

ANNUAL REPORT 2017

BUILDING THE
FOUNDATIONS
FOR TOMORROW



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ABOUT THIS REPORT

This Full 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) operations, activities and financial position as at 31 December 2017. Any references in this report to 'the year' or 'the reporting period' relate to the financial year, which is 1 January 2017 to 31 December 2017 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 Tempo group of companies. In this report references to 'Tempo', 'TPP' 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 WA 6000, telephone 1300 554 474.



CHAIRMAN'S MESSAGE

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to present the Annual Report for year ending 31 December 2017 for Tempo Australia Limited.

Tempo has grown from a small operation to a thriving business which has invested heavily in developing innovative new systems to deliver better construction and maintenance outcomes for our clients in a relatively short period of time.

2017 was an extremely important year for the business. To ensure we are well-placed to take advantage of opportunities as they emerge in tough market conditions in similar industries, we have further enhanced our focus on creating productivity tool kits and employee engagement systems.

With this diversification strategy, Tempo acquired KP Electric (Australia) Pty Ltd in July 2017. This acquisition has given Tempo a truly national presence. With recurring maintenance works with a diversified tier one client base, an exceptional team of people and a national operations centre that handles requests and schedules responses across Australia, this move has further solidified a strong foundation which better positions us for future opportunities.

Further, throughout 2017 we continued to develop our business around construction and maintenance activities to clients in the resources, energy, and asset management (both industrial and commercial) sectors. In order to extract the best value from the work completed in these areas, the business will soon develop a more efficient operational structure which the Chief Executive Officer will be leading.

On that note I will also take this opportunity to welcome Mr Ian Lynass who has recently been appointed Chief Executive Officer of Tempo. Ian brings a wealth of operational experience and in-depth knowledge of our key clients. The Board of Directors has great confidence that under his leadership Tempo will be strategically placed to grow the business and take advantage of many emerging opportunities we are seeing in the resources sector.

Finally, I wish to thank our executives and board members who have worked hard to further grow Tempo in tough market conditions. I also want to thank our shareholders for their support and ongoing trust in our mission of delivering excellent results.

Yours sincerely,

Carmelo (Charlie) Bontempo
Non-Executive Chairman
Tempo Australia Limited

BOARD OF DIRECTORS



MR CARMELO (CHARLIE) BONTEMPO

Chairman

Carmelo has over 50 years' experience across Australia in construction and maintenance activities in the resources, oil & gas, and industrial sectors. He was involved in major infrastructure projects including works with North West shelf gas, Alcoa, Shell's Geelong oil refinery, Argyle Diamonds, BHP Billiton, and Woodside. He was one of the four founding partners of United Construction Holdings (today known as UGL Ltd), which floated in 1994. He was also the Managing Director of Monadelphous Group Limited during the company's early restructuring period in the early 1990's and a key advisor to numerous private and publicly listed companies in Australia.



MR GUIDO BELGIORNO-NETTIS AM

Non-Executive Director and Deputy Chairman

Guido is Managing Director of the private company, Transfield Holdings Pty Ltd, which changed business focus in 2001 from Engineering and Construction to private equity. Leading up to this change, Guido held a number of key positions within the Transfield Group, including Managing Director, CEO Transfield Engineering and Construction, and Project Development Director. In 2015 he started his own Family Office – Angophora Capital Pty Ltd. Guido is Chairman of the Australian Chamber Orchestra, and a Member of the Australian School of Business Advisory Council. He was named a Member of the Order of Australia in 2007 for service to the construction industry and the arts. He holds a Bachelor of Engineering from UNSW and an MBA from AGSM and is a fellow of Engineers Australia.



MR IAN WIDDICOMBE

Non-Executive Director

With over 30 years' experience in the oil and gas industry with both operators and contractors in Australia, Europe and Asia, Mr Widdicombe has strong credentials in operational delivery and corporate oversight. Previously with Woodside, he held Vice President role in Projects and in Subsea and Pipelines. During his tenor, he established and led the Karratha Life Extension Program and was project manager for the Angel Project. Prior to Woodside, Mr Widdicombe was Regional Manager Asia Pacific for DOF Subsea Group and Offshore Operations Manager for Clough. He holds a Civil Engineering Degree from the Swinburne University in Melbourne and is a Graduate of the Australian Institute of Directors.

EXECUTIVE LEADERSHIP



MR IAN LYNASS

Chief Executive Officer

Ian joined Tempo in January 2018 and became CEO in March of that year. Previously he served as the Chief Executive Officer and Managing Director of BIS Industries Limited from April 2010 to May 2015. Mr Lynass has considerable leadership experience having worked in the defence, steel, petrochemical, mining and industrial services markets for over 25 years. He has also held several senior executive roles with Brambles and was instrumental in the sustainable growth of BIS Industries Limited within the resources and industrial services sector. In 2012, Mr Lynass was a recipient of the CEO Magazine CEO of the Year Award – Logistics



MR MICHAEL WEST

Chief Financial Officer and Company Secretary

Michael is a senior executive with over 17 years' experience working in financial, strategy and commercial roles in both ASX-listed and private companies in the construction, maintenance, engineering, energy, private equity and investment banking sectors. Michael joined Tempo in June 2014 as a Director, a position he held for 10 months. During this time, he was appointed as CFO and Company Secretary. He holds a Bachelor of Commerce and a Bachelor of Mechanical Engineering (Honours Class I) from Sydney University, is a graduate of the Australian Institute of Company Directors, and is currently completing his CPA with CPA Australia.

MESSAGE FROM THE CEO

DEAR SHAREHOLDER,

As your incoming Chief Executive Officer I am very proud to be able to lead a company with deep heritage in the Australian industry and that possesses a strong capability in productivity based service delivery. We are an Australian company listed on the ASX with a proven track record, and strong shareholder support and confidence.

While we have experienced difficult market conditions this year, our reported net profit result is disappointing and not acceptable regardless.

Over the course of the next year I intend to build on our extensive capabilities and reinvigorate our culture centred around our productivity based service delivery model. We will continue to further enhance our rigour in financial management and build our excellent project execution skills, all while striving for Zero Harm in all facets of our business.

We will operate our business strategically, with a "One Team, One Purpose" approach that will instil a culture that exhibits customer centricity, dynamic service delivery, and fosters a results oriented and highly accountable environment. Through this approach, our people can build compelling careers, our shareholders will be rewarded for their resolute support, and our customers will receive a level of excellence in service delivery at the lowest possible cost.

Our recent acquisitions of Cablelogic and KP Electric have created a substantial national network of offices and resources that creates a renewed strength across our chosen markets and commodities. We will focus on building further diversity into our revenue streams that will provide resilience in our ability to deliver consistent returns to our shareholders.

As the resources market in Australia continues its transition from development driven capex spending to a more sustainable maintenance driven opex, we will seek to remain relevant in these markets, while also seeking to improve our exposure to major infrastructure projects over the next few years.

Our challenge will be the development of a diversified pipeline that is qualified through a stringent commercial decision making process. This will need to be achieved by utilising our resources for maximum success, and improving our cash flow sustainably.

Our new strategy will be centred around 'One Team, One Purpose' to build a diverse and resilient portfolio of long term service based contracts in electrical, mechanical, facilities management and telecommunications.

Our greatest strength is our internal IP designed and built upon the unwavering principle of delivering real value through productivity in all aspects of our service delivery model. We will deliver this through key sector pillars, namely Resources, Power, Commercial & Industrial and Asset Management.

RESOURCES

Tempo will continue delivering project and shutdown services for the oil & gas and mining industries. In this sector, we are currently involved in shutdown support work at the Santos Moomba field in South Australia, which will see us carry out three shutdowns over the course of 2018. This work, of a primarily mechanical and structural nature, was awarded as part of the extension of Tempo's MSA to 2020. Over the past year, we have achieved other key successes in this market, which include the award of our first ever mining contract outside of Western Australia at BHP's Olympic Dam mine site in Roxby Downs, plus work with Inpex, Chevron, PTTEP, and Woodside relating to hook-up, sustaining capital, and operations and maintenance activities (specifically, in regards the latter projects, in the field of engineering, electrical, and telecommunication support).

Our focus now needs to be on integrating our service capabilities, and ensuring we can support our existing clients with broader offerings. This will be done in conjunction with our key international JV partners, where appropriate. We will refocus our resources to regain our relevance in this market by establishing our long standing relationships and positioning to capture market share in maintenance and project services and construction activities as the sector starts to spend in this areas again.

POWER

Over the past year, we have invested in positioning Tempo within the power market, and we are now starting to see value in these relationships, plus greater awareness and credibility in the sector. We have successfully integrated our mechanical and LV/HV construction and engineering services to position ourselves on key renewable prospects. A validation of this effort has been the letter of intent recently received to perform EPC works on two solar projects in Victoria, and the award by Energy Solutions Pty Ltd for the piling support services on the 112MW Karadok PV Solar farm.

In this sector we will continue developing relationships with power providers in order to broaden our presence in the industry, while always ensuring that we are pursuing work where we can offer a point of differentiation – either through our deep understanding of HV and LV solutions, or where large mechanical assembly work requiring strong understanding of working in remote locations, logistical challenges, and safety can act as differentiators.



“ Tempo will continue delivering project construction services for the commercial & industrial sector, and focus primarily on expanding its footprint nationally.

COMMERCIAL AND INDUSTRIAL

Tempo will continue delivering project construction services for the commercial & industrial sector, and focus primarily on expanding its footprint nationally. In this sector we are currently involved in carrying out electrical and telecommunication construction and roll-out projects across Western Australia, Queensland, and South Australia. Over the past year, we have been awarded a number of projects which will be executed throughout 2018, such as Meath Aged Care, David Jones, Western Power, and the Southern Terminal substation in Perth.

Together with more conventional electrical construction projects, our involvement in the installation and testing of telecommunications infrastructure has also expanded. On the back of relationships established with leading telecommunication service providers, and our strong performance, we currently have multiple construction fronts involving the procurement, installation, and testing of various telecommunications infrastructure (distributed antenna systems, telecommunication towers, etc.) across states, working on iconic assets and locations such as Perth Airport, Brisbane's Suncorp Stadium, Cairns Convention Centre, and Kangaroo Island, to mention just a few.

Our national expansion will be carried out across both conventional electrical works, and telecommunications infrastructure projects. Particularly, in this sector will also need to leverage the networks and footprint of our Asset Management sector clients. Two key targets are to build a sustainable amount of work from DAS projects across Australia, and to extend our work fronts on telco towers work beyond South Australia.

ASSET MANAGEMENT

This sector provides long term asset management services for large private and public infrastructure owners, national and regional blue chip clients, and telecommunications infrastructure. Through this platform Tempo delivers comprehensive electrical, mechanical, facilities management, data and telecom services to many of Australia's largest corporations and government institutions.

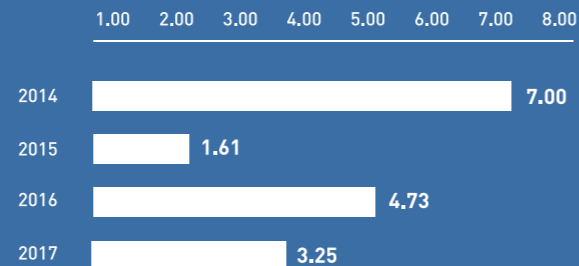
We are proud to be able to call many of Australia's largest companies, government institutions and owners of Australian infrastructure long-term customers. Our core focus is now to seek to broaden our services with this customer base and to expand into adjacent markets.

The cornerstone of our strategy in this market is to leverage our national footprint, deploying our centralised National Operations Centre (NOC) from where all of our national service contracts are planned, monitored remotely and coordinated through our virtual service network. We are now establishing this critical market disrupting differentiator to allow us to deepen our relationships with existing customers and expand our offerings across the all market segments. This NOC is a key development in our value proposition and will provide market leading transparency for our customers in our delivery of productivity based asset services.

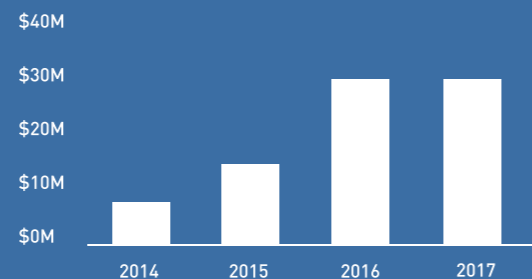


LTI
4+ YEARS FREE

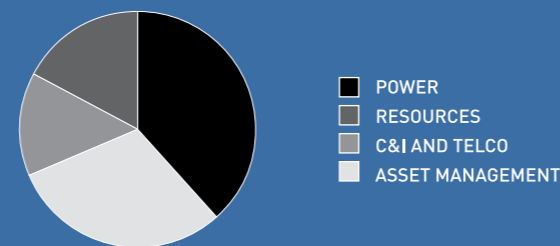
TRIFR
(PER MILLION MAN HOURS)



NET ASSETS



PIPELINE



SAFETY – ZERO HARM

Our performance through this year has continued to improve as our statistics show, with a Total Recordable Incident Rate of 3.25 per million man hours. Our teams have delivered a solid performance at all operations this year.

