tempo

30 June 2019

INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

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ABOUT THIS REPORT

These Half Year Statutory Accounts (Report) is lodged with the Australian Securities and Investment Commission (ASIC) and ASX Limited and is a summary of Tempo Australia Limited's (Tempo's) operations, activities and financial position as at 30 June 2019.

Any references in this report to 'the reporting period' relate to the half year, which is 1 January 2019 to 30 June 2019 unless otherwise stated. All figures used in this report are Australian Dollars unless otherwise stated.

Tempo Australia Ltd (ABN 51 000 689 725) is the parent entity of the Tempo group of companies. In this report references to 'Tempo', 'TPP', 'the Group' and 'the Company', and 'we', 'us' and 'our', refers to Tempo Australia Limited and its controlled entities, unless otherwise stated.

To review the report online, visit www.tempoaust.com or alternatively contact Link Market Services Limited of QV1, Level 12 250 St Georges Terrace, Perth WA 6000, telephone 1300 554 474.

CORPORATE DIRECTORY

DIRECTORS

Guido Belgiorno-Nettis	Executive Chairman
William Howard	Executive Director
David Iverach	Non-Executive Director

LEADERSHIP TEAM

Paul Dalgleish	Chief Executive Officer
William Howard	Chief Financial Officer

STOCK EXCHANGE LISTING

The company's shares are quoted on the Australian Stock Exchange under the code TPP.

REGISTERED OFFICE	PRINCIPAL PLACE OF BUSINESS	POSTAL ADDRESS
Level 3, 1060 Hay Street West Perth WA 6005 AUSTRALIA	Level 3, 1060 Hay Street West Perth WA 6005 +61 (8) 9460 1500 info@tempoaust.com www.tempoaust.com	PO Box 588 West Perth WA 6872 AUSTRALIA
AUDITOR	**SHARE REGISTRY**	**SOLICITOR**
Ernst & Young The Ernst & Young Building 11 Mounts Bay Road Perth WA 6000 +61 (8) 9429 2222 www.ey.com.au	Link Market Services QV1, Level 12 250 St Georges Terrace Perth WA 6000 +61 1300 554 474 www.linkmarketservices.com.au	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth WA 6000 +61 (8) 9321 4000 www.steinpag.com.au

APPENDIX 4D

COMPANY DETAILS

Name of entity	Tempo Australia Limited
ABN	51 000 689 725
Reporting period	Half-year ended 30 June 2019
Previous corresponding period	Half-year ended 30 June 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

All figures expressed in Australian dollars unless otherwise stated.

Revenue from continuing operations	Down 5% from $15,111,950 to $14,324,924
Profit after income tax	Down 2,461% from a loss of $789,156 to a loss of $20,208,723

NET TANGIBLE ASSETS

	30 June 2019	**30 June 2018**
Net asset backing per ordinary share	$0.02	$0.12
Net tangible asset backing per ordinary share	$0.02	$0.05

CONTROL GAINED OVER ENTITIES

Name of entity (or group of entities)	N/A
Date control gained	N/A
Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities during the period (where material).	N/A
Consolidated profit/ (loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material).	N/A

LOSS OF CONTROL OVER ENTITIES

Name of entity (or group of entities)	N/A
Date control lost	N/A
Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities during the period (where material).	N/A
Consolidated profit/ (loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material).	N/A

DIVIDENDS

	Amount per share	**Franked amount per share (%)**
Interim dividend declared	Nil	N/A
Final dividend declared	Nil	N/A

SHARE BUY-BACK SCHEME

The Company does not currently have an on-market share buy-back scheme in place.

DIVIDEND REINVESTMENT PLANS

Not applicable.

DETAILS OF ASSOCIATES AND JOINT VENTURES

Not applicable.

FOREIGN ENTITIES

Not applicable.

AUDIT QUALIFICATION OR REVIEW

The Interim Financial Report was subject to a review by the auditors and the unqualified auditor's review report is attached as part of the Interim Report.

ATTACHMENTS

The Interim Financial Report of Tempo Australia Limited for the half-year ended 30 June 2019 is attached.

