# 10. Trade receivables & contract assets

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Trade receivables | 681 | 5,930 |
| Less: Credit loss allowance | (10) | (45) |
| | 671 | 5,885 |
| Contract assets – accrued revenue receivable | 1,170 | 3,245 |
| Total trade receivables and contract assets | 1,841 | 9,130 |
| **Ageing of past due but not impaired** | | |
| 60-90 days | (7) | 175 |
| Over 90 days | 38 | 391 |
| Total | 31 | 566 |
| Average age of trade receivables (days) | 10 | 45 |
| **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 | (35) | (36) |
| Balance at the end of the year | 10 | 45 |

The average credit period on sales of goods and rendering of services ranges from 30 to 60 days. The 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 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.

| | **2020 $'000** | 2019 $'000 |
|---|---|---|

# 11. Inventories

At lower of cost and net realisable value:

| | **2020 $'000** | 2019 $'000 |
|---|---|---|
| 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

| | **2020 $'000** | 2019 $'000 |
|---|---|---|
| **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 (iii) | Australia | ord | – | 100 |
| MPower Projects Pty Limited | Australia | ord | 100 | 100 |
| Power Property Nominees Pty Ltd (i) | Australia | ord | 75 | 75 |
| Power Property Unit Trust (i) | Australia | units | 55 | 55 |
| Flatbat Ltd (ii) | New Zealand | ord | 100 | 100 |
| MPower Pacific Limited (iii) | New Zealand | ord | – | 100 |
| PISL Limited (ii) | New Zealand | ord | 100 | 100 |
| Spedding Ltd (ii) | New Zealand | ord | 100 | 100 |
| MPower Samoa Limited (ii) | Samoa | ord | 100 | 100 |

(i) The MPower Group has majority ownership and board representation of all non-wholly owned subsidiaries. Percentages have been rounded.
(ii) Companies incorporated in New Zealand and Samoa carry on business primarily in their respective countries.
(iii) Sold on 28 February 2020.

| | **2020** | 2019 |
|---|---|---|
| | **$'000** | $'000 |

# 14. Other financial assets

| | | |
|---|---|---|
| **Current** | | |
| **Derivatives designated and effective as hedging instruments carried at fair value** | | |
| Forward exchange contracts | – | 36 |

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 |

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.

# 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** | **Leasehold improvements at cost** | **Capitalised leased assets at cost** | **Land & buildings at fair value** | **Total** |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'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 |

| | **2020 $'000** | 2019 $'000 |
|---|---|---|

# 17. Taxation

| | | |
|---|---|---|
| **Current tax liabilities** | – | – |
| **Deferred tax balances** | – | – |

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

| | 2020 | 2019 |
|---|---|---|
| – 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

| | 2020 | 2019 |
|---|---|---|
| Current unsecured liabilities | | |
| – trade payables | 1,364 | 8,056 |
| – sundry payables and accrued expenses | 2,469 | 3,989 |
| | 3,833 | 12,045 |

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.

| | 2020 $'000 | 2019 $'000 |
|---|---|---|

# 19. Borrowings

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Current** | | |
| – Bank facilities (secured) | 5,500 | 6,692 |
| – Other interest bearing liabilities | 29 | 224 |
| – Asset finance liabilities (secured) | – | 59 |
| | 5,529 | 6,975 |
| **Non-current** | | |
| – Asset finance liabilities (secured) | – | 32 |
| | – | 32 |

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

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Current** | | |
| Bank facilities (secured) | – | 1,030 |

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

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Employee benefits [a] | 735 | 1,349 |
| Warranties [b] | 78 | 82 |
| Total provisions | 813 | 1,431 |
| Current | 799 | 1,423 |
| Non-current | 14 | 8 |
| Total provisions | 813 | 1,431 |
| **Warranties** | | |
| Opening balance at beginning of year | 82 | 121 |
| Provisions (reversed) / raised during year | (4) | (39) |
| Amounts used | – | – |
| Balance at end of year | 78 | 82 |

(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.

| | **2020 $'000** | 2019 $'000 |
|---|---|---|

# 22. Other liabilities

| | **2020 $'000** | 2019 $'000 |
|---|---|---|
| **Current** | | |
| Customer deposits in advance | 34 | 106 |
| Contract liabilities | 2,161 | 297 |
| Total current other liabilities | 2,195 | 403 |
| **Non-current** | | |
| Sundry other liabilities | – | 3 |
| Total non-current other liabilities | – | 3 |

Contract liabilities relate to milestone payments received in advance from customers. The stage of completion is used to measure the revenue to be recognised. If the amount of revenue recognised is less than payments received, the difference is included as part of contract liabilities. See note 2(p).