Our focus now will move toward a culture of Zero Harm in all aspects of our organisation, which will be represented by the following:

- Zero Harm to our people
- Zero Harm to our environment
- Zero Harm to our assets

Our primary value - Zero Harm - will be a front line focused empowerment principle of change in our company. We believe that our people, when given the authority to take charge of their safety and that of their colleagues and mates, will identify and mitigate risks faster and more sustainably than simply setting rules at the top and expecting them to be followed. We will seek at all times heightened engagement with our people through in field leadership.

FINANCIAL PERFORMANCE

For the year ended 31 December 2017, Tempo reported revenues of \$19,634,907, a 76% decline in revenues since fiscal year 2016.

The Net Loss after Tax delivered in 2017 was \$1,047,007. This result is reflective of the project deferrals and general slowdown seen in the resources and oil & gas sectors experienced by the Group during the year. This slowdown was offset by contributions in electrical maintenance activities in the second half following the acquisition of KP Electric (Australia) Pty Ltd, and works in industrial and commercial project activities. Additionally, impacting the earnings, the company incurred expenses related to the Group's heavy tendering effort, acquisition expenses, and an impairment of a client debt.

Net Assets value of \$29,914,903 was reported for the full fiscal year, which represents a decline of approximately 2% compared to the previous year.

At the year end, Tempo had a cash balance of \$11,017,288 and no substantial bank debt. There was a reduction in cash over the course of the year, predominately as a result of the acquisition of KP Electric (Australia) Pty Ltd, the increase in working capital as a result of changing nature of activities and high year end activities, the acquisition of plant and equipment in the year, and the losses incurred in the year (which impacts cash at the NPBT level – with cash benefits of tax losses to benefit future years).

PRODUCTIVITY

We have been relentless in our drive to use of technology to help us monitor and improve site based productivity. Our systems enable the business to operate in real time, in a paperless environment and enable the continuous collection of information to form key performance indicators around people, safety and assets across all divisions. This is enabled

also by the deployment of proprietary software, the most appropriate plant/equipment and hardware systems, all creating an efficient and effective operating methodology. These systems include:

PRODUCTIVITY INTELLIGENCE

Tempo is acutely aware of the need to improve Tool Time across all sites in Australia. As a team, and across the industry in general, we believe that organisations need to become more efficient at work planning and execution. Tempo's proprietary system solves the problem of providing reliable daily leading indicators to drive efficiencies across work sites through the access of live or daily data. This system allows us to daily monitor the workforce's productive and non-productive time through the use of wearable Productivity Cards, and the combination of micro and macro fencing to monitor time in pre-determined work site areas. The system allows us to develop a set of tool time norms for resources, power, commercial & industrial and asset management jobs used to drive continuous improvement.

OUTLOOK

We enter 2018 with work in hand of \$40m spread over the next two years, and a qualified pipeline in excess of \$800m.

Securing profitable organic growth is our primary focus in 2018, with our national network and centralised National Operating Centre, we are positioning ourselves to become one of a few Australian market leading companies capable of delivering diverse, complex service based solutions to the resources, construction, electrical and telecommunications industries within Australia.

The breadth of our service offerings and value propositions deliver a diverse yet stable level of resilience to our revenue stream (as each market follows different cycles), thus providing Tempo with a level of surety as it grows revenues across the portfolio.

My intention is to deliver sustainable growth through rigorous commercial decision making. We will drive business development strategically and operate the business with high levels of accountability. This will require strong leadership and exacting cost control at all times, coupled with excellence in project execution.

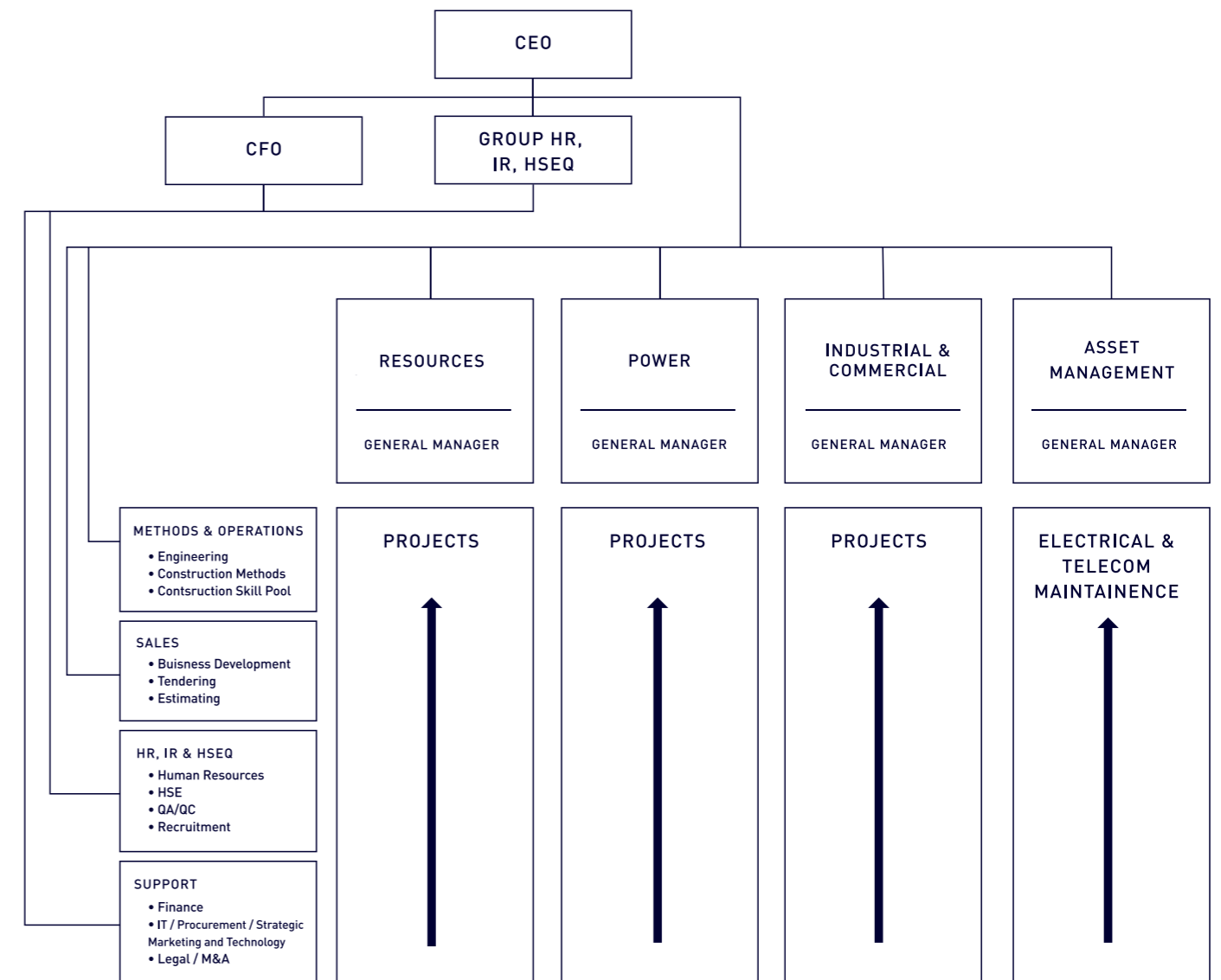
Yours sincerely,

Ian Lynass
Chief Executive Officer
Tempo Australia Limited



ORGANISATION STRUCTURE

Tempo will deliver its services across four sector pillars: Resources, Power, Commercial & Industrial, and Asset Management.



Tempo National Office and Depot Network

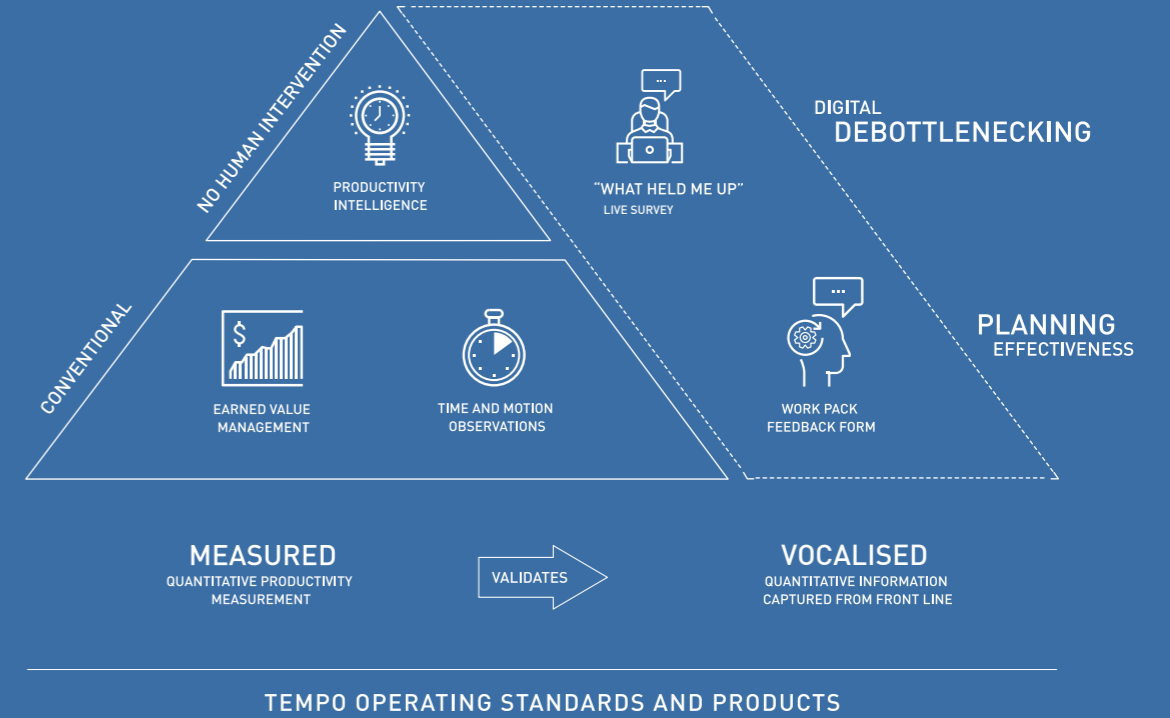


PRODUCTIVITY FOCUS

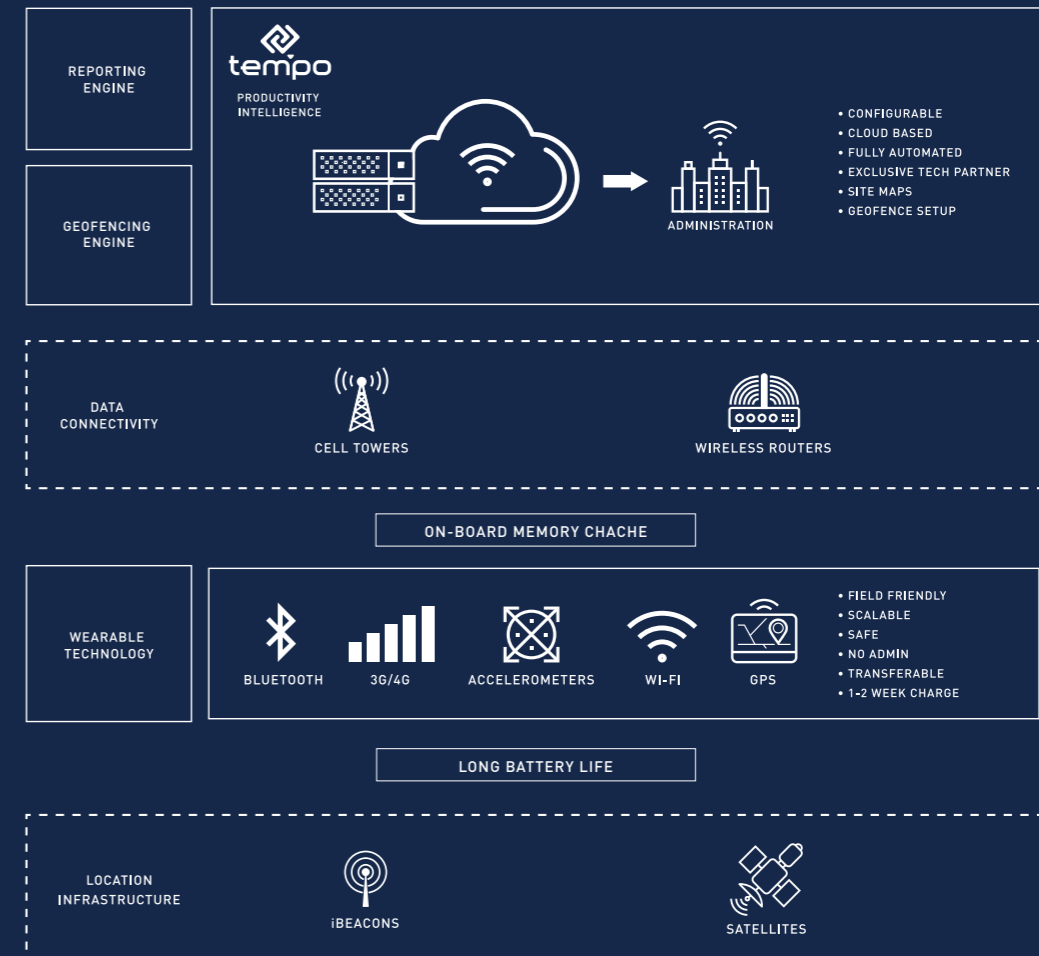
Our suite of proprietary productivity tools gives us the unique opportunity to get actual norms and measures of productive time across different sites to be used as benchmarks and as measures for risk/reward.