SIGNED

William Howard
Executive Director, CFO and Company Secretary
Date: 29 August 2019

DIRECTORS' REPORT

The directors present their report together with the consolidated interim financial statements for the half-year ended 30 June 2019.

DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Guido Belgiorno-Nettis	Executive Chairman - Appointed as Executive Chairman 29 April 2019 - Appointed as Non-Executive Chairman 10 December 2018 - Resigned as Non-Executive Director 19 November 2018
Ian Lynass	Chief Executive Officer and Managing Director - Resigned as Non-Executive Director 16 August 2019 - Resigned as Chief Executive Officer and Managing Director on 29 April 2019 - Appointed Managing Director 28 June 2018 - Appointed Chief Executive Officer 19 March 2018 - Appointed 22 January 2018 as VP Strategy and Corporate Development
David Iverach	Non-Executive Director - Appointed as Non-Executive Director 10 December 2018 - Retired as Alternate Non-Executive Director to Guido Belgiorno-Nettis 21 March 2018
Ian Widdicombe	Non-Executive Director - Resigned 3 April 2019 - Appointed as Non-Executive Director 13 June 2017
William Howard	Executive Director - Appointed as Executive Director 15 August 2019

PRINCIPAL ACTIVITIES

During the period the Group generated revenues from asset management, maintenance and construction across the telecommunications, infrastructure, resources, power, industrial and commercial sectors.

RESULTS

The consolidated loss after income tax attributable to the members of Tempo Australia Limited was $20,208,723.

	30 June 2019	30 June 2018
Loss after income tax	(20,208,723)	(789,156)
Basic loss per share (cents per share)	(8.39)	(0.33)

REVIEW OF OPERATIONS AND FINANCIALS

Tempo provides sector specialist multidisciplinary maintenance and construction services which protect and enhance our clients' investments, without ever compromising on our values.

Highlights of Tempo's activities and operations during the period ended 30 June 2019 are presented as follows:

- The 1st half of the year continued the disappointing results that were evident in the results for year ended 31st December 2018.
- The result for the 6 months ended 30 June 2019 was a loss after tax of $20,209,000 and includes impairments of $10,287,000 and reversal of the deferred tax balances of $5,318,000.
- In the period since these appointments, a comprehensive review has been undertaken by Management and the Board.
- The Directors have assessed various assets and have impaired these balances held by $10,287,000, which is made up of goodwill of $9,230,000, intangible assets of $341,000 and property plant and equipment of $717,000.
- During the next 6 months, the Group expects contracted revenue of more than $35 million. The projects being delivered are a combination of cost plus and cost-plus an agreed net margin. The Directors remain confident in the growth of the Tempo Asset Management Services business and of winning new project contracts.
- The Board and Management further note consistent with paragraph 2.3 *Going Concern,* that a capital management strategy has been put in place to allow the company to deliver shareholder value going forward.

SUBSEQUENT EVENTS

Dr Paul Dalgleish has been acting as an advisor to the Company since the resignation of the previous Managing Director in April 2019 and was appointed as CEO on 11 July 2019 with an effective date of 15 July 2019. Mr William Howard was appointed as the new Chief Financial Officer and Company Secretary.

On 6 August 2019, the company issued the 3,863,636 of ordinary shares that were due as part of the contingent consideration for the acquisition of KP Electric.

On 15 August 2019, the company announced that Mr William Howard was appointed as an Executive Director and Mr Ian Lynass had resigned effective 16 August 2019.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included within the financial report.

On behalf of the directors,

WHoward

William Howard
Executive Director
Date: 29 August 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2019

		Consolidated entity	
	Note	30 June 2019 $'000*	30 June 2018 $'000
Revenue from contracts with customers	3	14,325	15,112
Other income	3	174	935
Revenue and Other income		**14,499**	**16,047**
Employee and director benefits		9,532	8,606
Administration costs		866	384
Occupancy costs		187	365
Depreciation and amortisation		749	330
Other expenses		77	124
Project material costs		3,235	3,981
Equipment and other subcontractor costs		3,644	3,145
Listing and other statutory charges		54	22
Interest and finance charges		114	49
Other professional expenses		645	176
Impairment expense	5	10,287	-
Total expenses		**29,390**	**17,182**
Loss before income tax expense		**(14,891)**	**(1,134)**
Income tax (expense)/benefit		(5,318)	345
Loss attributable to the members of the parent		**(20,209)**	**(789)**
Other comprehensive income		-	-
Total comprehensive loss		**(20,209)**	**(789)**
Net loss attributable to members of the parent entity		**(20,209)**	**(789)**
Loss per share			
Basic loss – cents per share		(8.39)	(0.33)
Diluted loss – cents per share		(8.39)	(0.33)

The accompanying notes form part of these financial statements.