# 23. Issued capital

| | **2020 $'000** | 2019 $'000 |
|---|---|---|
| 158,846,416 (2019: 158,846,416) fully paid ordinary shares | 25,121 | 25,121 |

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

| | 2020 $'000 | 2019 $'000 |
|---|---|---|

# 24. Reserves

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Revaluation reserve [(a)] | – | 425 |
| Share option reserve [(b)] | 276 | 274 |
| Foreign currency translation reserve [(c)] | (272) | (220) |
| Cash flow hedge reserve [(d)] | – | 54 |
| Total reserves | 4 | 533 |

**(a) Revaluation reserve**

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Balance at beginning of the year | 425 | 425 |
| Revaluation of property net of minority interests transferred to accumulated losses | (425) | – |
| Balance at end of the year | – | 425 |

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

**(b) Share option reserve**

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Balance at beginning of the year | 274 | 262 |
| Share based payments for the year | 2 | 12 |
| Balance at end of the year | 276 | 274 |

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

**(c) Foreign currency translation reserve**

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Balance at beginning of the year | (220) | (230) |
| Exchange differences arising on translating the foreign operations | (52) | 10 |
| Balance at end of the year | (272) | (220) |

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

**(d) Cash flow hedge reserve**

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Balance at beginning of the year | 54 | 160 |
| Cash flow hedges movements for the year net of tax | (54) | (106) |
| Balance at end of the year | – | 54 |

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:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Other expenses | – | (12) |

# 25. Non-controlling interest in controlled entities

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Non-controlling interest comprises: | | |
| – balance at year end | 750 | 446 |

| | **2020 $'000** | 2019 $'000 |
|---|---|---|

# 26. Dividends

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

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

# 27. Right of use assets & lease liabilities

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Right of use assets** | | |
| At cost | 1,182 | – |
| Less: Accumulated amortisation | (104) | – |
| | 1,078 | – |
| **Lease Liabilities** | | |
| Current | 133 | – |
| Non-current | 977 | – |
| | 1,110 | |
| **Lease liabilities maturity profile** | | |
| – Year 1 | 133 | – |
| – Year 2 | 150 | – |
| – Year 3 | 125 | – |
| – Year 4 | 108 | – |
| – Year 5 | 113 | – |
| – later than six years | 481 | – |
| | 1,110 | – |
| **Consolidated Right of Use Assets** | | |
| – 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.

# 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 |
| **Continuing operations** | | | | |
| 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.

**(c) Segment assets and liabilities**

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Segments assets** | | |
| 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** | | |
| 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.
(iii) Corporate assets and liabilities with no defined segment are classified as unallocated.

**(d) Other segment information**

| | Depreciation and amortisation | | Additions to non-current assets | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'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 and discontinued operations from its major products and services.

| | 2020 $'000 | 2019 $'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 |

**(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 and discontinued 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 |

# 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 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 Group 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 2020 No. | MPower Group 2019 No. | Weighted average exercise price 2020 $ | Weighted average exercise price 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 |
| Granted during year | 2,100,000 | – | 0.0300 | – |
| Lapsed during the year | (1,549,500) | (931,500) | 0.0200 | 0.0002 |
| Balance at end of the year | **2,724,000** | **2,173,500** | **0.0416** | **0.0804** |
| 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 |
| **Total** | | | | **2,724,000** |

During the year 2,100,000 share options were granted 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.

| Expiry date | 31-May-21 | 31-May-21 | 31-May-21 | 31-May-22 | 31-May-23 |
|---|---|---|---|---|---|
| Share 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 details of the fees and executive share options are included in the remuneration of directors' disclosures in the Directors' Report. The company held no unlisted executive share options during the year.

*(b) Investment Associates Pty Limited*
Nathan Wise has a controlling interest in Investment Associates Pty Ltd through family interests. During the year the company received management fees for services rendered of $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. The details of the fees and executive share options are included in the remuneration of directors' disclosures in the Directors' Report.