Tempo Tools Enabling Productivity Results



Tempo Productivity Intelligence Tool





DIRECTORS' REPORT

The directors present this report together with the financial report of the consolidated entity consisting of Tempo Australia Limited (Tempo) and the entities it controls, for the financial year ended 31 December 2017 and the auditor's report thereon.

PRINCIPAL ACTIVITIES

During the year ended 31 December 2017 the Group generated revenues from maintenance, construction, and personnel management activities, across the resources, power, industrial and commercial, and asset management sectors.

RESULTS

For the year ended 31 December 2017, Tempo reported revenues of \$19,634,907, a 76% decline in revenues since fiscal year 2016.

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At the year end, Tempo had a net cash balance of \$11,017,288 and no substantial bank debt. There was a reduction in cash over the course of the year, predominately as a result of the acquisition of KP Electric (Australia) Pty Ltd, the increase in working capital as a result of changing nature of activities and high year end activities, the acquisition of plant and equipment in the year, and the losses incurred in the year (which impacts cash at the NPBT level – with cash benefits of tax losses to benefit future years).

REVIEW OF OPERATIONS

Tempo provides sector specialist multidisciplinary maintenance and construction services to protect and enhance clients' investments.

Highlights of Tempo's activities and operations for the year ended 31 December 2017 are presented as follows:

OPERATIONS

During 2017, the Group completed work on the Chevron-operated Barrow Island/Gorgon LNG Project to support the Structural, Mechanical and Piping, Electrical & Instrumentation (SMPE&I) activities. The Company maintained its operations in the industrial and commercial sectors (following the acquisition of Cablelogic in mid-2016). Projects in this sector included an increasing level of work for leading international telecommunications providers for installation of Distributed Antenna Systems (DAS).

The Group acquired the nationally operated electrical service business, KP Electric (Australia) Pty Ltd, in July 2017, increasing Tempo's capabilities in electrical in the commercial sector. Since the acquisition, the business has secured a number of new contract and master service agreements with leading companies.

The Group also made excellent progress developing relationships and expertise in power and renewables, and continued to develop a number of joint projects with large multinational corporations to focus on projects in specific sectors.

The Group also invested in further developing its management systems and proprietary productivity tool kit, including its Productivity Intelligence (patent pending) device, which has gained excellent feedback from clients across the country.

During 2017, the Group maintained its accreditations for its quality management system to ISO 9001, its environment management system to ISO14001:2015 and its occupational health and safety certification to ISO AS/NZS4801:2001.

BOARD AND MANAGEMENT

On 13 June 2017, Tempo strengthened its Board through the appointment of Non-Executive Directors, Mr Ian Widdicombe and Mr Guido Bressani.

On November 2017, the company announced the retirement of Mr Brian Thomas as a Director of Tempo.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Apart from the matters noted in the review of operations, after balance date events and in the financial statements and accompanying notes attached, there were no other significant changes in the state of affairs.

AFTER BALANCE DATE EVENTS

On 19 January 2018, Tempo announced that Mr Ian Lynass joined the group as VP Strategy and Corporate Development, effective 22 January 2018. Mr Lynass previously served as the Chief Executive Officer and Managing Director of BIS Industries Limited from April 2010 to May 2015, and has considerable leadership experience having worked in the defence, steel, petrochemical, mining and industrial services markets for over 25 years. On 19 March 2018, Tempo announced that Mr Lynass would succeed Mr Max Bergomi as CEO, with Mr Bergomi also resigning his position on the Board the same day.

On 22 January 2018, Tempo announced over \$6 million in new contracts, including shutdown support services to Santos on the Moomba gas facility, installations of DAS at SunCorp Stadium in Brisbane and the Cairns Convention Centre, and other electrical project works.

On 27 February 2018, Tempo announced \$11 million of contract wins, including MSA's for maintenance and DAS actives for major telecommunications clients. Tempo also announced the award of letter of intents for solar construction projects for a multi-billion dollar international power company. The final award to Tempo of this work is contingent on the securing power purchase agreements from the Victorian Renewable Energy Auction Scheme.

LIKELY DEVELOPMENTS

Tempo will continue its existing strategy of delivering specialist multidisciplinary maintenance and construction services to clients in the resources, power and industrial and commercial sectors.

ENVIRONMENTAL REGULATION

We take our commitment to the environment seriously. Everything we do revolves around our commitment to zero harm to our people and the environment, and respecting the communities in which we operate.

We identify and adhere to all relevant regulatory and contractual obligations that we are required to meet. During the year, Tempo maintained its accreditation of its environmental management system to ISO14001:2015. Based on the results of enquiries made, the directors are not aware of any material breaches of environmental legislation during the reporting period.

DIVIDEND PAID, RECOMMENDED AND DECLARED

No dividends were paid, declared or recommended since the start of the financial year.

SHARE OPTIONS

In 2017, the Company:

- cancelled 1,000,000 options, being unlisted options under the Tempo Employee Share Option Plan which had an exercise price of \$0.10 per ordinary share expiring 7/8/2017.

SHARES TRANSFERRED ON EXERCISE OF OPTIONS

Following the exercise of 3,500,000 options (2,000,000 class C options with exercise price of 14 cents, 1,500,000 unlisted options with exercise price of 15 cents), there were 3,500,000 shares issued by the Tempo employee share trust.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

For the year ended 31 December 2017, Tempo had agreements to indemnify Directors and Officers of the Company against all liabilities to persons (other than the Company or related body corporate) which arise out of the performance of their normal duties as directors or executive officers unless the liability relates to conduct involving lack of good faith.

The Company agreed to indemnify the Directors and Executive Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity. The Directors' and Officers' liability insurance provides cover against costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company) incurred in their position as a Director or Executive Officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

The insurance policy does not allow specific disclosure of the nature of the liabilities insured against or the premium paid under the policy.

The Company has agreed to indemnify its auditors, Ernst & Young, to the fullest extent permitted by applicable law and professional regulations as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The directors of Tempo Australia Limited during the financial year and up to the date of this report are provided below, together with Company Secretary.

MR CARMELO BONTEMPO – CHAIRMAN

Appointment: Initial appointment as Non-Executive-Director 3 August 2011

Appointed as Chairman 7 February 2014

Appointed as Executive Chairman 17 April 2014

Appointed Non-Executive Chairman 31 March 2016

Experience and expertise:

Carmelo has over 50 years' experience across Australia in construction and maintenance activities in the resources, oil & gas, and industrial sectors. He was involved in major infrastructure projects including works with North West shelf gas, Alcoa, Shell's Geelong oil refinery, Argyle Diamonds, BHP Billiton, and Woodside. He was one of the four founding partners of United Construction Holdings (today known as UGL Ltd), which floated in 1994. He was also the Managing Director of Monadelphous Group Limited during the company's early restructuring period in the early 1990's and a key advisor to numerous private and publicly listed companies in Australia.

Current directorships in other listed companies: None

Directorships in listed companies in the last three years: None

MR GUIDO BELGIORNO-NETTIS AM – NON-EXECUTIVE DIRECTOR AND DEPUTY CHAIRMAN

BE Civil UNSW; MBA AGSM; FIEAust

Appointment: Initial appointment 22 December 2016

Experience and expertise:

Guido is Managing Director of the private company, Transfield Holdings Pty Ltd, which changed business focus in 2001 from Engineering and Construction to private equity. Leading up to this change, Guido held a number of key positions within the Transfield Group, including Managing Director, CEO Transfield Engineering and Construction, and Project Development Director. In 2015 he started his own Family Office – Angophora Capital Pty Ltd. Guido is Chairman of the Australian Chamber Orchestra, and a Member of the Australian School of Business Advisory Council. He was named a Member of the Order of Australia in 2007 for service to the construction industry and the arts. He holds a Bachelor of Engineering from UNSW and an MBA from AGSM and is a fellow of Engineers Australia.

Current directorships in other listed companies: None

Directorships in listed companies in the last three years: None

MR DAVID IVERACH – ALTERNATE DIRECTOR TO GUIDO BELGIORNO-NETTIS AM

BEng Chem (Hons), Post grad diploma in Fuel Technology, PHD in high temperature combustion and two years in the USA on a Harkness Fellowship at the Sloan School of Management at MIT as a Visiting Fellow in Economics and Innovation

Appointment: Initial appointment as alternate Director 9 February 2017

Retired: 21 March 2018

Experience and expertise:

David is the Senior Advisor to the owners of Transfield Holdings and Investment Director at Angophora Capital, the private company of one of the Transfield owners. He is also Chairman of BioPower Systems (a start-up wave energy company) and a Shadow Director of Sydney Harbour Tunnel (toll road). Former directorships include Perisher Ski Resort, Australian Biodiesel Group and Brisbane Airtrain.

He has over 40 years' experience at the executive level in the private and public sectors. David has held a number of executive positions in his 25 years with Transfield including at various times CEO Investments, CEO Energy, CEO Corporate Services, Commercial Manager Construction and Executive Manager Project Development. He played leading roles in the development of several landmark projects including the Nam Theun 2 hydro schem in Laos, the Sydney Airport railway and privatised water treatment plants. He also played a key role in the formation of Transfield's services business, now the Spanish owned BroadSpectrum. Prior to joining Transfield he was Director General of Transport in the NSW Government (under the Unsworth and Greiner Governments). Other Government positions included Head of Research Coordination at the Public Service Board and Principal Engineer in the Environment Protection Authority.

Current directorships in other listed companies: None

Directorships in listed companies in the last three years: None

MR IAN WIDDICOMBE – NON-EXECUTIVE DIRECTOR

BEng Civil

Appointment: Initial appointment 13 June 2017

Experience and expertise:

With over 30 years' experience in the oil and gas industry with both operators and contractors in Australia, Europe and Asia, Mr Widdicombe has strong credentials in operational delivery and corporate oversight. Previously with Woodside, he held Vice President role in Projects and in Subsea and Pipelines. During his tenor, he established and led the Karratha Life Extension Program and was project manager for the Angel Project. Prior to Woodside, Mr Widdicombe was Regional Manager Asia Pacific for DOF Subsea Group and Offshore Operations Manager for Clough. He holds a Civil Engineering Degree from the Swinburne University in Melbourne.

Current directorships in other listed companies: None

Directorships in listed companies in the last three years: None

MR GUIDO BRESSANI – NON-EXECUTIVE DIRECTOR

Masters Degree Mech Eng, GAICD

Appointment: Initial appointment 13 June 2017

Experience and expertise:

Guido Bressani is a senior executive with more than twenty years' leadership, consulting and engineering experience in the resources and manufacturing industries worldwide. He is currently a leading consultant to clients in the resources sector, based in Houston, USA. Previously, Mr Bressani served as CEO of Italian manufacturing company, STF Group, during the start of their financial restructuring process in Italy, and as founding partner of a private equity backed start up in Houston, USA. He also led the successful sale of the marine construction division of Clough to Sapura, and served as CEO for three years thereafter. Prior to joining Clough, Mr Bressani worked with international EPCI contractor Saipem with senior positions held in Europe, Middle East and South East Asia. He holds a Master's Degree in Mechanical Engineering from the Politecnico of Milan. He is also a graduate member of the Australian Institute of Company Directors.

Current directorships in other listed companies: None

Directorships in listed companies in the last three years: None

MR PHILIP LOOTS – NON-EXECUTIVE DIRECTOR

BComm LLb, PMD Harvard

Appointment: Initial appointment 20 February 2014

Retired: 7 March 2017

Experience and expertise:

Philip is a lawyer with a PMD from Harvard Business School and brings to the board significant risk management experience in the development and construction of projects in the infrastructure, mining and oil and gas sectors. Philip has had significant involvement in mega oil and gas projects in Western Australia and internationally.

Current directorships in other listed companies: None

Directorships in listed companies in the last three years: None

MR BRIAN THOMAS – NON-EXECUTIVE DIRECTOR

BSc, MBA, Grad Cert App Fin Inv, SAFin, MAICD, MAusIMM

Appointment: Initial appointment 7 April 2015

Retired: 24 November 2017

Experience and expertise:

Brian is the principal of a corporate advisory practice working with small to mid-market capitalisation companies in the areas of corporate finance, mergers & acquisitions and investor relations. Over the past 10 years he has been an executive and Non-executive director with a number ASX listed companies. This followed a 12 year career in corporate stockbroking, investment banking, funds management and banking after more than 20 years operational experience in the energy and resources industry. He holds a Bachelor of Science from The University of Adelaide, an MBA from The University of Western Australia and a Graduate Certificate in Applied Finance and Investment from FinSIA.

Current directorships in listed companies: Orinoco Gold Limited

Directorships in listed companies in the last three years: Go Energy Group Limited, Ensurance Limited, Potash Minerals Limited, Noble Mineral Resources Limited.