* *The Group has initially applied AASB 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 2.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

		Consolidated entity	
	Note	30 June 2019 $'000*	31 December 2018 $'000
CURRENT ASSETS			
Cash and short-term deposits		2,104	4,766
Trade and other receivables		8,265	4,926
Contract assets		1,431	2,723
Inventories		421	402
Prepayments		571	879
Total current assets		**12,792**	**13,696**
NON-CURRENT ASSETS			
Plant and equipment		4,111	2,312
Goodwill	5	-	9,230
Intangible assets		-	466
Deferred tax assets		-	5,318
Total non-current assets		**4,111**	**17,326**
Total assets		**16,903**	**31,022**
CURRENT LIABILITIES			
Trade and other payables		4,357	3,831
Interest bearing borrowings	4	334	1,149
Leases	4	1,132	177
Contract liabilities		3,523	-
Provisions		1,035	679
Total current liabilities		**10,381**	**5,836**
NON-CURRENT LIABILITIES			
Leases	4	2,427	843
Provisions		44	58
Total non-current liabilities		**2,471**	**901**
Total liabilities		**12,852**	**6,737**
Net assets		**4,051**	**24,285**
EQUITY			
Contributed equity	7	80,341	80,341
Share based payment reserve	8	1,555	1,580
Accumulated losses		(77,845)	(57,636)
Total equity		**4,051**	**24,285**

The accompanying notes form part of these financial statements.

* *The Group has initially applied AASB 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 2.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2019

Consolidated	Note	Contributed Equity	Accumulated losses	Share based payments reserve	Total equity
		$'000	$'000	$'000	$'000
At 1 January 2018		79,893	(51,988)	2,010	29,915
Loss for the year		-	(789)	-	(789)
Other comprehensive income		-	-	-	-
Total comprehensive loss		-	(789)	-	(789)
Share based payments		-	-	364	364
Reversal of un-vested options		-	-	(501)	(501)
Acquisition of treasury shares		(380)	-	-	(380)
Other contributed equity on settlement of contingent consideration for acquisition of KP Electric		850	-	-	850
At 30 June 2018		**80,363**	**(52,777)**	**1,873**	**29,460**
At 1 January 2019		80,341	(57,636)	1,580	24,285
Loss for the year		-	(20,209)	-	(20,209)
Total comprehensive loss		80,341	(77,845)	1,580	4,076
Share based payments		-	-	8	8
Reversal of un-vested options		-	-	(33)	(33)
At 30 June 2019		**80,341**	**(77,845)**	**1,555**	**4,051**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2019

		Consolidated Entity	
	Note	30 June 2019 $'000*	30 June 2018 $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		17,377	15,610
Payments to suppliers and employees		(18,500)	(18,620)
Income tax paid		-	(209)
Interest and finance charges paid		(114)	(49)
Interest received		24	70
Net cash used in operating activities		**(1,213)**	**(3,198)**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property plant and equipment		(244)	(1,073)
Net cash used in investing activities		**(244)**	**(1,073)**
CASH FLOW FROM FINANCING ACTIVITIES			
Payment for acquisition of treasury shares		-	(380)
Proceeds from borrowings		14,350	942
Repayment of borrowings		(15,165)	(132)
Payment of lease liabilities*		(390)	-
Net cash provided by / (used in) financing activities		**(1,205)**	**431**
Net decrease in cash and cash equivalents		**(2,662)**	**(3,840)**
Cash and cash equivalents at beginning of year		4,766	11,017
Total cash and cash equivalents at 30 June		**2,104**	**7,177**

The accompanying notes form part of these financial statements.