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

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

- Peter Wise – Chairman
- Nathan Wise – Chief Executive Officer and Managing Director
- Gary Cohen – Non-executive Director
- Robert Constable – Non-executive Director
- Robert Moran – Non-executive Director
- 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)

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

| | MPower Group | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| Short-term employee benefits | 923,947 | 1,094,219 |
| Post-employment benefits | 25,348 | 42,149 |
| Other payments | – | 33,525 |
| Share based payments | 6,238 | 9,217 |
| | 955,533 | 1,179,110 |

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

# 32. Loss per share

| | 2020 cents per share | 2019 cents per share |
|---|---|---|
| **Basic loss per share from continuing and discontinued operations** | (2.7) | (4.4) |
| **Diluted loss per share from continuing and discontinued operations** | (2.7) | (4.4) |
| **Basic loss per share from continuing operations** | (1.6) | (3.5) |
| **Diluted loss per share from continuing operations** | (1.6) | (3.5) |

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Reconciliation of earnings to net loss** | | |
| Net loss after income tax from continuing and discontinued operations | (3,875) | (6,129) |
| Attributable to non-controlling interests | (338) | (34) |
| Earnings used in the calculation of basic and diluted earnings per share | (4,213) | (6,163) |
| Weighted average number of shares used in the calculation of basic earnings per share | 158,846,416 | 139,581,114 |
| Weighted average number of shares used in the calculation of diluted earnings per share | 158,846,416 | 139,581,114 |

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

# 33. Financial instruments

**(a) Capital risk management**

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

The capital structure of the MPower Group consists of cash and cash equivalents, debt (including the borrowings disclosed in notes 19 and 20), and equity attributable to equity holders of the MPower Parent, comprising issued capital (disclosed in note 23), reserves (disclosed in note 24) and 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:

| | | |
|---|---|---|
| Debt [i] | 5,529 | 8,037 |
| Cash and cash equivalents | (6,521) | (2,655) |
| Net (cash) / debt | (992) | 5,382 |
| Equity [ii] | (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 |
|---|---|---|
| **Financial assets** | | |
| Trade and other receivables | 1,841 | 9,130 |
| Cash and cash equivalents | 6,521 | 2,655 |
| Other assets | 386 | 702 |
| Total financial assets | 8,748 | 12,487 |
| **Financial liabilities** | | |
| 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.

**(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 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'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 |

### (e) Foreign currency risk management continued

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

**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).

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 FC'000** | 2019 FC'000 | **2020 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'000 |
| **Consolidated** | | | | | | | | |
| *Buy US Dollars* | | | | | | | | |
| Less than 3 months | – | 0.7137 | – | 1,371 | – | 1,921 | – | 30 |
| 3 to 12 months | – | 0.7087 | – | 590 | – | 833 | – | 6 |
| Total | | | | | – | 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 loss would increase/(decrease) 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.

**(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** | 2019 |
| | **$'000** | $'000 |
| **MPower Group** | | |
| Trade receivables and contract assets | 1,841 | 9,130 |
| Total | 1,841 | 9,130 |

The Company has a policy to maintain balances with reputed banks to minimise the counterparty risk.

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

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

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

**MPower Group**

| **Financial liabilities** | **Weighted average effective interest rate** | **Less than 3 months** | **3 months to 1 year** | **1-5 years** | **5+ years** |
|---|---|---|---|---|---|
| | % | $'000 | $'000 | $'000 | $'000 |
| **2020** | | | | | |
| 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 |
| **2019** | | | | | |
| Non-interest bearing liability | – | 10,136 | 1,909 | – | – |
| Finance lease liability | 6.21 | 16 | 47 | 34 | – |
| Variable interest rate instruments | 14.99 | 6,930 | 1,016 | – | – |
| 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.

### (h) Liquidity risk management continued

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

**MPower Group**

| Financial assets | Weighted average effective interest rate | Less than 3 months | 3 months to 1 year | 1-5 years | 5+ years |
|---|---|---|---|---|---|
| | % | $'000 | $'000 | $'000 | $'000 |
| **2020** | | | | | |
| Non-interest bearing | – | 671 | – | – | – |
| Variable interest rate instruments | 0.15 | 6,521 | – | – | – |
| Forward exchange contracts | – | – | – | – | – |
| Total | | 7,192 | – | – | – |
| **2019** | | | | | |
| 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.