MR MAX BERGOMI – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

B.Eng. Management and Production, Graduate of Harvard Business School's Advanced Management Program

Appointment: Initial appointment as Chief Executive Officer 11 January 2016

Appointment as Chief Executive Officer and Managing Director 31 March 2016

Retired from board: 19 March 2018

Experience and expertise:

Max joined Tempo in January 2016 as Chief Executive Officer and on 31 March 2016 became Tempo's Chief Executive Officer and Managing Director. A highly experienced and successful engineering and oil and gas industry executive, Max has held a number of high-profile senior leadership roles during his 20-year career.

Prior to joining Tempo, Max built a successful career with major Australian engineering and project services contractor, Clough Ltd, over a period of eight years. He was previously Managing Director Australia and PNG for Clough's Oil & Gas and Mining & Minerals divisions. He has also held senior positions with Saipem and Maverick Tube Corporation in Milan, Houston, Jakarta and London.

Max has a Bachelor of Engineering (Management and Production) from the Politecnico of Milan. He is also a graduate of the Harvard Business School's Advanced Management Program.

Current directorships in other listed companies: None

Directorships in listed companies in the last three years: None

COMPANY SECRETARY

MR MICHAEL WEST

B.Com (Finance and Economics), B.Eng. Mech (Hons 1), GAICD

Appointment: Initial appointment as Non-executive director 23 June 2014 – Resigned on 7 April 2015

Appointment as CFO and Company Secretary 24 September 2014 - Current

Experience and expertise:

Michael is a senior executive with over 17 years' experience working in financial, strategy and commercial roles in both ASX-listed and private companies in the construction, maintenance, engineering, energy, private equity and investment banking sectors.

Michael joined Tempo in June 2014 as a Director, a position he held for 10 months. During this time, he was appointed as CFO and Company Secretary. He holds a Bachelor of Commerce and a Bachelor of Mechanical Engineering (Honours Class I) from Sydney University, is a graduate of the Australian Institute of Company Directors, and is currently completing his CPA with CPA Australia.

DIRECTORS' MEETINGS

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Directors' Meetings		Audit & Compliance Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Carmelo Bontempo	12	11	4	3
Guido Belgiorino-Nettis	12	8	4	4
David Iverach*	4	4	-	-
Ian Widdicombe*	7	6	2	2
Guido Bressani*	7	7	2	2
Philip Loots#	2	2	1	1
Brian Thomas#	10	9	3	3
Max Bergomi	12	12	-	-

* David Iverach joined as alternate director to Guido Belgiorino-Nettis on 9 February 2017. Ian Widdicombe and Guido Bressani joined Board on 13 June 2017.

Philip Loots and Brian retired from Board on 7 March 2017 and 24 November 2017 respectively

	Nominations and Remuneration Committee		Risk, HSE and Commercial Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Carmelo Bontempo	2	2	4	3
Guido Belgiorino-Nettis	2	2	4	4
David Iverach*	-	-	-	-
Ian Widdicombe*	1	1	2	2
Guido Bressani*	1	1	2	2
Philip Loots#	-	-	1	1
Brian Thomas#	1	1	3	3
Max Bergomi	-	-	-	-

* David Iverach joined as alternate director to Guido Belgiorino-Nettis on 9 February 2017. Ian Widdicombe and Guido Bressani joined Board on 13 June 2017.

Philip Loots and Brian retired from Board on 7 March 2017 and 24 November 2017 respectively

DIRECTORS' INTERESTS IN SHARES OR OPTIONS AND RIGHTS OVER SHARES

Current directors' relevant interests in shares of Tempo Australia Limited or options over shares in the Company at the date of this report are detailed below.

	Ordinary shares	Options and rights over ordinary shares
Carmelo Bontempo	42,021,632	2,000,000
Guido Belgiorino-Nettis	38,000,000	-
David Iverach	-	-
Ian Widdicombe	-	-
Guido Bressani	858,361	-
Philip Loots	-	-
Brian Thomas	-	-
Max Bergomi	5,335,000	2,750,000
Total	86,214,993	4,750,000

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided within this financial report.

NON-AUDIT SERVICES

Nil

REMUNERATION REPORT – AUDITED

REMUNERATION POLICIES

The board policy for determining the nature and amount of remuneration of directors and executives is agreed by the board of directors as a whole. The Board structures remuneration so that it rewards those who perform and is strongly aligned with the Company's strategic direction and the creation of value to shareholders. The board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated directors and employees who can enhance Company performance through their contributions and leadership.

For directors and executives, the Company provides a remuneration package that incorporates both cash-based remuneration and share-based remuneration. The contracts for service between the Company and specified directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future aside from normal negotiations on contracts as they approach their conclusion and the normal annual review processes.

SHORT-TERM INCENTIVE PLAN (STIP)

For Key Management Personnel, a Short-Term Incentive Plan (STIP) has been developed which enables eligible members to a cash bonus, based on annual performance of the Company against a range of metrics and at the discretion of the Board. These targets include performance against; financial metrics such as profitability, cash flow, costs, and order intake; leadership targets, such as engagement with workforce and leadership behaviour; operational metrics such as customer satisfaction, system development and governance; and Risk and HSE targets. In the current year some of these targets were achieved, however given the financial performance the Board exercised its discretion to not award STIP payments for 2017.

LONG-TERM INCENTIVE PLAN (LTIP)

A Long-Term Incentive Plan (LTIP) has also been developed which will allow eligible employees to options or performance rights in the Company. Any issue (at the discretion of the Board) under the LTIP would likely be subject to vesting over three years subject to continued, performance of the Total Shareholder Returns (TSR) of the Company versus the ASX300 over the vesting period and future earnings per share growth over the vesting period. The TSR or future earnings per share growth targets are chosen to embed shareholder interests directly into the remuneration structure. In the 2017 year there was no award granted.

NON-EXECUTIVE DIRECTOR REMUNERATION

Non-executive directors receive fees and share-based remuneration. The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for directors by resolution. ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 7 October 2011, where the shareholders approved an aggregate remuneration of \$500,000. Directors' share-based remuneration was voted on by members at general meetings.

VOTING AND COMMENTS MADE AT THE COMPANY'S 15 MAY 2017 ANNUAL GENERAL MEETING ('AGM')

At the last AGM held on 15 May 2017, 98.9% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

DIRECTORS' AND EXECUTIVES' COMPENSATION

(a) Details of Directors and Key Management Personnel

The directors and key management personnel during the year ended 31 December 2017 were:

DIRECTORS

Carmelo Bontempo | Chairman

(Appointed Chairman 31 March 2016)

(Appointed as Executive Chairman 17 April 2014)

(Appointed as Chairman 7 February 2014)

Guido Belgiorno-Nettis | Non-Executive Director

(Joined as Non-Executive Director 22 December 2016)

David Iverach | Alternate Director to Guido Belgiorno-Nettis

(Joined as Alternate Director 9 February 2017)

Ian Widdicombe | Non-Executive Director

(Joined as Non-Executed Director 13 June 2017)

Guido Bressani | Non-Executive Director

(Joined as Non-Executed Director 13 June 2017)

Philip Loots | Non-Executive Director

(Retired 7 March 2017)

(Joined as Non-Executive Director 20 February 2014)

Brian Thomas | Non-Executive Director

(Retired 24 November 2017)

(Joined as Non-Executive Director 7 April 2015)

Max Bergomi | CEO and Managing Director

(Resigned from Board and ceased employment 19 March 2018)

(Joined Board as Managing Director on 31 March 2016)

(Began as CEO on 11 January 2016)

EXECUTIVE

Ian Lynass | Chief Executive Officer

(Appointed Chief Executive Officer 19 March 2018)

(Appointed 22 January 2018 as VP Strategy and Corporate Development)

Michael West | Chief Financial Officer and Company Secretary

(Resigned from Board 7 April 2015 to continue as Chief Financial Officer and Company Secretary)

(Appointed as Executive Director, Chief Financial Officer and Company Secretary 24 September 2014)

(Joined as Non-Executive Director 23 June 2014)

Daniel Hibbs | Chief Operating Officer

(Ceased employment 22 February 2017)

(Appointed 5 November 2012)

KEY MANAGEMENT PERSONNEL COMPENSATION

	Short-Term				Post-employment	Long-term	Share-based payment		Total	Total Performance Related	
	Salary fees	Cash bonus	Non-monetary	Leave entitlement accrued	Super-annuation	Other payments	Long service leave provision	Options granted	Rights granted		
2017	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	%
Carmelo Bontempo	13,703	-	-	-	1,302	-	-	106,212	-	121,217	88%
Max Bergomi	417,075	-	-	44,438	21,248	-	2,017	31,467	164,698	680,943	29%
Daniel Hibbs*	73,755	-	-	-	4,583	-	-	-	-	78,338	0%
Philip Loots*	2,500	-	-	-	-	-	-	6,563	-	9,063	72%
Michael West	225,004	-	-	14,114	19,832	-	1,178	-	170,712	430,840	40%
Brian Thomas*	31,965	-	-	-	3,037	-	-	-	-	35,002	0%
Guido Belgiorno-Nettis	14,072	-	-	-	1,338	-	-	-	-	15,410	0%
Guido Bressani#	7,594	-	-	-	721	-	-	-	-	8,315	0%
Ian Widdicombe#	22,094	-	-	-	721	-	-	-	-	22,815	0%
David Iverach#	-	-	-	-	-	-	-	-	-	-	0%
Total	807,762	-	-	58,552	52,782	-	3,195	144,242	335,410	1,401,943	

2016	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	%
Carmelo Bontempo	13,713	-	-	-	1,303	-	-	61,957	-	76,973	80%
Max Bergomi	389,735	-	-	-	19,462	-	-	49,445	210,200	668,842	39%
Daniel Hibbs	321,606	-	-	-	30,818	-	-	15,188	-	367,612	4%
Philip Loots	15,000	-	-	-	-	-	-	23,508	-	38,508	61%
Michael West	225,004	63,750	-	-	19,462	-	-	-	97,364	405,580	40%
Brian Thomas	28,921	-	-	-	2,603	-	-	-	-	31,524	0%
Total	993,979	63,750	-	-	73,648	-	-	150,098	307,564	1,589,039	

* Daniel Hibbs ceased employment 22 February 2017, Philip Loots retired 8 March 2017, Brian Thomas retired 22 November 2017

David Iverach joined the Board on 9 February 2017. Ian Widdicombe and Guido Bressani joined Board on 13 June 2017.

DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS

Shareholding

The number of ordinary shares in the parent entity held during the financial year by each director and key management personnel of the consolidated entity, including their personally related parties, is set out below:

2017	Balance at the start of the year	Granted as remuneration	On exercise of options	Net change other	Balance at the end of the year
Carmelo Bontempo	42,021,632	-	-	-	42,021,632
Guido Belgiorno-Nettis	38,000,000	-	-	-	38,000,000
Brian Thomas	-	-	-	-	-
Daniel Hibbs*	3,349,800	-	-	(3,349,800)	-
Philip Loots*	2,000,000	-	2,000,000	(4,000,000)	-
David Iverach	-	-	-	-	-
Guido Bressani#	-	-	-	858,361	858,361
Ian Widdicombe	-	-	-	-	-
Michael West	528,000	-	-	-	528,000
Max Bergomi	3,835,000	-	1,500,000	-	5,335,000
Total	89,734,432	-	3,500,000	(6,491,439)	86,742,993

Includes shares held directly, indirectly and beneficially by KMP.

* Daniel Hibbs ceased employment 22 February 2017, Philip Loots retired on 8 March 2017. The net change reflects that they were not KMP at period end.

Guido Bressani joined Board on 13 June 2017. The net change reflects the shareholding when he became a KMP

Option Holding

The number of options over ordinary shares in the parent entity held during the financial year by each director and key management personnel of the consolidated entity, including their personally related parties is set out below:

Vested at 31 December 2017

2017	Balance at the start of the year	Granted as remuneration	Options exercised	Net change other*	Balance at the end of the year	Exercisable	Non exercisable
Carmelo Bontempo	2,000,000	-	-	-	2,000,000	-	2,000,000
Guido Belgiorno-Nettis	-	-	-	-	-	-	-
Brian Thomas	-	-	-	-	-	-	-
Daniel Hibbs	-	-	-	-	-	-	-
Philip Loots	2,000,000	-	(2,000,000)	-	-	-	-
David Iverach	-	-	-	-	-	-	-
Guido Bressani	-	-	-	-	-	-	-
Ian Widdicombe	-	-	-	-	-	-	-
Michael West	-	-	-	-	-	-	-
Max Bergomi	1,500,000	-	(1,500,000)	-	-	-	-
Total	5,500,000	-	(3,500,000)	-	2,000,000	-	2,000,000

Rights Holding

The number of rights over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties is set out below:

2017	Balance at the start of the year	Granted as remuneration	Rights vested	Rights lapsed	Balance at the end of the year
Carmelo Bontempo	-	-	-	-	-
Guido Belgiorno-Nettis	-	-	-	-	-
Brian Thomas	-	-	-	-	-
Daniel Hibbs	-	-	-	-	-
Philip Loots	-	-	-	-	-
David Iverach	-	-	-	-	-
Guido Bressani	-	-	-	-	-
Ian Widdicombe	-	-	-	-	-
Michael West	2,000,000	-	-	-	2,000,000
Max Bergomi	4,000,000	-	-	(1,250,000)	2,750,000
Total	6,000,000	-	-	(1,250,000)	4,750,000

No rights had vested at 31 December 2017.

Transactions with KMP

None in 2017.