* *The Group has initially applied AASB 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 2.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2019

1 Corporate information

The interim condensed consolidated financial statements of Tempo Australia Limited (the Company) and its subsidiaries (collectively, the Group) for the six months ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 29 August 2019.

Tempo Australia Limited is a for profit company limited by shares, incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The company's registered office is Level 3, 1060 Hay Street, West Perth WA 6005 Australia.

The nature of the operations and principal activities of the consolidated entity are described in the Directors' Report.

2 Basis of preparation and changes to the Group's accounting policies

2.1 Basis of preparation

The consolidated financial statements are condensed general-purpose financial statements, which have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The consolidated financial statements have been prepared on a historical cost basis, except for contingent consideration payable which is measured at fair value.

The consolidated financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($'000), except when otherwise indicated, under the option available to the company under ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

The accounting policies have been consistently applied to all the years presented, except for the adoption of new accounting standards. During the half-year the Group adopted AASB 16 *Leases*. As required by AASB 134, the nature and effect of these changes are disclosed below.

2.2 New standards, interpretations and amendments adopted by the Group

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

AASB 16 Leases

The Group has initially adopted AASB 16 *Leases* from 1 January 2019. AASB 16 replaces AASB 117 Leases and AASB Interpretation 4 *Determining whether an arrangement contains a lease* and introduces a single, on-balance sheet accounting model for lessees with limited exceptions. As a result, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it Is presented, as previously reported, under AASB 117.

The effect of adopting AASB 16 is, as follows:

On transition to AASB 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	1 January 2019
Right-of-use assets presented in property	759
Right-of-use assets presented in motor vehicles	176
Lease liabilities	(969)
Write of amortised incentive payment	34

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the rate implicit in the lease agreement, or the Group's incremental borrowing rate when the rate was not readily determined. The weighted-average rate applied at the date of transition was 4.84%.

	1 January 2019
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	1,487
Less exempted non-lease components	(264)
Discounted using the implicit interest rate or the Group's incremental borrowing rate	(53)
Less recognition exemption for leases with less than 12 months of lease term at transition	(390)
Plus extension options not included within commitments at 31 December 2018	189
Finance lease liabilities recognised as at 31 December 2018	1,020
Lease liabilities recognised at 1 January 2019	**1,989**

As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, the Group recognised $935,000 of right-of-use assets and $969,000 of lease liabilities as at 1 January 2019.

Also, in relation to those leases under AASB 16, the Group has recognised depreciation and interest expense, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised $318,000 of depreciation and $45,000 of interest expense for these leases.

a) Nature of the effect of adoption of AASB 16

The Group leases many assets, including motor vehicles and properties.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Before the adoption of AASB16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or operating lease. For operating leases, the leased property was not capitalised, and the lease payments were recognised as an expense in profit or loss on a straight-line basis.

At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at either the interest rate implicit in the lease or the Group's incremental borrowing rate at the date of initial application.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

Where leases were classified as finance leases under AASB 117 as of the transition date the carrying amount of the associated right-of-use asset and the lease liability at 1 January 2019 were determined to be the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

The Group presents right-of-use assets, together with assets of the same nature that it owns. The carrying amounts of right-of-use-assets are as below.

	Impact at transition of Right-of-use assets	
	Property $'000	Motor Vehicles $'000
Balance at 1 January 2019	759	176
Balance at 30 June 2019	592	1,840

Prior to the initial application, the Group assessed the right of use assets for impairment by applying the practical expedient described in AASB 16 Appendix C10(b) where by a lessee may rely on its assessment of whether leases are onerous applying AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review.

The Group presents lease liabilities in 'Interest-bearing loans and borrowings' in the statement of financial position.

The Group currently does not undertake any activities which would classify it as a lessor under AASB 16.

b) Summary of new accounting policies

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of one to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the life of the lease term. Right-of-use assets are subject to impairment testing.

2.3 Going concern

This financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

During the six-month period ended 30 June 2019, the Group incurred a net loss after tax of $20,209,000, and a cash outflow from operating activities of $1,213,000.