### (i) Fair value measurements recognised in the statement of financial position

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

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

| Financial assets/ financial liabilities | Fair value as at 30 June 2020 | Fair value as at 30 June 2019 | Fair value hierarchy | Valuation technique and key inputs | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| | $'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 $'000** | 2019 $'000 |
|---|---|---|
| **Financial assets** | | |
| Trade and other receivables | 1,841 | 9,130 |
| Cash and cash equivalents | 6,521 | 2,655 |
| Other assets | 386 | 702 |
| Total financial assets | 8,748 | 12,487 |
| **Financial liabilities** | | |
| 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 |

# 34. Discontinued operations

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

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

Financial performance and cash flow information

| | | |
|---|---|---|
| Revenue | 15,030 | 26,464 |
| Operating expenses | (15,827) | (27,725) |
| Loss before income taxes | (797) | (1,261) |
| Income tax benefit | – | – |
| Loss after income tax | (797) | (1,261) |
| Loss on sale of subsidiaries | (929) | – |
| **Loss from discontinued operations** | (1,726) | (1,261) |
| Exchange differences on translation of discontinued operations | (53) | 2 |
| Loss / (gain) on cash flow hedges of discontinued operations | (53) | 10 |
| **Other comprehensive (loss) / income from discontinued operations** | (106) | 12 |
| Net cash outflow from ordinary activities | (1,322) | (206) |
| Net cash outflow from investing activities | (8) | (17) |
| Net cash inflow from financing activities | 934 | 117 |
| **Net decrease in cash generated by the subsidiaries** | (396) | (106) |

The figures in respect of the year to 30 June 2020 represent eight months of activity prior to completion of the sale on 28 February 2020.

Details of the sale of the subsidiaries

| | 2020 $'000 |
|---|---|
| Consideration received | 5,594 |
| Carrying amount of net assets sold | (4,743) |
| Gain on sale before adjustments | 852 |
| Purchase price adjustments / Contingent consideration | (1,781) |
| Loss on sale | (929) |
| **The carrying amounts of assets and liabilities as at the date of sale** | |
| **Current assets** | |
| Cash and cash equivalents | 872 |
| Trade receivables and contract assets | 1,933 |
| Inventories | 5,394 |
| Other current assets | 18 |
| **Total current assets** | 8,217 |
| **Non-current assets** | |
| Property, plant & equipment | 593 |
| Right of use assets | 50 |
| **Total non-current assets** | 643 |
| **Total assets** | 8,860 |
| **Current liabilities** | |
| Trade and other payables | 3,568 |
| Provisions | 320 |
| Lease liabilities | 51 |
| Contract liabilities and other liabilities | 179 |
| **Total current liabilities** | 4,118 |
| **Net assets *** | 4,742 |

* Subject to final working capital adjustments that have not been determined.

# 35. Parent entity disclosures

| | MPower Parent | |
|---|---|---|
| | **2020** | 2019 |
| | **$'000** | $'000 |
| **(a) Financial position** | | |
| **Assets** | | |
| Current assets | 1,232 | 1,781 |
| Non-current assets | 5 | 1,153 |
| Total assets | 1,237 | 2,934 |
| **Liabilities** | | |
| Current liabilities | 7,848 | 1,892 |
| Total liabilities | 7,848 | 1,892 |
| **Equity** | | |
| Issued capital | 25,121 | 25,121 |
| Accumulated losses | (32,008) | (24,353) |
| Share option reserve | 276 | 274 |
| Total (deficiency) / equity | (6,611) | 1,042 |
| **(b) Financial performance** | | |
| Loss for the year | (7,655) | (8,081) |
| Other comprehensive income | – | – |
| Total comprehensive loss | (7,655) | (8,081) |

**(c) Guarantees entered into by the parent entity**
The parent entity, MPower Group Limited, has provided the following guarantees in relation to its subsidiaries:
(i) Cross guarantees under banking facilities as detailed in note 19.
(ii) Guarantee of the obligations of MPower Holdings Pty Limited under the Share Sale Agreement relating to the sale of the Group's product distribution businesses in February 2020.
(iii) Cross guarantee under surety bond facility provided by Vero Insurance.
(iv) Securities provided for the loan refer to note 19.

**(d) Contingent liabilities of the parent entity**
Refer note 37 for contingent liabilities of the parent entity.

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

# 36. Subsequent events

Since the end of financial year, the Group's banking facilities have been extended for a further term of 12 months until July 2021.

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

# 37. Contingent liabilities & contingent assets

In the ordinary course of business, contingent liabilities exist in respect of claims and potential claims against entities in the consolidated entity. The consolidated entity does not consider that the outcomes of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position.