Details concerning share-based compensation of directors and executives

Options

	Financial year	Options awarded during the year No.	Grant date	Fair value per option at award date (\$)	Vesting date	Exercise price	Expiry date	No. vested during year	No. lapsed during year	Value of options granted in prior year*	Value of options exercise during the year #
Carmelo Bontempo	2016	2,000,000	9/06/16	\$0.16	31/05/19	0.34	30/06/19	-	-	318,624	-
Philip Loots	2014	2,000,000	30/05/14	\$0.02	22/02/17	0.14	21/03/17	2,000,000	-	41,581	41,581
Max Bergomi	2016	1,500,000	11/02/16	\$0.03	7/07/17	0.15	7/08/17	1,500,000	-	49,445	49,445

* Determined at the time of grant per AASB 2.

Determined at the time of exercise at the intrinsic value.

Performance Rights

	Financial year	Rights awarded during the year No.	Grant date	Fair value per rights at award date (\$)	Vesting date	Exercise price	Expiry date	No. vested during year	No. lapsed during year	Value of rights granted in prior year*	Value of rights exercise during the year #
Michael West	2016	2,000,000	10/06/16	\$0.22	21/12/18	0.00	10/06/31	-	-	441,000	-
Max Bergomi	2016	2,500,000	10/06/16	\$0.22	1/07/18	0.00	10/06/31	-	(1,250,000)	275,625	-
Max Bergomi	2016	1,500,000	10/06/16	\$0.22	1/07/19	0.00	10/06/31	-	-	330,750	-

* Determined at the time of grant per AASB 2.

Determined at the time of exercise at the intrinsic value.

Additional information

The earnings of the consolidated entity for the five years to 31 December 2017 are summarised below:

	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)
Revenue (excluding interest income)	18,113,770	81,142,374	78,079,491	16,026,422	14,006,914
EBITDA	(1,793,556)	6,392,674	4,578,810	(1,859,910)	(441,873)
EBIT	(2,396,666)	6,200,759	4,504,939	(1,935,510)	(517,473)
Profit/(loss) after income tax	(1,047,007)	5,454,698	6,739,995	(1,306,483)	(450,393)

The factors that are considered to affect total shareholders return ('TSR') are summarised below

	2017	2016	2015	2014	2013
Share price at financial year end (\$)	0.240	0.230	0.120	0.050	0.040
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.435)	2.713	3.449	(0.772)	(0.294)

SERVICE AGREEMENTS

The company currently has service agreements with its directors. The agreements detailing the formal terms and conditions of the appointment, expected time commitment, procedure regarding conflicts of interest, performance appraisal, remuneration, superannuation and insurance arrangements. The Tempo Constitution governs the election and appointment of directors, rotation of elected directors, casual vacancies and eligibility for election. The terms and entitlements of non-executive directors are governed by normal employment law.

The following summarises the key provisions of service agreements with executives:

Name: Ian Lynass
Title: Chief Executive Officer
Agreement commenced: 22 January 2018
Term of agreement: Permanent full time

Details: Base salary of \$250,000 per annum plus superannuation. Three (3) months termination notice by either party. The employee will receive sign on offer of 500,000 performance rights subject to being an employee three years after commencement date (good leaver provisions to apply). At the end of each year (first two years only), the Employee will be eligible to be issued \$350,000 of performance rights or equivalent under the companies ESIRP plan. The number of shares is to be determined by the Volume Weighted Average Price (VWAP) of the shares in the month price to year end. These rights will be subject to the following key terms and conditions: Vesting period of 3 years - based on continued employment with company over that period (good leaver provisions to apply); EPS growth targets from base year to vesting year (targets set by Board); and Total Shareholder Return growth vs ASX300 from base year to vesting year end

Name: Michael West
Title: Chief Financial Officer / Company Secretary
Agreement commenced: 26 September 2014
Term of agreement: Permanent full time

Details: Base salary of \$225,000 per annum plus superannuation. Three (3) months termination notice by either party, bonus of up to 30% subject to the satisfaction of specified milestones and performance criteria (both individual and company). Entitled to participate in the company's Employee Share Incentive Rights Plan (ESIRP) to the value of 30% of base salary subject to the satisfaction of specified milestones and performance criteria (both individual and company).

Name: Max Bergomi
Title: Chief Executive Officer and Managing Director (resigned 19 March 2018)
Agreement commenced: 11 January 2016
Term of agreement: Permanent full time

Details: Base salary of \$420,000 per annum plus superannuation. Employment may be terminated by the Company with six months' notice. Mr Bergomi may terminate by giving the Company three months' notice. The Company can terminate the ESA by giving the Company three months' notice. The ESA contains a three month Australia wide restraint of trade provision from the date employment ceases.

Signed in accordance with a resolution of the directors.



Carmelo Bontempo
 Director
 Date: 29 March 2018



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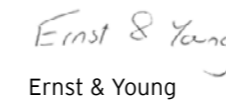
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Auditor's Independence Declaration to the Directors of Tempo Australia Limited

As lead auditor for the audit of Tempo Australia Limited for the financial year ended 31 December 2017, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Ernst & Young



Philip Teale
 Partner
 29 March 2018

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Consolidated entity	
		2017 (\$)	2016 (\$)
Revenue	3	18,506,922	81,142,374
Other income	3	1,127,985	227,965
Revenue and Other income		19,634,907	81,370,339
Employee and director benefits	4	12,717,463	66,341,992
Administration costs		714,177	557,808
Occupancy costs		529,271	289,254
Depreciation and amortisation	8, 11	471,484	191,915
Other expenses	4	6,361,151	6,884,467
Listing and other statutory charges		57,193	58,256
Interest and finance charges		261,526	212,186
Other professional expenses		787,683	711,187
Total expenses		21,899,948	75,247,065
(Loss)/profit before income tax expense		(2,265,041)	6,123,274
Income tax benefit/(expense)	5	1,218,034	(668,576)
(Loss)/profit attributable to the members of the parent		(1,047,007)	5,454,698
Other comprehensive income		-	-
Total comprehensive (loss)/income		(1,047,007)	5,454,698
Net (loss)/profit attributable to members of the parent entity		(1,047,007)	5,454,698
Earnings per share			
Basic earnings (loss) – cents per share	17	(0.435)	2.713
Diluted earnings (loss) – cents per share	17	(0.435)	2.713

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Consolidated entity	
		2017 (\$)	2016 (\$)
CURRENT ASSETS			
Cash and cash equivalents		11,017,288	25,711,347
Trade and other receivables	6	6,145,872	5,779,937
Inventories		855,204	93,403
Other assets	7	1,088,481	592,886
Total current assets		19,106,845	32,177,573
NON-CURRENT ASSETS			
Plant and equipment	8	1,539,318	892,417
Goodwill	9	11,426,317	3,118,087
Intangibles	11	504,079	-
Deferred tax assets	21	4,903,325	2,827,617
Total non-current assets		18,373,039	6,838,121
Total assets		37,479,884	39,015,694
CURRENT LIABILITIES			
Trade and other payables	12	2,598,720	2,536,269
Borrowing	13	163,907	690,083
Current tax liabilities		209,288	-
Provisions (including employee benefits)	14	1,402,111	5,231,145
Total current liabilities		4,374,026	8,457,497
NON-CURRENT LIABILITIES			
Borrowings	13	24,772	44,518
Contingent consideration	20	3,053,845	-
Provisions (including employee benefits)	14	112,338	45,198
Total non-current liabilities		3,190,955	89,716
Total liabilities		7,564,981	8,547,213
Net assets		29,914,903	30,468,481
EQUITY			
Contributed equity	15	79,892,904	80,075,545
Share based payment reserve	15	2,009,542	1,333,472
Accumulated losses		(51,987,543)	(50,940,536)
Total equity		29,914,903	30,468,481

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

Consolidated	Contributed equity	Accumulated losses	Share-based payments reserve	Total equity
	(\$)	(\$)	(\$)	(\$)
At 1 January 2016	70,153,493	(56,395,234)	182,682	13,940,941
Profit	-	5,454,698	-	5,454,698
Other comprehensive income	-	-	-	-
Total comprehensive income	-	5,454,698	-	5,454,698
Share issues	11,548,409	-	-	11,548,409
Share based payments	-	-	480,340	480,340
Options exercised	842,100	-	-	842,100
Treasury shares	(19,125)	-	-	(19,125)
Transaction costs	(214,204)	-	-	(214,204)
Acquisition of treasury shares	(2,247,980)	-	-	(2,247,981)
Tax effect relating to share based payment	-	-	670,450	670,450
Tax effect relating to share issue cost	12,853	-	-	12,853
At 31 December 2016	80,075,546	(50,940,536)	1,333,472	30,468,482
At 1 January 2017	80,075,545	(50,940,536)	1,333,472	30,468,481
Loss	-	(1,047,007)	-	(1,047,007)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	(1,047,007)	-	(1,047,007)
Share based payments	-	-	520,104	520,104
Reversal of un-vested options	-	-	(23,847)	(23,847)
Options exercised	505,000	-	-	505,000
Treasury shares	(7,212)	-	-	(7,212)
Acquisition of treasury shares	(706,134)	-	-	(706,133)
Tax effect relating to share based payment	-	-	179,813	179,813
Tax effect relating to share issue cost	25,704	-	-	25,704
At 31 December 2017	79,892,904	(51,987,543)	2,009,542	29,914,903

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Consolidated Entity	
		2017 (\$)	2016 (\$)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		20,460,764	96,339,903
Payments to suppliers, employees		(27,407,735)	(87,131,577)
Income tax paid		(210,882)	(245,686)
Interest and finance charges paid		(103,211)	170,677
Interest received		393,152	-
Net cash (used in)/generated from operating activities	16	(6,867,912)	9,133,317
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for acquisition of business (net of cash acquired)		(6,660,067)	(605,159)
Proceeds from sale of property, plant and equipment		91,455	-
Intangibles		(111,857)	-
Payments for property plant and equipment		(341,884)	(247,570)
Net cash (used in) investing activities		(7,022,353)	(852,729)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment for shares acquired by Employee Share Trust	15	(728,080)	(409,121)
Proceeds from issue of equity instruments	15	505,000	10,342,100
Equity issue transaction cost		-	(24,204)
Proceeds from borrowings		190,290	1,967,725
Loan repayment		(771,004)	(1,872,553)
Net cash provided by (used in) financing activities		(803,794)	10,003,947
Net (decrease)/increase in cash and cash equivalents		(14,694,059)	18,284,535
Cash and cash equivalents at beginning of year		25,711,347	7,426,812
Total cash and cash equivalents at the end of the year		11,017,288	25,711,347

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 1: BASIS OF PREPARATION

Tempo Australia Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publically traded on the Australian Securities Exchange.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in the notes to the financial statements.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial statements were authorised for issue on 29 March 2018 by the directors of the Company.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs.

The amounts presented in the financial statements have been rounded to the nearest dollar.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The consolidated entity has adopted all of the new, revised and amending Accounting Standards and Interpretations issued by the AASB for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have a material impact on the financial performance or position of the consolidated entity.

Summary of the significant accounting policies:

(A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Tempo Australia Limited ('Company' or 'parent entity') as at 31 December 2017 and the results of all subsidiaries for the year then ended. Tempo Australia Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or 'Group'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

(B) FOREIGN CURRENCIES

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(C) BUSINESS COMBINATIONS

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. A business combination is accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is re-measured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are expensed to the statement of comprehensive income. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(D) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, when the outcome of the contract can be estimated reliably. The stage of completion is determined with reference to the cost of services performed to date as a percentage of total anticipated costs to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

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

(E) EMPLOYEE BENEFITS

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. 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. Employee benefits payable later than one year have been measured at the present value of expected future payments to be made using the projected unit credit method. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

SHARE BASED PAYMENTS

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value of options is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount

recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(F) INCOME TAX

TAX CONSOLIDATED GROUP

Tempo Australia Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2005.

The head entity, Tempo Australia Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Tempo Australia Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities

CURRENT INCOME TAX

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

DEFERRED TAX

Deferred income tax is recognised using the full liability balance sheet approach. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different

taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(G) PLANT AND EQUIPMENT

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a re-valued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

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 asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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 consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as an expense in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is provided on a straight-line basis over the asset's useful life to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of the unexpired period of the lease and the estimated useful lives of the improvements.

The useful live used are listed as below:

Asset Class	Useful live
Furniture and fixtures	4 years
Computer equipment	4 years
Plant & Equipment	4 years
Motor Vehicles	6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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 the statement of comprehensive income. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(H) OPERATING LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in the profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expenses.

(I) INTANGIBLES

Customer relations acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(J) IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the consolidated entity assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately.

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

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

(K) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position, if any. For the statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction, if any.

(L) FINANCIAL INSTRUMENTS

INITIAL RECOGNITION AND MEASUREMENT

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

CLASSIFICATION AND SUBSEQUENT MEASUREMENT

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. 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.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(I) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(II) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(III) HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(IV) AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss. Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(V) FINANCIAL LIABILITIES

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

(M) GOODWILL

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually and is allocated to a cash-generating unit or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of. Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(N) IMPAIRMENT OF FINANCIAL ASSETS

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the consolidated entity recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

(O) TRADE AND OTHER RECEIVABLES

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance account for impairment.