At 30 June 2019, the Group had cash and cash equivalents of $2,104,000, net assets of $4,051,000 and a net current assets of $2,411,000.

The Directors therefore assess that the company is and will remain a going concern and believe that the going concern basis of preparation of the accounts is appropriate, based upon the following:

- The ability to generate additional cash flows from new or existing contracts;
- Reduce overhead expenditure; and/or
- The ability of the Group to obtain funding through various sources, including debt and equity issues which are currently being investigated by management.

Should the Group not achieve the matters set out above, there may be uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

3 Revenue and other income

	Consolidated entity	
	30 June 2019 $'000	30 June 2018 $'000
Revenues from contracts with customers	14,325	15,112
Interest revenue calculated using the effective interest method	24	70
Other income	150	865
Total revenue and other income	**14,499**	**16,047**

Revenue from contracts with customers by type of customer	Consolidated entity	
	30 June 2019 $'000	30 June 2018 $'000
Government and infrastructure	3,559	6,993
Commercial	10,036	5,474
Education and aged care	493	1,423
Resources	35	695
Other	202	527
Total revenue from contracts with customers	**14,325**	**15,112**

4 Financial assets and financial liabilities

4.1 Financial assets

At 30 June 2019 the Group had financial assets (consisting of trade and other receivables) of $8,265,000 (31 December 2018: $4,926,000. These assets were measured at amortised cost.

4.2 Financial liabilities: Interest-bearing loans and borrowings

Set out below is an overview of financial liabilities held by the Group as at 30 June 2019 and 31 December 2018:

	Consolidated entity			
	Interest Rate %	Maturity	30 June 2019 $'000	31 December 2018 $'000
Current interest-bearing loans and borrowings				
Obligations under leases	4.92%	2019/2020	1,132	177
NAB Invoice Finance Facility ($10,000,000 Facility)	11.09%	On Demand	334	1,149
Total current interest-bearing loans and borrowings			**1,466**	**1,326**
Non-current interest-bearing loans and borrowings				
Obligations under leases	4.92%	2020-2023	2,427	843
Non-current interest-bearing loans and borrowings			**2,427**	**843**
Total interest-bearing loans and borrowings			**3,893**	**2,169**

Tempo has a $10,000,000 Invoice Finance Facility with the National Australia Bank Limited ('NAB'). This facility attracts a variable interest rate. At 31 December the effective rate was 11.09%. At 30 June 2019 $9,666,000 was unused (31 December 2018: $8,851,000). It is secured by a first ranking general security interest, a security interest registered pursuant to the Invoice Finance Facility Agreement and a Guarantee and Indemnity given by the Company.

The Group has an asset leasing facility with NAB of $3,450,000. At 30 June 2019 the amount of the facility that was unused was $2,396,000. This facility was for only $1,000,000 at 31 December 2018, and the amount that was unused was $126,000.

Other leases in relation to plant, vehicles and other equipment amount to $2,505,000. At 31 December 2018 the amount relating to other leases was $146,000. The application of AASB 16 and subsequent recognition of leases for items previously classified as operating leases was recognised as a one-off adjustment on 1 January 2019 and increased the balance relating to leases by $969,000 to $1,989,000.

All finance liabilities are repayable on demand except for leases.

4.3 Financial liabilities: Bank guarantees and surety bonds

The Group has surety bond facilities of $7 million (31 December 2018: $7 million). At 30 June 2019 bonds valued at $2,001,695 had been issued (31 December 2018: $795,000). The bond premium rate is 1.5% per annum on the face value of each bond.

As at 30 June 2019 the Company had bank guarantees issued of $336,000 (31 December 2018: $75,000) which were secured by term deposits. Corresponding term deposits of $336, 000 (31 December 2018: $75,000) are recorded in other assets.

4.4 Fair values

The carrying value of all current financial assets and liabilities approximates the fair value largely due to the short-term maturity of these instruments. Non-current financial liabilities are recognised at a discount value implicit in the leases.

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Consolidated Entity			
	30 June 2019		31 December 2018	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Non-current interest-bearing loans and borrowings	2,427	2,708	843	913
Obligations under leases	**2,427**	**2,708**	**843**	**913**

The fair value of obligations under leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

4.5 Financial instruments risk management objectives and policies

The Group's principal liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables and cash and short-term deposits that derive directly from its operations. The Group has determined that there is no material market, credit, liquidity or interest risk in relation to the cash or other receivables held in deposits.