In August 2020 Legend Corporation Limited commenced legal proceedings against MPower Group Limited and MPower Holdings Pty Limited in relation to an alleged breach of the Share Sale Agreement and associated claims relating to the sale of the group's product distribution businesses. The legal claim has not been quantified by Legend. The legal claim is being defended by MPower Group Limited and MPower Holdings Pty Limited.

# Directors' declaration

The directors of MPower Group Limited declare that:

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

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

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

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

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

On behalf of the directors

**Peter Wise**
Chairman

Sydney, 25 September 2020

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25 September 2020

Board of Directors
MPower Group Limited
Level 4
15 Bourke Road
Sydney NSW 2020

Dear Directors

**RE: MPOWER GROUP LIMITED**

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

As Audit Director for the audit of the financial statements of Mpower Group Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**

Martin Michalik

**Martin Michalik**
**Director**

Stantons International Audit and Consulting Pty Ltd
trading as
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Chartered Accountants and Consultants

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MPOWER GROUP LIMITED**

## Report on the Audit of the Financial Report

### *Opinion*

We have audited the financial report of MPower Group Limited the Company and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

## Material Uncertainty Relating to Going Concern

Without modifying our audit opinion expressed above, attention is drawn to the following matter.

As referred to in Note 2(y) to the financial statements, the consolidated financial statements have been prepared on a going concern basis. At 30 June 2020, the Group had cash and cash equivalents of $6,521,000, and incurred a loss after income tax of $3,875,000. The Group had a working capital deficiency of $3,453,000 as at 30 June 2020. The Group's main bank facility was extended post year end to July 2021 and the Group will commence principal repayments in March 2021.

The ability of the Group to continue as a going concern and meet its planned operating, administration and other commitments is dependent upon the Group meeting the key assumptions in its cashflow budgets as discussed in note 2(y) and/or raising further working capital. In the event that the Group is not successful in meeting the assumptions in the cashflow budgets and /or raising further equity, the Group may not be able to meet its liabilities as and when they fall due and the realisable value of the Group's current and non-current assets may be significantly less than book values.

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*Key Audit Matters*

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be Key Audit Matters to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matters | How the matter was addressed in the audit |
|---|---|
| ***Contingent Liabilities***<br><br>The Group is a party to ongoing legal proceedings by Legend Corporation Limited in relation to an alleged breach of the share sale agreement and associated claims relating to the sale of the Group's product distribution businesses (refer to Notes 34 and 37). The outcome of the proceedings are uncertain at 30 June 2020.<br><br>We determined this to be a key audit matter given the potential materiality of the amount involved together with the level of judgement required in assessing the proceedings to ensure they are appropriately reflected in the financial report. | Inter alia, our audit procedures included the following:<br><br>i. Reviewed the original claim and held discussions with management on the status and outcome up to the date of this audit report;<br><br>ii. Reviewed all management representations and solicitors' representation letters in regard to the claim; and<br><br>iii. Ensured completeness and accuracy of the financial statements to ensure appropriate disclosures are made. |
| ***Sale of Australian and New Zealand product distribution businesses***<br><br>On the 28 February 2020, the Group completed the sale of its 100% owned subsidiaries MPower Products Pty Limited and MPower Pacific Limited to Legend Corporation Limited for an initial consideration of $4.6m (Refer to Note 34).<br><br>We determined this to be a key audit matter given the materiality of the amount involved together with the level of judgement required in assessing the final sale price which is subject to a post completion working capital adjustment.<br><br>As at the date of this report the calculation of the working capital adjustment with the vendor is ongoing. | Inter alia, our audit procedures included the following:<br><br>i. Obtaining and assessing the original sale agreement;<br><br>ii. Reviewing the Group's calculations of the working capital adjustment and the vendors calculation of the same adjustment;<br><br>iii. Obtaining management representation on the working capital adjustment and ensuring that it was in compliance with AASB 137 *(Provisions, Contingent Liabilities and Contingent Assets)*; and<br><br>iv. Ensuring the Group's best estimate of the working capital adjustment is reflected in the financial report. |