(P) TRADE AND OTHER PAYABLES

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(Q) CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(R) BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(S) FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(T) ISSUED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(U) TREASURY SHARES

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(V) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Costs is determined on a weighted average basis and includes direct costs and a portion of overheads. Inventories determined to be obsolete or damaged are written down to net realisable value, being the estimated selling price less selling costs.

(W) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below. The Group intends to adopt these standards, if applicable, when they become effective.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset

shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018. The Group's assessment of the impact of this standard is still ongoing.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures regarding revenue are also introduced. The Group plans to adopt the new standard on 1 January 2018 using the retrospective approach with practical expedients. The new standard will only be applied to contracts that remain in force at transition date. The Group's assessment of the impact of this standard is still ongoing.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees. The Group is continuing its work on the final impact of this standard.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Goodwill

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Recovery of deferred tax assets

Deferred tax assets are recognised for tax losses and deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTE 3

	Consolidated entity	
	2017 (\$)	2016 (\$)
REVENUE AND OTHER INCOME		
Revenues from operations	18,113,770	81,142,374
Interest revenue	393,152	-
Other income	1,127,985	227,965
Total revenue and other income	19,634,907	81,370,339

NOTE 4

	Consolidated entity	
	2017 (\$)	2016 (\$)
OTHER EXPENSES		
Project material cost	(3,899,920)	(2,797,003)
Candidate screening cost	(86,193)	(274,731)
Movement in allowance account for doubtful debt	(296,097)	-
Equipment and subcontractor costs	(2,078,941)	(3,812,733)
Total other expenses	(6,361,151)	(6,884,467)

	Consolidated entity	
	2017 (\$)	2016 (\$)
EMPLOYEE AND DIRECTOR BENEFITS EXPENSE		
Salaries, wages and other expenses	(11,248,623)	(63,005,547)
Superannuation	(948,736)	(2,856,105)
Share based payment	(520,104)	(480,340)
Total employee and director benefits expense	(12,717,463)	(66,341,992)

NOTE 5

	Consolidated entity	
	2017 (\$)	2016 (\$)
INCOME TAX		
Current income tax		
Current tax benefit/(expenses)	2,032,758	(370,636)
Adjustments in respect of previous years	(4,498)	(158,245)
Deferred income tax		
(Originating)/ reversing temporary differences	(1,165,082)	(1,248,498)
Adjustments in respect of previous years	354,856	1,108,803
Income tax (benefit)/expense	1,218,034	(668,576)

Tax Reconciliation

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's application income tax rate is as follows:

Accounting (loss)/profit before income tax	(2,265,041)	6,123,274
At the statutory income tax rate of 30% (2016: 30%)	679,513	(1,836,983)
Tax effect of amounts which are not deductible in calculating taxable income	220,660	527,838
Other	(36,995)	(468,234)
Adjustments in respect of previous years	354,856	1,108,803
Aggregate income tax expense	1,218,034	(668,576)

NOTE 6

	Consolidated entity	
	2017 (\$)	2016 (\$)
RECEIVABLES		
CURRENT		
Trade receivables	5,557,784	4,897,135
Allowance for doubtful debts	(296,097)	-
Other receivables	285,276	221,782
Accrued income	598,909	661,020
Total current receivables	6,145,872	5,779,937

The Accrued income shown at each balance date has all been subsequently invoiced and converted to cash or retention.

The following table details the trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled; with the terms and conditions agreed between the consolidated entity and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully paid to the consolidated entity.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount (\$)	Not due but impaired (\$)	Past due but not impaired			
			< 30	31 - 60 (\$)	61 - 90 (\$)	>90 (\$)
2017						
Trade and term receivables	5,261,687	296,097	829,219	545,268	81,760	83,710
Other receivables	285,276	-	-	-	-	-
Accrued income	598,909	-	-	-	-	-
Total	6,145,872	296,097	829,219	545,268	81,760	83,710
2016						
Trade and term receivables	4,897,135	-	2,553,877	5,002	34,896	2,316
Other receivables	221,782	-	4,250	-	33,742	-
Accrued income	661,020	-	-	-	-	-
Total	5,779,937	-	2,558,127	5,002	68,638	2,316

NOTE 7

	Consolidated entity	
	2017 (\$)	2016 (\$)
OTHER CURRENT ASSETS		
Prepayments		
Insurances	441,771	519,502
Other	646,710	73,384
Total other current assets	1,088,481	592,886

NOTE 8

PLANT AND EQUIPMENT	Consolidated entity	
	2017 (\$)	2016 (\$)
Furniture and fixtures – Gross carrying value at cost	201,745	83,841
Furniture and fixtures - accumulated depreciation	(88,019)	(28,351)
Net book value furniture and fixture	113,726	55,490
Plant and equipment - Gross carrying value at cost	255,718	100,811
Plant and equipment - accumulated depreciation	(99,952)	(52,156)
Net book value plant and equipment	155,766	48,655
Computer equipment – Gross carrying value at cost	833,949	691,848
Computer equipment- accumulated depreciation	(346,076)	(191,732)
Net book value computer equipment	483,873	500,116
Motor vehicles – Gross carrying value at cost	919,006	314,364
Motor vehicles – accumulated depreciation	(137,053)	(26,208)
Net book value motor vehicle	781,953	288,156
Total Gross carrying value at cost	2,210,418	1,190,864
Total accumulated depreciation	(671,100)	(298,447)
Total net book value	1,539,318	892,417

Reconciliations

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year

	Furniture and fixtures (\$)	Plant and equipment (\$)	IT (\$)	Motor vehicles (\$)	Total (\$)
Balance at 1 January 2016	49,313	4,246	346,824	-	400,383
Additions	13,526	-	267,544	-	281,070
Additions through business combinations	4,652	54,468	29,396	347,864	436,380
Disposals	-	-	-	(33,500)	(33,500)
Depreciation expense	(12,001)	(10,059)	(143,648)	(26,208)	(191,916)
Balance at 31 December 2016	55,490	48,655	500,116	288,156	892,417
Additions	68,458	20,950	98,139	154,337	341,884
Additions through business combinations [note 20]	49,446	133,957	43,962	570,137	797,502
Disposals	-	-	-	(102,275)	(102,275)
Depreciation expense	(59,668)	(47,796)	(154,344)	(128,402)	(390,210)
Balance at 31 December 2017	113,726	155,766	487,873	781,953	1,539,318

NOTE 9

GOODWILL	Consolidated entity	
	2017 (\$)	2016 (\$)
Goodwill – at cost	11,426,317	3,118,087
Accumulated impairment losses	-	-
Net carrying amount	11,426,317	3,118,087

Reconciliations

Reconciliations of the carrying amounts of Goodwill at the beginning and end of the current financial year

Carrying amount at beginning of year	3,118,087	3,118,087
Acquisitions through business combinations [note 20]	8,308,230	-
Carrying amount at end of year	11,426,317	3,118,087

IMPAIRMENT DISCLOSURES

Goodwill of \$3,118,087 is allocated to Tempo Construction & Maintenance Pty Ltd, a CGU that seeks to make its profit from construction, maintenance and labour hire activities.

The recoverable amount of the cash-generating unit is determined based on a value-in-use calculation. Value-in-use is calculated based on the present value of cash flow projections over a 5-years period using an estimated growth rate plus terminal value. The cash flows are discounted using a discount rate which reflects management's estimate of the time value of money and the group's weighted average cost of capital and the discount rate adjusted for risk in the respective CGU.

The following assumptions were used in the value-in-use calculations:

Year 2 and beyond Growth Rate (revenue and expense)	5%
Discount Rate (post-tax)	12.5%
Perpetuity factor for calculating terminal value (1/(discount rate – growth rate))	10

The business has developed its cash flow model, using a combination of work in hand and a weighted pipeline approach for currently known projects. Beyond the first year where visibility of projects is low, the model uses a fixed growth rate. The growth rate was assessed by management as appropriate, based on the increased business development activities of the group, the expanded markets it now operates in, along with signs of an improving resources market. The growth rate used to determine the perpetuity factor for calculating terminal value is 2.5% which approximates historic Australia inflation rates. The Directors believe that any reasonable change in the key assumptions on which the recoverable amount of the CGU is based would not cause the CGU's carrying amount to exceed its recoverable amount.

Provisional goodwill of \$8,308,230 is allocated to KP Electric Australia Pty Ltd, a CGU that seeks to make its profit from electrical maintenance activities across Australia. Goodwill has an infinite useful life.

The recoverable amount of the cash-generating unit is determined based on a value-in-use calculation. Value-in-use is calculated based on the present value of cash flow projections over a 5-years period using an estimated growth rate plus terminal value. The cash flows are discounted using a discount rate which reflects management's estimate of the time value of money and the group's weighted average cost of capital and the discount rate adjusted for risk in the respective CGU.

The following assumptions were used in the value-in-use calculations:

Year 2 and beyond Growth Rate (revenue and expense)	5%
Discount Rate (post-tax)	12.5%
Perpetuity factor for calculating terminal value (1/(discount rate – growth rate))	10

The business has developed its cash flow model, using a combination of work in hand and a weighted pipeline approach for currently known projects. Beyond the first year where visibility of projects is low, the model uses a fixed growth rate. The growth rate was assessed by management as appropriate, based on the increased business development activities of the group, the expanded markets it now operates in, along with signs of an improving resources market. The growth rate used to determine the perpetuity factor for calculating terminal value is 2.5% which approximates historic Australia inflation rates.

The Directors believe that any reasonable change in the key assumptions on which the recoverable amount of the CGU is based would not cause the CGU's carrying amount to exceed its recoverable amount.

NOTE 10

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. The Directors believes it is appropriate to aggregate all construction and maintenance activities performed by the group into one segment and operates in one geographical area – Australia.

Major customers

The consolidated entity has a number of customers to which it provides services. The consolidated entity supplies a single external customer who accounts for 9% of external revenue (2016: 82%). The next most significant customer accounts for 8% (2016: 12%).

NOTE 11

INTANGIBLE ASSETS	Consolidated entity	
	2017 (\$)	2016 (\$)
Customer relationships – at cost [note 20]	473,496	-
Customer relationships – accumulated amortisation	(81,274)	-
Net book value customer contracts	392,222	-
Productivity tool – At cost	111,857	-
Productivity tool – Accumulated Amortisation	-	-
Net book value Productivity Tool	111,857	-

Reconciliations

Reconciliations of the carrying amounts of Intangibles at the beginning and end of the current financial year

Carrying amount at beginning of year	-	-
Additions through business combinations (customer relationships) [note 20]	473,496	-
Work in progress	111,857	-
Amortisation expense	(81,274)	-
Impairment	-	-
Carrying amount at end of year	504,079	-

Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income.

The intangible asset - customer relationships, is expected to have a finite useful life of 3 years. It has been amortised on straight line basis over 3 years.

Productivity tool forms part of the TCM cash generating unit and has been tested for impairment refer note 9 above. Customers relationships forms part of the KP Electric cash generating unit and has been tested for impairment refer note 9 above.

NOTE 12

PAYABLES	Consolidated entity	
	2017 (\$)	2016 (\$)
Trade payables	1,521,425	636,636
Other payables	1,077,295	1,899,633
Total payables	2,598,720	2,536,269

NOTE 13

BORROWINGS	Consolidated entity	
	2017 (\$)	2016 (\$)
Current		
Other finance facilities (equipment, insurance, software)	163,907	690,083
Non-current		
Other finance facilities (equipment, insurance, software)	24,772	44,518
Total borrowings	188,679	734,601

NOTE 13 CONTINUED

Financing arrangements

Access was available at the reporting date to the following line of credits:

	Consolidated entity	
	2017 (\$)	2016 (\$)
Total facility limit	10,188,679	10,734,601
Total facility limit	10,188,679	10,734,601
Used at the reporting date	188,679	734,601
Unused at the reporting date*	10,000,000	10,000,000
Total facility limit	10,188,679	10,734,601

*availability to borrow depends on prevailing debtor balances at any point in time

Tempo has a \$10,000,000 Invoice Finance Facility with the National Australia Bank Limited ('NAB'), that is completely undrawn at present. 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 applicable interest rate at 31 December 2017 was 6.27%.

Other various financing agreements in place amount to \$188,679, which relate to financing for equipment, software and insurance funding. These agreements vary in interest rates from 2.69% to 8.3% and are generally secured against the item purchased.

Bank Guarantees and Surety Bonds

The Company has access to Bank Guarantee facilities of up to \$2,227,099 and surety bond facilities of \$14.5 million. As at 31 December 2017 the Company had bank guarantees issued of \$227,099 which were secured by term deposits and had \$20,000 of surety bonds drawn which is secured by a second ranking general security interest given by the Company.

NOTE 14

PROVISIONS (INCLUDING EMPLOYEE BENEFITS)	Consolidated entity	
	2017 (\$)	2016 (\$)
Current provisions		
Employee benefits	1,358,364	2,554,508
Other provisions	43,747	2,676,637
Total current provisions	1,402,111	5,231,145
Non - current provisions		
Employee benefits	112,338	45,198
Total non - current provisions	112,338	45,198
Total provisions	1,514,449	5,276,343

Employee benefits

Provision for employee benefits represents amounts accrued for annual leave, sick leave and long service leave.