The Group is exposed to market risk, credit risk and liquidity risk. Interest rate risks are not considered as significant. The Group's senior management oversees the management of these risks under the policies approved by the Risk, HSE and Commercial Committee and the Board.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises three types of risk, interest rate risk, foreign currency risk and other price risk, such as equity price risk and commodity risk. The Group does not have material exposure to market risk.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's long-term debt is secured with fixed interest rates. All long-term deposits have fixed interest rates. As a result, the Board believes there is no material interest rate risk.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's has minimal exposure to this risk profile.

Other price risk
The Group does not have any equity instruments or commodity risk exposure.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with reputable banks and financial institutions.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses ("ECL"). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 4 .1. The Group does not hold collateral as security.

The Group evaluates the concentration risk with respect to trade receivables as low, as its customers are located within several industries and operate in largely independent markets.

Historically the Group's ECL has been extremely low. Impairment charges (under AASB 139) over the 5 years 2013 to 2017 inclusive averages to 0.023% of the total trade receivables per year.

Liquidity Risk

The Group monitors its liquidity risk by utilising planning tools across a 15-month horizon.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of short-term borrowings and leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a variety of sources of funding and the majority of the debt maturing within 12 months can be rolled over with existing lenders.

The table below shows the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Consolidated Entity					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
NAB Invoice Finance Facility	334	-	-	-	-	334
Leases	-	317	960	2,585	-	3,862
Trade and other payables	-	4,357	-	-	-	4,357
Total	**334**	**4,674**	**960**	**2,585**	**-**	**8,553**

5 Impairment of goodwill and non-financial assets

At 30 June 2019 the Group assessed its goodwill and non-financial assets for impairment. The Group considers the relationship between its market capitalisation and its net assets, among other factors when reviewing for indicators of impairment. At 30 June 2019, the market capitalisation of the Group was below the carrying value of its net assets indicating a potential impairment of goodwill and other non-financial assets.

The cash generating units (CGUs) of the Group, which are interrelated within one operating segment, are aggregated for the purposes of testing the goodwill of $9,230,000.

The recoverable amount of the aggregated CGU was determined based on a value-in-use calculation using a five-year forecast based on the key assumptions detailed below.

The post-tax discount rate applied to cash flow projections is 11.50% (31 December 2018: 11.50%) and cash flows beyond the forecast period were extrapolated using a 2.4% growth rate (31 December 2018: 2.4%) that is the same as the long-term average growth rate for the electrical services industry. These assumptions have also been applied to the terminal value.

As a result of this analysis, it was concluded that the carrying value of the aggregated CGU exceeded its recoverable amount and the GCU's goodwill, intangibles assets and property plant and equipment were impaired. In allocating impairment, individual assets were not impaired below their individual recoverable amounts therefore no reasonably possible adverse change in the assumptions used would result in further impairment.

The table below shows the movement in the Group's goodwill and intangible assets.

Cost	Goodwill $'000	Customer Relationships $'000	Productivity Tool $'000	Total $'000
Balance at 1 January 2018	11,793	473	112	12,378
Acquisition of a subsidiary	555	275	-	830
Balance at 31 December 2018	**12,348**	**748**	**112**	**13,208**
Balance at 30 June 2019	**12,348**	**748**	**112**	**13,208**

Amortisation and impairment	Goodwill $'000	Customer Relationships $'000	Productivity Tool $'000	Total $'000
At 1 January 2018	-	81	-	81
Amortisation	-	202	-	202
Impairment	3,118	-	112	3,230
Balance at 31 December 2018	**3,118**	**283**	**112**	**3,513**
Amortisation	-	125	-	125
Impairment	9,230	340	-	9,570
Balance at 30 June 2019	**12,348**	**748**	**112**	**13,208**

Net book value	Goodwill $'000	Customer Relationships $'000	Productivity Tool $'000	Total $'000
At 31 December 2018	**9,230**	**466**	**-**	**9,696**
At 30 June 2019	**-**	**-**	**-**	**-**

The impairment expense recorded in the statements also includes $717,000 of property plant and equipment. In addition, all deferred tax assets were derecognised.