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| Key Audit Matters | How the matter was addressed in the audit |
| --- | --- |
| ***Revenue Recognition*** | |
| Revenue recognition is considered to be a key audit matter due to the material amounts involved and significant audit effort expended.<br><br>These procedures included addressing the unique circumstances of the individualised contract arrangements that the Group enters into, the significance of the Group's judgements relating to the point in time at which revenue is recorded, in particular those relating to the satisfaction of performance obligations and transfer of control of assets.<br><br>We focused on sales as a key audit matter due to these conditions leading to increased risk of incorrect revenue recognition. | Inter alia, our audit procedures included the following:<br><br>i. We assessed the Group's revenue recognition policies against the requirements of AASB 15 *(Revenue from Contracts with Customers)*;<br><br>ii. We tested a sample of significant customer contracts and read the terms and conditions of sale to understand the features distinguishing the revenue elements against performance obligations and the revenue recognition; and<br><br>iii. We obtained management's written assessments and discussed with management the compliance with the performance obligations (including any potential future contract losses) and revenue recognition within these significant contracts, including the accounting for contract assets and contract liabilities.<br><br>iv. Ensured completeness and accuracy of the financial statements to ensure appropriate disclosures are made |

***Other Information***

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

***Responsibilities of the Directors for the Financial Report***

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

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accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

***Auditor's Responsibilities for the Audit of the Financial Report***

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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***Report on the Remuneration Report***

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 6 to 11 of the directors’ report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of MPower Group Limited for the year ended 30 June 2020 complies with section 300A of the Corporations Act 2001.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**
**(Trading as Stantons International)**
**(An Authorised Audit Company)**

Stantons International Audit & Consulting Pty Ltd

**Martin Michalik**
Director

West Perth, Western Australia
25 September 2020

# Securityholder information

The following information is current as at 18 September 2020:

## Shareholders

### Spread of shareholders

| Range | Number of shareholders | Percentage |
|---|---|---|
| 1-1,000 | 524 | 0.16 |
| 1,001-5,000 | 516 | 0.87 |
| 5,001-10,000 | 171 | 0.82 |
| 10,001-100,000 | 238 | 4.36 |
| 100,001 Over | 87 | 93.79 |
| **Total** | **1,536** | **100.00** |

1,288 shareholders held less than a marketable parcel.

### Substantial shareholders

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

### Twenty largest shareholders

| Name | Number of shares | Percentage |
|---|---|---|
| TAG PRIVATE PTY LIMITED | 77,071,518 | 48.52 |
| KV MANAGEMENT (NOMINEES) PTY LTD | 8,914,152 | 5.61 |
| MR PAUL DOUGLAS SHARP | 6,214,125 | 3.91 |
| MR GEORGE CHIEN-HSUN LU | 5,350,000 | 3.37 |
| JOHN WILLIAM QUAYLE | 2,884,615 | 1.82 |
| MRS PENELOPE MARGARET SIEMON | 2,413,138 | 1.52 |
| MR FRANK LEVIN | 2,400,000 | 1.51 |
| MR GEORGE CHIEN HSUN LU + MRS JENNY CHIN PAO LU | 2,190,000 | 1.38 |
| PAUL DOUGLAS SHARP + LISA MARIE SHARP <THE PAUL SHARP CHILDRENS TRUST> | 1,940,737 | 1.22 |
| ASCE ENGINEERING PTY LTD <CSILLAG SUPER FUND A/C> | 1,620,184 | 1.02 |
| MR DWAYNE PAUL LANGE + MRS ANGELA GAYE LANGE <LANGE SUPER FUND A/C> | 1,526,275 | 0.96 |
| CLYME PTY LTD <THE SCUPHAM FAMILY A/C> | 1,423,417 | 0.90 |
| DR JOHN ALOIZOS + MRS MURIEL PATRICIA ALOIZOS <SUPERANNUATION FUND NO 2 A/C> | 1,379,904 | 0.87 |
| MR BRIAN ROBERT O'MALLEY | 1,342,344 | 0.85 |
| ANDREW HAAVISTO | 1,337,143 | 0.84 |
| MR TIMOTHY DEAN FISCHER | 1,250,000 | 0.79 |
| MR BRUCE SIEMON | 1,115,599 | 0.70 |
| MR CHRIS SEVILOGLOU | 1,081,093 | 0.68 |
| PHILLIP ROGER DAVIS | 1,069,635 | 0.67 |
| MR PAUL DOUGLAS SHARP | 1,054,068 | 0.66 |
| **Total** | **123,577,947** | **77.80** |

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

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

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

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

# Corporate directory

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

**Company secretary**
Neil Langridge (CFO)

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Services Pty Limited
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