EMPLOYEE BENEFITS PROVISIONS	Consolidated entity	
	2017 (\$)	2016 (\$)
Carrying amount at the beginning of period	2,599,706	5,414,406
Additions through business combination	820,625	-
Additional provision made	1,252,548	20,860,105
Amounts used	(3,202,177)	(23,674,805)
Total employee benefits provisions	1,470,702	2,599,706

Other provisions

OTHER PROVISIONS	Consolidated entity	
	2017 (\$)	2016 (\$)
Carrying amount at the beginning of period	2,676,637	2,168,867
Additional provision made	1,069,061	3,763,019
Amounts used	(3,701,951)	(3,255,249)
Total other provisions	43,747	2,676,637

NOTE 15

CONTRIBUTED EQUITY	Note	Consolidated entity	
		2017 (\$)	2016 (\$)
Ordinary shares fully paid	15(a)	79,919,240	80,094,670
Treasury shares	15(c)	(26,336)	(19,125)
		79,892,904	80,075,545

ORDINARY SHARES

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

CAPITAL RISK MANAGEMENT

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the consolidated entity may adjust the dividends paid to shareholders or issue new shares. The consolidated entity's capital risk management policy remains unchanged from the Annual Report for the year ended 31 December 2016.

NOTE 15 CONTINUED

15(a) Movements in shares on issue	Parent entity 2017		Parent entity 2016	
	# of shares	(\$)	# of shares	(\$)
Balance as at the beginning of the year	240,804,581	80,094,670	195,440,059	70,153,493
Issued during the year	-	-	45,364,522	11,548,409
Option exercised - proceeds received	-	505,000	-	842,100
Deduct: share issue costs	-	-	-	(214,204)
Deduct: cost of treasury shares allocated under the Employee Share Incentive Rights Plan during the year	-	(706,134)	-	(2,247,980)
Tax effect relating to share issue cost	-	25,704	-	12,852
Balance as at the end of the year	240,804,581	79,919,240	240,804,581	80,094,670

Share based payment reserve

The Company offered employees participation in the employee share incentive rights plan as a long-term incentive and as part of the remuneration arrangements. The amount expensed in the statement of comprehensive income is determined by reference to the fair value of the options and performance rights at the grant date.

15(b) Movements in share based payment reserve	2017	2016
	(\$)	(\$)
Outstanding at beginning of year	1,333,472	182,682
Issue during the year	-	-
Share-based payment	520,104	490,007
Exercised during the year	-	-
Lapsed or expired during the year	(23,847)	(9,667)
Tax effect relating to share based payment	179,813	670,450
Outstanding at year end	2,009,542	1,333,472

Treasury Shares

During the year, the company has established an Employee Share Trust for the purpose of acquiring, holding and transferring shares in connection with the Employee Share Option Plan established by the company for the benefits of participants in those plans. Under the Trust, 8,421,000 shares were issued by the Trust to the participants.

15(c) Movements in treasury shares	2017		2016	
	Number	(\$)	Number	(\$)
Opening balance at beginning of the year	(85,000)	(19,125)	-	-
Acquisition of shares issued by the company	-	-	(6,408,307)	(1,184,015)
Acquisition of on-market shares	(3,524,733)	(708,530)	(2,097,693)	(409,121)
Issue of shares under Employee Share Incentive Rights Plan	3,500,000	706,133	8,421,000	1,573,586
Other	-	(4,814)	-	425
Balance at year end	(109,733)	(26,336)	(85,000)	(19,125)

NOTE 16

CASH FLOW INFORMATION	Consolidated entity	
	2017 (\$)	2016 (\$)
Reconciliation of the net profit (loss) after tax to the net cash flows from operations		
Net profit/(loss)	(1,047,007)	5,454,698
Non-operating cash items		
Depreciation and amortisation	471,484	191,915
Interest expense on deferred consideration	158,315	-
Profit (loss) on sale of assets	10,822	-
ESOP, option and performance rights expenses	496,257	480,765
Changes in assets and liabilities		
Receivables	2,122,198	15,140,240
Inventories	(65,794)	3,704
Other assets	(459,157)	(282,033)
Payables	(2,016,746)	(9,765,072)
Provisions	(4,584,767)	(2,759,476)
Deferred tax assets	(1,953,517)	668,576
Net operating cash flow	(6,867,912)	9,133,317

NOTE 17

EARNING PER SHARE	Consolidated entity	
	2017 (\$)	2016 (\$)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share		
Net (loss)/profit after tax	(1,047,007)	5,454,698
Earnings used in calculating basic and diluted earnings per share	(1,047,007)	5,454,698
Weighted average number of ordinary shares used in calculating basic earnings per share	240,804,581	201,074,294
Effect of dilutive securities		
Share options and performance rights	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	240,804,581	201,074,294

Performance rights and options of 6,945,000 are considered anti-dilutive and have not been allowed for in the diluted earnings per share calculation. There have been no transactions involving ordinary shares between the reporting date and date of completion of these financial statements.

NOTE 18

LEASE EXPENDITURE COMMITMENTS	Consolidated entity	
	2017 (\$)	2016 (\$)
Operating leases (non-cancellable)		
(a) Operating leases related to office	361,831	350,253
Minimum lease payments		
- Not later than one year	322,020	270,733
- Later than one year and not later than five years	39,811	79,520
- Later than five years	-	-
Aggregate lease expenditure contracted for at reporting date	361,831	350,253

The entity had no capital commitments as at 31 December 2017 (2016: Nil)

NOTE 18 CONTINUED

FINANCE LEASE COMMITMENTS	Consolidated entity	
	2017 (\$)	2016 (\$)
Committed at the reporting date and recognised as liabilities payable:		
- Not later than one year	163,907	690,083
- Later than one year and not later than five years	24,772	44,518
Total commitment		
Less: future finance charges	-	-
Net commitment recognised as liabilities	188,679	734,601
Representing		
- Other financing facilities - current (note 13)	163,907	690,083
- Other financing facilities - non-current (note 13)	24,772	44,518
Aggregate lease expenditure contracted for at reporting date	188,679	734,601

NOTE 19

RELATED PARTY AND KEY MANAGEMENT PERSONNEL DISCLOSURES	Consolidated entity		
	2017	2016	
(a) The consolidated financial statements include the financial statements of Tempo Australia Limited and its controlled entities listed below			
	Country of Incorporation		
Subsidiaries of Tempo Australia Limited			
Tempo Resources Solutions Pty Ltd	Australia	100%	100%
Tempo Engineering Pty Ltd	Australia	100%	100%
Cablelogic Pty Ltd (formerly Tempo Engineering Services Pty Ltd)	Australia	100%	100%
Tempo Construction & Maintenance Pty Ltd	Australia	100%	100%
Tempo Personnel Management Pty Ltd (Formerly Industry Partners Pty Ltd)	Australia	100%	100%
Tempo Global Pty Ltd	Australia	100%	100%
KP Electric (Australia) Pty Ltd	Australia	100%	-

(b) Aggregate Key Management personnel compensation	2017 (\$)		2016 (\$)	
Short-term employment benefits	807,762		1,057,729	
Post-employment benefits	55,977		73,648	
Share based benefit	479,652		457,662	
Others	58,552		-	
Total benefits	1,401,943		1,589,039	

Transactions with related parties

There were no other payments than payments for director's fees with related parties during 2017.

NOTE 20

On 28 July 2016, the Company entered into an agreement to purchase the core assets of specialist electrical, telecom and data communications contractor, Cablelogic Pty Ltd, for the total consideration transferred of \$605,159. This total consideration represented the fair value of the net assets and hence no Goodwill or Intangibles were created as a result of this transaction.

Details of the fair value are as follows.

Business combination	Fair value recognised on acquisition (\$)
ASSETS	
Trade and other receivables	629,441
Inventories	97,107
Property, plant and equipment	436,380
Total Assets	1,162,928
LIABILITIES	
Borrowing	105,223
Accruals/provisions	452,546
Total liabilities	557,769
Total identifiable net assets at fair value	605,159
Cash used to acquire business	605,159
Acquisition costs expensed to profit or loss	81,122

On 24 July 2017, the Company entered into an agreement to acquire 100% of the voting rights of KP Electric (Australia) Pty Ltd ("KP Electric"), a leading national electrical services provider, for the cash consideration transferred of \$6,680,067 (net of cash acquired \$175,549) and contingent consideration of \$2,895,531. The acquisition provides the Company with a stronger national presence.

The accounting is provisional pending the receipt of final valuations. The valuation had not been completed by the date the 2017 financial statements were approved for issue by the Board of Directors. The Goodwill represents the business's integrated national footprint, the assembled workforce and expected synergies with the existing business.

Details of the provisional fair value are as follows.

NOTE 20 CONTINUED

	Provisional fair value recognised on acquisition (\$)
ASSETS	
Cash and cash equivalents	175,459
Trade and other receivables	2,480,468
Inventories	696,019
Prepayments	36,445
Property, plant and equipment	797,502
Customer relationship intangibles	473,496
Deferred tax assets	127,556
Total Assets	4,786,947
LIABILITIES	
Trade and other payables	2,048,471
Borrowing	72,592
Current tax payable	420,170
Provisions (including employee benefits)	822,886
Total liabilities	3,364,119
Total identifiable net assets at fair value	1,422,828
Cash used to acquire business	6,835,526
Contingent consideration arising on acquisition	2,895,531
Provisional goodwill arising on acquisition	8,308,230
Acquisition costs expensed to profit or loss	297,376

Since the acquisition in July to December 2017, the business has contributed \$8,163,210 and \$625,807 to the consolidated revenue and profit after tax respectively. Had the acquisition occurred on 1 January 2017 (January to December 2017), the business would have contributed \$16,662,754 and \$1,568,597 to revenue and profit after tax respectively.

The contingent consideration requires the Company to pay the former owners of KP Electric where earnings targets are met up to a maximum of \$3,350,000 undiscounted. The fair value of contingent consideration was estimated applying a probability weighted discounted cash flow model. The fair value measurement is based on inputs that are not observable in the market which is AASB 13 Fair Value Measurement refers to as Level 3 inputs. The key assumption is the probability of achieving the earnings targets which are assumed at 100%.

NOTE 21

DEFERRED TAX ASSETS AND LIABILITIES	Consolidated entity	
	2017 (\$)	2016 (\$)
Deferred tax asset comprises temporary differences at-tributable to:		
Carry forward tax losses	4,132,139	1,156,748
Accrued expenses	91,805	687,613
Employee benefits	511,709	882,556
Share based payment reserve	299,494	189,363
Trade and other receivables	88,829	-
Others	43,556	25,681
Offset of deferred tax liabilities	(264,207)	(114,344)
Balance as at year end	4,903,325	2,827,617

Deferred tax liability comprises temporary differences at-tributable to:

Inventory	14,302	28,021
Prepayment and receivables	122,302	73,531
Plant and equipment	9,716	12,792
Intangibles	117,667	-
Offset against deferred tax asset	(264,207)	(114,344)
Balance as at year end	-	-

DEFERRED TAX ASSETS AND LIABILITIES	Consolidated entity	
	2017 Deferred (\$)	2016 Deferred (\$)
Opening balance	2,827,617	2,812,891
Additions through business combination [note 20]	127,556	-
Charged to income	1,812,316	(139,695)
Charged to equity	135,836	12,852
Others	-	141,569
Closing balance	4,903,325	2,827,617

The Board believes these deferred tax assets will be able to be utilised by the Company in the future based on its analysis of the future prospects of the business to generate taxable profits. This analysis has included reviews of the current work in hand, pipeline and industry dynamics.

NOTE 22: FINANCIAL INSTRUMENTS

The consolidated entity's activities expose it to credit risk and liquidity risk. Interest rate risks are not considered as significant. The consolidated entity uses different methods to measure different types of risk to which it is exposed.

Risk management is carried out by the Chief Executive Officer and the Chief Financial Officer under policies approved by the Risk, HSE and Commercial Committee and the Board. The Board provides directions for overall risk management, as well as policies covering specific areas.

The carrying value of financial instruments approximates the fair value carried in the books.

(a) Credit risk exposures

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date for recognised financial assets is the carrying amount of those assets, net of any allowance account for doubtful debts of those assets, as disclosed in the financial statements. The consolidated entity has no derivative financial instruments or forward exchange contracts. At year end, 29% (\$1,539,957) of receivables were due. The largest debtor due at year end represented 12.9% of total trade receivables. Subsequent to the year-end the Group has received payments from all of its major debtors and as such the Group believes there is no material credit risk exposure to any single debtor or group of debtors under financial instruments.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet the ongoing expenditure requirements whilst the group is in start-up phase. In addition to cash, the group also has access to working capital facilities with a major Australian banking group. Management and the board monitor rolling forecasts of the consolidated entity's liquidity on the basis of expected cash flow.

(c) Fair value estimation

The fair value of financial assets and financial liabilities is estimated for recognition and measurement and for disclosure purposes. The carrying value of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(d) Interest rate risk

The group has an exposure to interest rates through its working capital facilities and its borrowings for equipment, insurances and software. Given the short term nature and size of the borrowings, the board believes there is no material interest rate risk.