6 Segment reporting

The Group has identified its operating segment based on internal management reporting that is reviewed by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. It was concluded that the Group has one segment and the segment operates in only one geographical area, being Australia.

7 Contributed entity

	Note	Consolidated entity 30 June 2019 $'000	31 December 2018 $'000
Ordinary shares fully paid	7(a)	79,491	79,491
Other contributed equity	7(b)	850	850
		80,341	**80,341**

7(a) Ordinary Shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Consolidated entity	
7(a) Movements in ordinary shares	# of shares	$'000
Balance as at the beginning of the year	240,804,581	79,491
Balance as at 30 June 2019	**240,804,581**	**79,491**

7(b) Other contributed equity

Other contributed equity relates to 3,863,636 ordinary shares that were issued in August 2019 on settlement of contingent consideration for acquisition of KP Electric.

8 Share based payments

An Employee Share Incentive Rights Plan (ESIRP) was established by the Company and approved by shareholders at the general meeting held in May 2013 and renewed at the general meeting held on 31 May 2016. Under the ESIRP the Company may grant options and/or performance rights over ordinary shares in the parent entity to certain employees of the Company. The options and/or performance rights are issued for nil consideration and are granted in accordance with guidelines established by the ESIRP.

The expense recognised for employee services received during the half year was $8,000 (2018: $364,052). No performance rights were issued in the period. The movement in performance rights on issue is set out below:

Performance Rights	30 June 2019 Number
Balance at 1 January 2019	500,000
Forfeited during the period	(500,000)
Outstanding at 30 June 2019	-

The share-based payment reserve as at 30 June 2019 is $1,555,000.

9 Subsequent events

Dr Paul Dalgleish has been acting as an advisor to the Company since the resignation of the previous Managing Director in April 2019 and was appointed as CEO on 11 July 2019 with an effective date of 15 July 2019. Mr William Howard was appointed as the new Chief Financial Officer and Company Secretary.

On 6 August 2019, the company issued the 3,863,636 of ordinary shares that were due as part of the contingent consideration for the acquisition of KP Electric.

On 15 August 2019, the company announced that Mr William Howard was appointed as an Executive Director and Mr Ian Lynass had resigned effective 16 August 2019.

Apart from the matter disclosed above, there are no other matters which have arisen since 30 June 2019 that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

10 Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties during the six months ended 30 June 2019, as well as balances with related parties as at 31 December 2018.

		Consolidated entity	
		Purchases from related parties $'000	Amounts owed to related parties $'000
Angophora Capital Pty Ltd	2019	96	96
	2018	38	38
Bontempo Nominees Pty Ltd	2019	-	-
	2018	10	-

11 Contingencies

The consolidated entity has no contingent assets or liabilities as at 30 June 2019 (2018: Nil).

12 Dividends

There were no dividends paid or proposed in the half-year.

DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 30 JUNE 2019

The directors declare that the financial statements and notes are in accordance with the Corporations Act 2001 and:

a. Comply with Australian Accounting standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

b. Give a true and fair view of the financial position of the consolidated entity as at 30 June 2019 and of its performance as represented by the results of their operations and its cash flows, for the year ended on that date; and

c. Comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Subject to the matters disclosed in note 2.3, in the opinion of the directors there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors and in accordance with section 295A of the Corporations Act 2001 for the half year ended 30 June 2019.

William Howard
Executive Director
Date 29 August 2019

INDEPENDENT AUDITOR'S REPORT

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Independent auditor's review report to the members of Tempo Australia Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Tempo Australia Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 2.3 of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

P Teale

Philip Teale
Partner
Perth
29 August 2019

PT:CT:TEMPO:025

AUDITOR'S INDEPENDENCE DECLARATION

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Auditor's Independence Declaration to the Directors of Tempo Australia Limited

As lead auditor for the review of the half-year financial report of Tempo Australia Ltd for the half-year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Tempo Australia Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Philip Teale
Partner
29 August 2019

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