Parent Entity Information	2017 (\$)	2016 (\$)
Profit/(Loss) after income tax	(1,916,083)	(3,013,309)
Total comprehensive income	(1,916,083)	(3,013,309)

Total current assets	9,712,087	25,708,858
Total assets	27,542,932	32,370,180
Total current liabilities	599,247	16,148,222
Total liabilities	11,831,447	16,295,277

Parent Entity Information	2017 (\$)	2016 (\$)
Equity		
Contributed equity	84,882,896	83,676,122
Accumulated losses	(69,171,441)	(67,601,219)
Total equity	15,711,485	16,074,903

Contingencies

The parent entity had no contingent liabilities as at 31 December 2017 (2016: Nil).

Capital Commitments

The parent entity had no capital commitments as at 31 December 2017 (2016: Nil).

NOTE 24 SHARE BASED PAYMENTS

An Employee Share Incentive Right Plan (ESIRP) has been established by the Company, and approved by shareholders at the general meeting held on the 2nd of May 2013 and renewed at the general meeting held on 31 May 2016, whereby 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 Tempo ESIRP.

Options

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired / forfeited / other	Balance at the end of the year	Vested at the end of year	Vesting date
30/05/2014	21/03/2017	\$0.14	2,000,000	-	(2,000,000)	-	-	-	22/02/2017
11/02/2016	7/08/2017	\$0.15	1,500,000	-	(1,500,000)	-	-	-	7/0720/17
9/06/2016	30/06/2019	\$0.36	2,000,000	-	-	-	2,000,000	-	31/05/2019
Total Granted			5,500,000	-	(3,500,000)	-	2,000,000		
Weight average exercise Price			\$0.22	-	\$0.14	-	\$0.34		

Performance rights

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired / forfeited / other	Balance at the end of the year	Vested at the end of year	Vesting date
10/06/2016	10/06/2031	\$0.00	2,500,000	-	-	(1,250,000)	1,250,000	-	1/07/2018
10/06/2016	10/06/2031	\$0.00	1,500,000	-	-	-	1,500,000	-	1/07/2019
10/06/2016	10/06/2031	\$0.00	180,000	-	-	(135,000)	45,000	-	1/07/2018
10/06/2016	10/06/2031	\$0.00	2,000,000	-	-	-	2,000,000	-	21/12/2018
10/06/2016	10/06/2031	\$0.00	150,000	-	-	-	150,000	-	15/03/2018
Total Granted			6,330,000	-	-	(1,385,000)	4,945,000	-	
Weighted average price			\$0.22	-	-	\$0.22	\$0.22	-	

NOTE 25

AUDITORS REMUNERATION	Consolidated entity	
	2016 (\$)	2015 (\$)
Audit or review of the financial report		
Ernst & Young	70,000	
RSM Australia Partners	-	64,000
Total	70,000	64,000

NOTE 26 SUBSEQUENT EVENTS

On 19 January 2018, Tempo announced that Mr Ian Lynass joined the group as VP Strategy and Corporate Development from the 22nd of January. Mr Lynass previously served as the Chief Executive Officer and Managing Director of BIS Industries Limited from April 2010 to May 2015 and has considerable leadership experience having worked in the defence, steel, petrochemical, mining and industrial services markets for over 25 years. On 19 March 2018, Tempo announced that Mr Ian Lynass would take over from Mr Max Bergomi as CEO, with Mr Bergomi also resigning his position on the Board that same day.

On 22 January 2018 Tempo announced over \$6m in new contracts including shutdown support services to Santos on the Moomba gas facility, installations of DAS at SunCorp Stadium in Brisbane and Cairns Convention Centre and other electrical project works.

On 27 February 2018 Tempo announced \$11m of contract wins including MSA's for maintenance and DAS actives for major telecommunications clients. Tempo also announced it was awarded a Letter Of Intent for solar construction projects for a multi-billion dollar international power company. The final award to Tempo of this work is contingent on the securing power purchase agreements from the Victorian Renewable Energy Auction Scheme.

NOTE 27 CONTINGENCIES

The consolidated entity has no contingent assets or liabilities as at 31 December 2017 (2016: nil).

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2017

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

- Comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- Give a true and fair view of the financial position of the consolidated entity as at 31 December 2017 and of its performance as represented by the results of their operations and its cash flows, for the year ended on that date; and
- Comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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.

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

This declaration is made in accordance with a resolution of the directors.

Director



Carmelo Bontempo
Perth
Date 29 March 2018



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

Report on the audit of the financial report

Opinion

We have audited the financial report of Tempo Australia Limited (the Company) and its subsidiaries (collectively the Group), which comprises the Statement of financial position as at 31 December 2017, the Statement of comprehensive income, the Statement of changes in equity and the Statement of cash flows for the year then ended, 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:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



1. KP electric acquisition

Why significant

As disclosed in Note 20 to the financial statements, in July 2017, the Group completed an acquisition of 100% of the issued share capital of KP Electric (Australia) Pty Ltd and the business assets of KP Electric (WA) Pty Ltd (jointly referred to as "KP Electric"), for a total consideration of \$9.7 million. The accounting for the acquisition is provisional as at 31 December 2017.

We considered the audit of accounting for this acquisition to be a key audit matter as this was a significant transaction during the year which required significant judgement regarding the allocation of the purchase price to the assets and liabilities acquired.

This required the Group to determine the provisional fair value of the assets and liabilities acquired including goodwill and other intangible assets.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the determination of the fair value of the purchase consideration, which included contingent consideration.
- ▶ Evaluated the Group's identification of assets and liabilities, including identifiable intangible assets arising from the acquisition.
- ▶ Involved our valuation specialists to consider the Group's methodologies for determining the provisional fair value of the identifiable intangible assets and assessing the key assumptions and inputs used in measuring these provisional fair values.
- ▶ Considered the adequacy of the related disclosures in the financial report.

2. Goodwill impairment

Why significant

As disclosed in Note 9 the Group has a goodwill balance of 11.4 million at 31 December 2017.

Accounting standards require goodwill to be tested for impairment annually.

The impairment testing process is complex and judgmental and is based on assumptions and estimates that are affected by expected future performance and market conditions.

The Group expects significant growth in future periods, based on the pipeline of projects on which the Group were bidding.

Accordingly, this was considered to be a key audit matter.

How our audit addressed the key audit matter

We assessed the appropriateness of the identification of CGUs and the allocation of assets to the CGUs.

Involving our valuation specialists where considered appropriate, we assessed the key assumptions underlying the discounted cash flow valuation. In doing so, we:

- ▶ Tested the mathematical accuracy of the discounted cash flow model.
- ▶ Assessed key assumptions underlying the forecast cash flows, including working capital levels, allocation of corporate costs and the discount rate used.
- ▶ Read the Board of Directors' minutes and various operational reports and plans in order to understand the future plans of the Group and whether there was any information that potentially conflicted with the assumptions made in the Group's cash flow forecasts.
- ▶ Discussed with representatives of the Group, the assumptions specifically related to the future pipeline of projects on which the group is currently bidding and determined whether these were reasonable.
- ▶ Assessed the Group's current year results in comparison to prior year forecasts to assess historical forecast accuracy.
- ▶ Assessed the Group's assumptions for terminal growth rates in the discounted cash flow model in comparison to economic and industry forecasts.
- ▶ Assessed the discount rates through comparing the weighted average cost of capital for the Group with comparable businesses.
- ▶ We performed sensitivity analysis in respect of the assumptions noted above to ascertain the extent of changes in those assumptions which would materially impact the fair value of the CGUs.
- ▶ We assessed the adequacy of the Group's disclosures in Note 9 concerning the key assumptions and sensitivities.



3. Recoverability of deferred tax assets

Why significant

The Group has a deferred tax asset (DTA) amounting to \$4.9 million recognised at 31 December 2017.

The Group recognises deferred tax assets to the extent that it is probable that future taxable income will be available against which unused tax losses, tax credits and deductible temporary differences can be utilised.

This was considered to be a key audit matter as the assessment of future taxable income is complex and requires a significant level of judgment given the external economic environment and the inherent uncertainties in the key assumptions used in the assessment of future cash flows.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Understood the Group's process for forecasting future taxable income.
- ▶ Assessed the Group's current year results in comparison to prior year forecasts to assess historical forecast accuracy.
- ▶ Evaluated the Group's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on these forecasts.
- ▶ Assessed the recoverability of the DTA against the forecast future taxable income, taking into account the Group's tax position, the amount and timing of forecast taxable income, and our knowledge and experience of the application of relevant tax legislation.
- ▶ Considered the adequacy of the Group's tax disclosures in the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report and the Additional information required by ASX that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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 on the other information obtained prior to the date of this auditor's report, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

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

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

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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



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

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report which is included as part of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Tempo Australia Limited for the year ended 31 December 2017, 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.

Ernst & Young

Philip Teale
Partner
Perth
29 March 2018

ADDITIONAL INFORMATION REQUIRED BY ASX

CORPORATE GOVERNANCE STATEMENT

The purpose of Tempo Australia Ltd ("Tempo") is to deliver to clients in the resources, industrial and commercial sectors specialist multidisciplinary maintenance and construction services, which protect and enhance their investments, without ever compromising on our values. Whilst doing this the Board is committed to providing a satisfactory return to its shareholders and fulfilling its corporate governance obligations and responsibilities in the best interests of the company and its shareholders. Good governance enables Tempo to deliver this purpose whilst meeting the Board's intent. The governance structures and processes are defined in Tempo's Corporate Governance Statement which can be found at <https://www.tempoaust.com/who-we-are/corporate-governance.html>

SHAREHOLDER INFORMATION

The information below is current at 19 March 2018, and includes additional information required by the Australian Securities Exchange Limited which is not shown elsewhere in this report.

SECURITIES EXCHANGE LISTING

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited

DISTRIBUTION OF SHAREHOLDERS

The number of shareholders, by size of holding, in each class of share is:

Category (Size of holding)	Number of ordinary shareholders	Number of ordinary shares	% of issued capital
100,001 and Over	165	220,685,153	91.64
10,001 to 100,000	413	18,072,693	7.51
5,001 to 10,000	118	964,506	0.40
1,001 to 5,000	286	997,447	0.41
1 to 1,000	258	84,782	0.04
Total	1,240	240,804,581	100.00

Non marketable securities totalling a number of 235,061 ordinary shares are held by 340 shareholders (2016: 319). There is no current on-market buy-back of securities.

OPTIONS AND PERFORMANCE RIGHTS

As at 29 March 2018 the Company had 8,745,000 unquoted options or performance rights over unissued ordinary shares in the Company held 8 different holders.

VOTING RIGHTS

On show of hands: one vote for each member on poll: one vote for each share held.

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders disclosed in substantial holding notices given to the Company are:

Name	Number of ordinary shares	% of issued capital
Bontempo Nominees Pty Ltd	42,021,632	17.45
Angophora Capital Pty Ltd	38,000,000	15.78
Pinnacle Investment management Group Limited and Pinnacle Investment Management Limited	16,371,003	6.80
Lanyon Australian Value Fund	15,440,460	6.41
Anthony Barton and Associates	15,000,000	6.20

TOP 20 SHAREHOLDERS

Rank	Name	Number of ordinary shares	% of issued capital
1	BONTEMPO NOMINEES PTY LTD	41,702,632	17.32
2	ANGOPHORA CAPITAL PTY LTD	38,000,000	15.78
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,544,510	10.19
4	INGLEWOOD LODGE PTY LTD	12,000,000	4.98
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	9,188,984	3.82
6	MR IVAN TANNER & MRS FELICITY TANNER	6,050,000	2.51
7	NATIONAL NOMINEES LIMITED	5,750,030	2.39
8	CITICORP NOMINEES PTY LIMITED	5,457,675	2.27
9	KAHLIA NOMINEES PTY LTD	4,000,000	1.66
10	MRS CHIARA RENIS	3,850,000	1.60
11	MISS SILVANA MASALKOVSKI	3,347,811	1.39
12	MR PAUL SANTILLO	2,590,000	1.08
13	VANAVO PTY LIMITED	2,150,000	0.89
14	CHEMCO SUPERANNUATION FUND PTY LTD	2,000,000	0.83
14	ZERO NOMINEES PTY LTD	2,000,000	0.83
15	MISS VICTORIA ROSE BARTON	1,730,000	0.72
16	MR ANTHONY PETER BARTON & MRS CORINNE HEATHER BARTON	1,508,438	0.63
17	OAKTONE NOMINEES PTY LTD	1,500,000	0.62
17	SUPER RAB PTY LTD	1,500,000	0.62
18	MRS CHIARA RENIS	1,485,000	0.62
19	MR ANTONIO SCAFFIDI & MRS MARIA SCAFFIDI	1,420,215	0.59
20	MRS JENNIFER ANNE CASHION	1,256,656	0.52
	Total	173,031,951	71.86
	Balance of register	67,772,630	28.14
	Grand total	240,804,581	100.00

CORPORATE DIRECTORY

DIRECTORS

Carmelo Bontempo	Chairman
Guido Belgiorno-Nettis	Non-Executive Director
Ian Widdicombe	Non-Executive Director and Deputy Chairman

LEADERSHIP TEAM

Ian Lynass	Chief Executive Officer
Michael West	Chief Financial Officer and Company Secretary

STOCK EXCHANGE LISTING

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

REGISTERED OFFICE

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SHARE REGISTRY

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SOLICITOR

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